THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the Offer or the contents of this Offer Document or the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or an independent financial adviser duly authorised under the FSMA if you are located in the United Kingdom or, if you are located outside the United Kingdom, an appropriately authorised independent financial adviser.

This Offer Document and any documents incorporated into it by reference should be read in conjunction with the accompanying Form of Acceptance (if you hold GKN Shares in certificated form). If you hold GKN Shares in uncertificated form and you are a CREST sponsored member you should contact your CREST sponsor.

This Offer Document should also be read in conjunction with the Prospectus Equivalent Document, available to Eligible GKN Shareholders at www.melroseplc.net. The Prospectus Equivalent Document has been prepared in accordance with paragraph 1.2.2(2) and 1.2.3(3) of the Prospectus Rules and contains information which is regarded by the UKLA as being equivalent to that of a prospectus. Accordingly, the Prospectus Equivalent Document has been filed with the UKLA and has been made available, free of charge, to the public in accordance with Rule 3.2 of the Prospectus Rules.

If you have sold or otherwise transferred all of your GKN Shares, please send this Offer Document, together with the accompanying reply-paid envelope (for use in the UK only), but not the personalised Form of Acceptance, at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, the foregoing documents and the Prospectus Equivalent Document must not be distributed, forwarded or transmitted (including by custodians, nominees and trustees) in or into the United States or any other Restricted Jurisdiction. If you have sold or otherwise transferred some of your GKN Shares, you should retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected. If you have recently purchased or otherwise acquired GKN Shares in certificated form, notwithstanding receipt of this Offer Document and any accompanying documents from the seller or transferor or the stockbroker, bank or other agent through whom the purchase or transfer was effected, you should contact the Receiving Agent, Equiniti Limited, to obtain a personalised Form of Acceptance.

Cash and Share Offer for GKN plc by Melrose Industries PLC

Copies of this Offer Document and of the Prospectus Equivalent Document will be made available to Eligible GKN Shareholders on Melrose’s website at www.melroseplc.net until the end of the Offer.

The procedure for acceptance of the Offer is set out on pages 23 to 27 of this document and, in respect of GKN Shares held in certificated form, in the Form of Acceptance. To accept the Offer in respect of GKN Shares held in certificated form, you must complete and return the accompanying Form of Acceptance as soon as possible and, in any event, so as to be received by the Receiving Agent by no later than 1.00 p.m. (London time) on 9 March 2018. Acceptances of the Offer in respect of GKN Shares held in uncertificated form should be made electronically through CREST so that the TTE instruction settles by no later than 1.00 p.m. (London time) on 9 March 2018. If you are a CREST sponsored member, you should contact your CREST sponsor as only your CREST sponsor will be able to send the necessary TTE instruction to Euroclear.

If you have any questions about this document or are in any doubt as to how to complete the Form of Acceptance (if you hold GKN Shares in certificated form), or how to make an Electronic Acceptance (if you hold GKN Shares in uncertificated form), or if you want to request a hard copy of the Prospectus Equivalent Document or a further copy of this Offer Document (and/or any information incorporated into it by reference to another source) please contact the Receiving Agent, Equiniti Limited, on 0333 207 6524 or, if calling from outside the United Kingdom, +44 121 415 0909. Lines are open 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday (excluding English and Welsh public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice.
## CONTENTS

Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>LETTER TO GKN SHAREHOLDERS FROM THE CHAIRMAN OF MELROSE</td>
<td>3</td>
</tr>
<tr>
<td>PROCEDURE TO ACCEPT THE OFFER AND TO MAKE A MIX AND MATCH ELECTION</td>
<td>12</td>
</tr>
<tr>
<td>EXPECTED TIMETABLE OF PRINCIPAL EVENTS</td>
<td>13</td>
</tr>
<tr>
<td>IMPORTANT NOTICES</td>
<td>14</td>
</tr>
<tr>
<td>PART 1: LETTER FROM THE FINANCIAL ADVISERS</td>
<td>20</td>
</tr>
<tr>
<td>PART 2: CONDITIONS TO AND FURTHER TERMS OF THE OFFER</td>
<td>42</td>
</tr>
<tr>
<td>Section A: Conditions to the Offer</td>
<td>42</td>
</tr>
<tr>
<td>Section B: Waiver and Invocation of the Conditions</td>
<td>50</td>
</tr>
<tr>
<td>Section C: Further terms of the Offer</td>
<td>51</td>
</tr>
<tr>
<td>Section D: Form of Acceptance for GKN Shares in certificated form</td>
<td>67</td>
</tr>
<tr>
<td>Section E: Electronic Acceptance for GKN Shares in uncertificated form</td>
<td>71</td>
</tr>
<tr>
<td>PART 3: TAXATION</td>
<td>75</td>
</tr>
<tr>
<td>PART 4: ADDITIONAL INFORMATION</td>
<td>79</td>
</tr>
<tr>
<td>PART 5: FINANCIAL AND RATINGS INFORMATION RELATING TO MELROSE AND GKN</td>
<td>89</td>
</tr>
<tr>
<td>PART 6: MELROSE PROFIT ESTIMATE</td>
<td>91</td>
</tr>
<tr>
<td>PART 7: SOURCES OF INFORMATION AND BASES OF CALCULATION</td>
<td>95</td>
</tr>
<tr>
<td>PART 8: DEFINITIONS</td>
<td>100</td>
</tr>
</tbody>
</table>
(a public limited company incorporated and registered in England and Wales with Registration no. 9800044)

Directors:
Christopher Miller (Chairman)
David Roper (Vice-Chairman)
Simon Peckham (Chief Executive)
Geoffrey Martin (Group Finance Director)
Justin Dowley (Non-executive Director)
Elizabeth Hewitt (Non-executive Director)
David Lis (Non-executive Director)
Archie G. Kane (Non-executive Director)

Registered Office:
11th Floor
The Colmore Building
20 Colmore Circus Queensway
Birmingham
B4 6AT

1 February 2018

To: GKN Shareholders and, for information only, to persons with information rights and participants in the GKN Share Schemes

Dear Shareholder

It is my pleasure to write to you in my role as both Chairman and co-founder of Melrose.

I would like to take this opportunity to introduce Melrose and explain the background to our offer for GKN and why we are very excited about this opportunity to merge our two businesses.

As we announced on 17 January 2018, as a GKN shareholder, you will receive:

81 pence in cash

and 1.49 New Melrose Shares

for each GKN Share you hold

Based on yesterday’s Melrose closing share price of 226.4 pence, the value of the shares you will receive under our offer is 337.3 pence. Therefore, together with the 81 pence in cash, our offer represents a total value of 418.3 pence per GKN share. This is the highest price that GKN has ever traded in the past 10 years (the 10 year average is in fact 243.0 pence per share). Since we approached your Board, the GKN share price has risen from 326.3 pence to 422.8 pence today, which has already created approximately £1.7 billion of value for you.

We have intentionally structured our offer in such a way as to allow GKN shareholders to benefit in what we are confident will be a significant value creation opportunity. If you accept our offer we can together create a UK engineering and industrial powerhouse worth over £10 billion today in which GKN shareholders would be majority owners.

Since Guest Keen & Co acquired Nettlefolds in 1902, GKN has been involved in many businesses. At the beginning of the 1980s it employed approximately 69,000 people in the UK alone. Today that number is nearly 6,000. GKN also employs over 50,000 people outside the UK and its employees work hard to achieve market leading positions in many of its businesses around the world. However, in recent times it has become clear that the company is underperforming its potential and its competitors. Indeed, your Board has admitted as much publicly. We believe that, unless this underperformance is rectified, GKN, like other UK manufacturing companies before it, will continue to fail to achieve its potential for the benefit of customers, shareholders, employees, pensioners and the UK economy.
Over the following pages we explain the rationale of our offer, how as a management team we will re-energise and re-purpose the GKN businesses and why we believe we are best equipped to deliver that value to you.

**Introducing Melrose and our strategy**

I recognise that many of you may not have come across Melrose before our interest was made public, so I would like to take this opportunity to introduce ourselves and our philosophy.

My colleagues and I set up Melrose in 2003 with the primary objectives of transforming the fortunes of the companies we own and creating shareholder value in doing so. We are a UK premium public company listed on the London Stock Exchange, registered in Birmingham and led by a long-standing British management team with decades of experience. We specialise in acquiring good engineering companies, with strong market positions, which are underperforming their potential. Our objective is to look for opportunities where we are able to at least double shareholders’ investments over a three to five year time scale.

We have always put our faith in public markets. We are not “private equity”. Unlike many private equity companies, we are committed to improving our businesses through a focus on operations and do not use financial engineering; we do not rely on debt to boost returns and use only modest levels of leverage.

We apply our time-tested approach of delivering operational improvements, empowering management and investing heavily, to unlock potential for the benefit of all stakeholders – shareholders, employees, customers and pensioners included. On average, in the first five years of acquisition, we have invested an additional amount equivalent to a third of the original equity purchase price of our businesses in order to strengthen and grow them through investment in research and development, capital equipment to improve manufacturing efficiencies and bolt-on acquisitions that would benefit the businesses.

Our acquisition philosophy is to invest in research and development; at Elster and Nortek this has meant an R&D investment of approximately 4% of sales over the last five years, equating to over £230 million. As a result of our approach, we have overseen strong improvements across all of our businesses.

We also pursue strategic acquisitions to enhance our existing businesses, and, having successfully completed two of the largest institutional fund raisings for acquisitions in the UK over the last five years, we are confident that, if required to develop GKN through further acquisitions, we are better placed to do so than your existing Board.

Our philosophy is to return the value created to shareholders in the form of cash distributions. We have already returned £4.3 billion to our shareholders, who continue to own a business with a market capitalisation today of £4.4 billion. It is pleasing that the beneficiaries of this value creation include the shareholders of previous acquisitions we have made.

**Our track record**

Over the last fifteen years, we have carried out four major acquisitions (with each acquisition typically comprising multiple businesses). We have nearly completed the full Melrose strategy cycle on the first three (McKechnie/Dynacast, FKI and Elster) and are making excellent progress on our most recent acquisition, Nortek, which is partly reflected in our market capitalisation.
May 2005: McKechnie/Dynacast

Our first acquisition was the combined McKechnie and Dynacast business, headquartered in Alcester, UK, which we acquired from Cinven for £429 million, with Cinven becoming a 15% shareholder and a participant in future value creation.

As part of the acquisition process, to strengthen the businesses we deliberately and significantly reduced the leverage in McKechnie/Dynacast from approximately £690 million to approximately £190 million (from 10.3x to 2.9x EBITDA) in order to facilitate substantial further investments (capital expenditure was equivalent to 1.0x depreciation) and to enable contributions at the appropriate rate into the pension schemes.

McKechnie is a supplier of specialist engineered components to the global aerospace industry. During our ownership we improved operating margins at McKechnie from 18% to 24% by optimising its cost base and focusing on profitable business.

Dynacast is a global provider of precision die cast components for a wide variety of industries including automotive, healthcare, consumer electronics, computers and peripherals. During our ownership we improved operating margins at Dynacast from 11% to 16% by successfully aligning capacity with customers and installing a success-driven organisational culture.

Overall we generated over £700 million in cash from the businesses versus an equity investment of approximately £240 million, resulting in a return of 3.0x on shareholders’ investment. This includes direct returns to shareholders after disposals of £220 million in 2007 and £373 million in 2011. Cinven more than doubled the value of its investment in Melrose in the space of six months after the acquisition.

As you will see below, the McKechnie pension scheme was fully funded under our ownership and ultimately transferred to Honeywell, backed by a parent company guarantee.
July 2008: FKI

Our second acquisition was FKI, a UK publicly-listed conglomerate, which we acquired for approximately £1 billion. This comprised a number of diverse businesses and was, at the time, more than double the size of Melrose. Our offer for FKI was structured as approximately 50% in cash and 50% in new Melrose shares allowing the FKI shareholders to participate in the value creation potential.

As part of the acquisition process, to strengthen the businesses we deliberately reduced the leverage in FKI from approximately £470 million to approximately £340 million (from 3.7x to 2.7x EBITDA) in order to facilitate substantial further investments (capital expenditure was equivalent to 1.4x depreciation) and to enable contributions at the appropriate rate into the pension schemes.

Our improvement initiatives were centred around refocusing the FKI conglomerate to allow each of its businesses to stand alone and making necessary investments to strengthen their market positions. We improved operating margin from 10% to 15% under our ownership and have since sold all of the businesses with the exception of Brush.

Overall we generated over £1.4 billion in cash from the businesses versus an equity investment of approximately £500 million, resulting in a return of 2.9x on shareholders’ investment. This includes direct returns to shareholders after disposals of £595 million in 2014 and £200 million in 2015.

As you will see below, the FKI pension scheme was appropriately funded, and the main UK defined benefit scheme (excluding the Brush scheme, which is currently in surplus) was ultimately transferred to Honeywell, backed by a parent company guarantee.
August 2012: Elster

Elster, the most recent acquisition to have completed its improvement cycle, was a US publicly-listed, German-based manufacturer of meters operating through three separate divisions with different markets and drivers (Gas, Electricity, Water). Elster is a global company with presence in 135 countries, large contracts, long-standing customers and was on the cusp of a technology revolution with smart metering.

The business had lost its focus and identity with a centralised head office causing inefficiencies and issues for the businesses. We identified an opportunity and acquired Elster in 2012 for £1.8 billion, including £1.2 billion of equity (which was one of the largest equity raises in the UK market at the time).

Under our ownership we oversaw operating profit margins increase from 13% to 22%, representing a 70% improvement in just three years.

This was achieved by focusing each business on performance, end markets, customers and operations. We significantly expanded on an optimisation programme announced by Elster before our acquisition and significantly exceeded expectations.

As with FKI, we followed our approach of focusing on operational efficiencies and exiting loss-making sales first, followed by production optimisation and a focused investment programme (capital expenditure was equivalent to 1.3x depreciation), particularly in R&D as Elster was growing its “smart” capabilities.

In December 2015 we sold all three businesses as a package to Honeywell for £3.3 billion, representing approximately 14x 2014 headline EBITDA, and in February 2016 we returned £2.4 billion in cash to shareholders.

Overall we generated over £2.5 billion in cash from Elster versus an equity investment of approximately £1.2 billion, resulting in a return of 2.3x on shareholders’ investment.
Our most recent acquisition was Nortek, a global, diversified group which manufactures innovative air management, security, home automation and ergonomic and productivity solutions. Further information on Nortek can be found on page 29 of this document.

Nortek was a US publicly-listed company which we acquired in August 2016 for £2.2 billion with £1.6 billion in equity raised from our very supportive shareholder base. We are only 18 months into our investment journey and Nortek is already responding well to the Melrose model having posted record results as at the half year and becoming the quickest turnaround in our history. The value of Nortek is partly reflected in our market capitalisation which is approximately £4.4 billion.

As part of the acquisition process we significantly reduced the leverage in Nortek from approximately $1.4 billion to approximately $670 million (from 5.1x EBITDA to approximately 2.5x EBITDA).

Having decentralised the business to free it from bureaucracy and reorganised it into three divisions (Air Management, Security and Smart Technology and Ergonomics), underlying profit is up approximately 50% in the first full year and approximately 65% when compared to the last full year prior to our acquisition. Nortek is now recording underlying operating margins of approximately 15%, a full 5 percentage points of improvement.

The full benefits of our ongoing investments at a rate of 2.0x depreciation to implement the necessary improvement programmes are still unfolding alongside further improvements planned for 2018 as we look to maintain the pace of change in order to deliver further value for shareholders.

We measure our success by the value that we deliver to shareholders. Overall, since Melrose’s first acquisition in 2005, we have generated a total net shareholder value increase of £4.9 billion and have returned £4.3 billion of cash to shareholders.

Shareholders who invested £1 with us on our first acquisition, would now have approximately £18. In contrast, shareholders who invested £1 with GKN in 2005, or at the time of our first deal, would now own an investment worth approximately £3.34.

Over the same period, we have achieved a total shareholder return of over 3,000%, compared to an average of approximately 230% across the FTSE 350 constituents, making us the third best performer in the index while GKN is in 227th place.

**Our plans to unlock GKN’s potential**

We believe that our team can bring about a transformation of GKN to unlock its full potential for the benefit of shareholders, employees, pensioners and customers alike. We will replicate our proven approach by supporting GKN’s operational management to transform, invest in and grow their businesses. We consider a change of control is a vital first step needed to allow for this transformation.
We expect to re-energise and re-purpose GKN’s operations to enable them to exceed GKN’s own top-end group trading margin target of 10%. We believe that we can deliver significantly greater benefits to the shareholders of GKN than GKN could otherwise achieve on its own.

As part of our plan we will exit low margin sales over time, ensure appropriate costs and invest in operations to improve efficiencies so as to achieve improved profit growth, increased operating margins and strong profit conversion to cash. Melrose has already identified several immediate actions which it expects to implement which comprise: head office restructuring and consequent simplification of the management structure; change of culture to focus on performance and reduced cost base; focus on profitability, not sales; investment in operations to produce return rather than growth only; return management focus back to the business by changing incentives and ensuring targets are delivered; and fast economic-based decision making to create a speedy, flat and non-bureaucratic organisation.

To put the opportunity in context, if GKN simply achieved its divisional target margins in 2017 it would exceed consensus trading profit for 2017 by approximately £300 million (equivalent to approximately 40% of 2017 consensus trading profit).

While GKN has spent £3.2 billion on capital expenditure and acquisitions in the last five years (equivalent to approximately 50% of GKN’s market capitalisation prior to approach), it has failed to translate this into margin improvement with full year 2017 group trading margin expected to be at the same level as it was back in 2011, below the low-end group trading margin target of 8%.

In some cases GKN’s business requires working with Governments and Regulators on security and other matters. As an established UK public company with relevant experience, we fully recognise our requirements in this regard and have no doubt that this is completely compatible with our approach.

Simplify and declutter GKN’s business to drive improvement

Our philosophy is to simplify and declutter the businesses that we own. As previously announced, we expect to sell certain smaller businesses in the Aerospace and Driveline divisions, which we deem to be non-core, once they have been improved. By first improving these non-core businesses, we will ensure they deliver more, not less, value to their trusted customers both before and after any sale. Our margin improvement expectations are reliant on changing the internal ways of working within GKN, and not on altering the relationships with GKN’s main customers.

We think it would be wrong to sell the Powder Metallurgy business or any of the other major businesses at this time given the substantial scope to improve them. However, we do think it would be appropriate, once improved, to consider a disposal of the Powder Metallurgy business in the medium term. Upon the disposal of Powder Metallurgy, consistent with its strategy, the Melrose Board intends to return the net proceeds to shareholders, taking into account the interests of all stakeholders including the GKN pension schemes.

With regard to the other businesses, Melrose has stated there is large scope to improve their performance. Melrose’s typical timetable for achieving this improvement is a three to five year time horizon, although we consider GKN to be at the longer end of this scale. Once the businesses have been improved, Melrose will take the best course of action for all stakeholders, taking into account the unique requirements of each. Clearly this could include publicly listing any of these businesses on the London Stock Exchange as well as fund raising for appropriate strategic acquisitions to increase the market presence of these businesses.

Melrose believes that due to its current culture and leadership, GKN is not equipped to develop its businesses to their full potential. It believes that merging Melrose and GKN into a new combined entity is by far the best answer for GKN’s shareholders, employees, customers and pensioners.

---

1 This statement is not and is not intended as a profit forecast or a Quantified Financial Benefit Statement for the purposes of Rule 28 of the City Code and should not be interpreted as such.
We do not intend any hasty separation of the Automotive and Aerospace businesses. We strongly believe that both businesses need investment and improvement and that any actions to immediately separate the businesses in preparation for a sale of one or the other would be value destructive. We expect GKN management to provide more clarity on their intentions in this regard in their forthcoming defence document, having stated on 12 January that they intend to separate the businesses.

**Strengthen GKN’s pension position**

Melrose has been a good steward of pension schemes of the companies it has owned and is committed to looking after all stakeholders. The key pillars of our strategy are (i) to maintain professional relationships with the trustees, (ii) to put in place on-going deficit reduction programmes, (iii) to maintain prudent levels of leverage and (iv) to implement one-off actions to de-risk liabilities when there is a window of opportunity to do so.

Our track record includes McKechnie (£0.2 billion liability which we improved from 58% funded to fully funded since acquisition) and FKI (£0.8 billion liability which we improved to 99% funded since acquisition). We transferred the majority of our defined benefit pension liabilities (£0.9 billion) to Honeywell, the US listed multinational with a market capitalisation of over $100 billion, as part of the sale of Elster in 2015. This led to a material improvement in the employer covenant for the scheme members because we negotiated a parent company guarantee from Honeywell for the pension scheme. The pension scheme in our Nortek business is well-funded while the scheme in our Brush business is now deficit free.

We confirm it is our intention to make a substantial voluntary cash contribution of £150 million to the GKN pension schemes within 12 months of the completion of our Offer. As Melrose’s experience above has shown, the Melrose Board have the expertise to manage GKN’s substantial defined pension liabilities for the benefit of pensioners as well as shareholders.

**Value creation in action**

Since we approached your Board, £1.7 billion of value has already been created as the GKN share price has risen from 326.3 pence to 422.8 pence today, an increase of 30% since we made our approach. The Melrose share price has also risen from 217.6 pence to 226.4 pence, which is an early indicator of the value of the Enlarged Group. Shareholders will benefit from further value creation given you would own the majority of Melrose’s current businesses. In addition you will receive the immediate cash payment of £1.4 billion in respect of the 81 pence per share cash portion of the offer.

In order to increase your participation in Melrose and therefore the anticipated value creation, you could choose to reinvest the 81 pence per share you receive directly into Melrose shares or alternatively take advantage of the mix and match facility that is being made available to you.

As I have explained above, our strategy is to realise the value of businesses once they have been improved. We expect to realise the value of our Nortek business over the next two to three years. If proceeds were equal to our market capitalisation today then approximately £2.5 billion of cash would be returned to you and your fellow GKN shareholders as majority holders in the business. This is in addition to the immediate cash payment of £1.4 billion referred to above and your retained majority shareholding in the merged group.

We are proud of our track record of providing shareholders with exceptional returns on equity on all our previous acquisitions and expect to repeat this success here.
Summary

It is accepted by your Board that GKN is in need of fundamental change.

Ultimately you as a GKN shareholder are faced with the choice between two management teams: the incumbent team at GKN or the Melrose team who have decades of experience of successfully turning around businesses. I believe that our team is uniquely qualified to make the changes needed at GKN and that a change of control is a necessary first step to unlocking the potential that exists within GKN that has been missed for so many years.

We are fully committed and prepared to deliver on this opportunity. As substantial shareholders ourselves (the Melrose Board owns approximately 3.7% of Melrose) we are highly motivated to continuing to deliver superior returns for shareholders.

Recommendation

Under our Offer of 418.3 pence per share, valued as at yesterday’s close, you would receive 81 pence per share in cash and an investment in Melrose worth 337.3 pence per share, representing a premium of approximately 28% to the GKN share price before we made our approach.

Together we have the opportunity to build a better and stronger business, creating a UK-listed manufacturing powerhouse worth in excess of £10 billion today. Our Offer will give you the shareholders the opportunity to participate in the creation of considerable value from both the GKN and the Melrose businesses.

Our long-term track record clearly demonstrates the scale of the transformation we can make at GKN. We believe that we are the best team to achieve this and would welcome the opportunity to deliver this value for you.

We invite you to accept our Offer.

Yours sincerely

[Signature]
PROCEDURE TO ACCEPT THE OFFER AND TO MAKE A MIX AND MATCH ELECTION

If you hold GKN Shares in certificated form:

If you hold your GKN Shares, or any of them, in certificated form (that is, NOT in CREST), to accept the Offer in respect of some or all of those GKN Shares, you should complete, sign and return the enclosed Form of Acceptance, along with your valid share certificate(s) and/or any other relevant documents of title as soon as possible and, in any event, so as to be received by post or by hand (during normal business hours) by the Receiving Agent, Equiniti Limited, at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing BN99 6DA by no later than 1.00 p.m. (London time) on 9 March 2018. Further details on the procedures for acceptance of the Offer if you hold any of your GKN Shares in certificated form are set out in paragraph 6(a) of Part 1 and Section D of Part 2 of this Offer Document and in the accompanying Form of Acceptance. A reply-paid envelope for use within the UK only is enclosed for your convenience and may be used by holders of GKN Shares in certificated form in the UK for returning their Form of Acceptance.

If you hold GKN Shares in uncertificated form:

If you hold your GKN Shares, or any of them, in uncertificated form (that is, in CREST), to accept the Offer in respect of some or all of those GKN Shares, you should follow the procedure for Electronic Acceptance through CREST so that the TTE instruction settles as soon as possible and, in any event, by no later than 1.00 p.m. (London time) on 9 March 2018. If you hold any of your GKN Shares through a CREST sponsored member, you should contact your CREST sponsor as only your CREST sponsor will be able to send the necessary TTE instruction to Euroclear. Further details on the procedures for acceptance of the Offer if you hold any of your GKN Shares in uncertificated form are set out in paragraph 6(b) of Part 1 and Section E of Part 2 of this Offer Document.

Mix and Match Facility

The Offer includes a Mix and Match Facility, as described in paragraph 7 of Section C of Part 2 of this Offer Document. Further details on the procedures for making Mix and Match Elections are set out in paragraph 6(a)(ii)(B) of Part 1 of this Offer Document (if you hold GKN Shares in certificated form) and in paragraph 6(b)(iii) of Part 1 of this Offer Document (if you hold GKN Shares in uncertificated form).

ACCEPTANCES OF THE OFFER MUST BE RECEIVED BY 1.00 P.M. (LONDON TIME) ON 9 MARCH 2018

You are advised to read the whole of this Offer Document and the Prospectus Equivalent Document carefully.

THE FIRST CLOSING DATE OF THE OFFER IS 1.00 P.M. (LONDON TIME) ON 9 MARCH 2018

Helpline

If you have any questions relating to this Offer Document or the completion and return of the Form of Acceptance or the making of an Electronic Acceptance (as the case may be) please telephone the Receiving Agent, Equiniti Limited, on 0333 207 6524 or, if calling from outside the United Kingdom +44 121 415 0909.

Lines are open from 8.30 a.m. until 5.30 p.m. Monday to Friday (excluding English and Welsh public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes.

All references in this document and in the Form of Acceptance are to London time.

Please note that, for legal reasons, the Receiving Agent will only be able to provide you with information contained in this Offer Document and will be unable to give advice on the merits of the Offer or to provide legal, financial or taxation advice on the contents of this Offer Document.
# EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates in the table below is indicative only and may be subject to change. References to a time of day are to London time.

<table>
<thead>
<tr>
<th>Event Description</th>
<th>Date/Times</th>
</tr>
</thead>
<tbody>
<tr>
<td>Publication and posting of this Offer Document and the Form of Acceptance</td>
<td>1 February 2018</td>
</tr>
<tr>
<td>Publication of the Prospectus Equivalent Document</td>
<td>1 February 2018</td>
</tr>
<tr>
<td>Melrose General Meeting</td>
<td>11:00 a.m. on 8 March 2018</td>
</tr>
<tr>
<td>First Closing Date</td>
<td>1.00 p.m. on 9 March 2018</td>
</tr>
<tr>
<td>Last Business Day on which GKN Shareholders can accept the Offer (unless extended)</td>
<td>29 March 2018</td>
</tr>
<tr>
<td>Latest date and time by which the Offer may be declared or become unconditional as to acceptances (ie. “Day 60”)</td>
<td>1.00 p.m. on 2 April 2018</td>
</tr>
<tr>
<td>Latest date on which the Offer may become or be declared wholly unconditional (unless extended) (ie. “Day 81”)</td>
<td>23 April 2018</td>
</tr>
<tr>
<td>Admission of, and dealings (for normal settlement) commence in,</td>
<td>8:00 a.m. on the Effective Date</td>
</tr>
<tr>
<td>New Melrose Shares on the London Stock Exchange</td>
<td></td>
</tr>
<tr>
<td>New Melrose Shares issued and credited to CREST accounts</td>
<td>As soon as possible after 8:00 a.m. on the Effective Date</td>
</tr>
<tr>
<td>Despatch of share certificates in respect of New Melrose Shares and cheques in respect of fractional entitlements to New Melrose Shares (where applicable) and payment of cash consideration due to GKN Shareholders pursuant to the terms of the Offer</td>
<td>No later than 14 calendar days after the Effective Date</td>
</tr>
</tbody>
</table>

Notes:

(1) The dates and times given are indicative only and are based on current expectations and may be subject to change (including as a result of changes to the timetable for fulfilment of regulatory and merger clearance approvals or as otherwise may be agreed with the Panel). If any of the times and/or dates above change, the revised times and/or dates will be announced via a Regulatory Information Service.

(2) The Offer is initially open for acceptance until 1.00 p.m. on 9 March 2018. Melrose reserves the right (but shall not be obliged, other than as may be required by the City Code) at any time or from time to time to extend the Offer after such time.

(3) As 2 April 2018 is a public holiday in England and Wales, Eligible GKN Shareholders should ensure their Forms of Acceptance or Electronic Acceptances (as the case may be) are submitted in sufficient time so as to be received by the Receiving Agent prior to this date.

(4) If the Offer becomes or is declared unconditional as to acceptances, Melrose has agreed to keep the Offer open for acceptances for at least 14 days following such date.

(5) Except with the consent of the Panel, all Conditions must be fulfilled (or waived (if so permitted)) or the Offer must lapse within 21 days of the First Closing Date, or the date the Offer becomes or is declared unconditional as to acceptances, whichever is the later.
IMPORTANT NOTICES

Important notices relating to financial advisers

Rothschild, which is authorised by and regulated by the FCA in the UK, is acting exclusively for Melrose and no one else in connection with the Offer and will not be responsible to anyone other than Melrose for providing the protections afforded to its clients or for providing advice in relation to the Offer or any other matters referred to in this Offer Document.

Investec, which is authorised by the PRA and regulated by the FCA and the PRA in the UK, is acting exclusively for Melrose and no one else in connection with the Offer and will not be responsible to anyone other than Melrose for providing the protections afforded to its clients or for providing advice in relation to the Offer or any other matters referred to in this Offer Document.

RBC Europe Limited, which is authorised by the PRA and regulated by the FCA and the PRA in the UK, is acting exclusively for Melrose and no one else in connection with the Offer and will not be responsible to anyone other than Melrose for providing the protections afforded to its clients or for providing advice in relation to the Offer or any other matters referred to in this Offer Document.

Notice to Overseas Shareholders

The release, publication or distribution of this Offer Document, the Form of Acceptance or the Prospectus Equivalent Document in jurisdictions other than the United Kingdom may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe any applicable requirements. In particular, the ability of persons who are not resident in the United Kingdom to accept the Offer or to execute and deliver the Form of Acceptance may be affected by the laws of the relevant jurisdictions in which they are located.

This Offer Document has been prepared for the purpose of complying with English law and the City Code, and the information disclosed may not be the same as that which would have been disclosed if this Offer Document had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.

Unless otherwise determined by Melrose or required by the City Code, and permitted by applicable law and regulation, the Offer is not being made, directly or indirectly, in, into or from the United States or any other Restricted Jurisdiction or any other jurisdiction where to do so would violate the laws in that jurisdiction and no person may accept the Offer by any use, means or instrumentality (including, but not limited to, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of, the United States or any other Restricted Jurisdiction or any other jurisdiction where to do so would constitute a violation of the laws of that jurisdiction, and the Offer may not be capable of acceptance by any such use, means, instrumentality or facilities. Accordingly, copies of this Offer Document, the Form of Acceptance or the Prospectus Equivalent Document and any accompanying document are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from the United States or any other Restricted Jurisdiction or any other jurisdiction where to do so would constitute a violation of the laws of that jurisdiction, and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from the United States or any other Restricted Jurisdiction or any other jurisdiction where to do so would constitute a violation of the laws of that jurisdiction.

The availability of the Offer to GKN Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are resident. Any such person should read paragraph 18 of Part 1, Section D of Part 2 (if such person holds GKN Shares in certificated form) or Section E of Part 2 (if such person holds GKN Shares in uncertificated form) of this Offer Document and inform themselves of, and observe, any applicable legal or regulatory requirements.

Notice relating to the United States of America

The Offer relates to the shares of an English company and is subject to UK procedural and disclosure requirements that are different from certain of those of the US. Any financial statements or other financial information included in this Offer Document may have been prepared in accordance with non-US accounting standards that may not be comparable to the financial statements of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the US. It may be difficult for US holders of shares to enforce their rights and any claims they may have arising under the US federal securities laws in connection with the Acquisition, since Melrose and GKN are located in countries other than the US, and some or all of their officers and directors may be residents of countries other than the
United States. US holders of shares in Melrose or GKN may not be able to sue Melrose, GKN or their respective officers or directors in a non-US court for violations of US securities laws. Further, it may be difficult to compel Melrose, GKN and their respective affiliates to subject themselves to the jurisdiction or judgment of a US court.

None of the New Melrose Shares, the Prospectus Equivalent Document, the Offer Document, the Form of Acceptance or any other document relating to the offering of New Melrose Shares has been approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon or determined the adequacy or accuracy of the information contained in this Offer Document and the merits of the Offer. Any representation to the contrary is a criminal offence in the United States.

In addition, until 40 days after the commencement of the Offer, an offer, sale or transfer of the New Melrose Shares within the United States by a dealer (whether or not participating in the Acquisition) may violate the registration requirements of the US Securities Act if such offer, sale or transfer is made otherwise than in accordance with Rule 144A or another exemption from registration under the US Securities Act.

It is intended that the Offer will be implemented by way of a takeover offer within the meaning of the Companies Act. However, Melrose reserves the right to elect, with the consent of the Panel (where necessary), to implement the Acquisition by way of a Court-sanctioned scheme of arrangement in accordance with Part 26 of the Companies Act. A Scheme is not subject to the tender offer rules under the US Exchange Act and therefore would be subject to the disclosure requirements and practices applicable in the UK to schemes of arrangement which differ from the disclosure requirements of the US tender offer rules. If the Acquisition is implemented by way of a scheme of arrangement, the New Melrose Shares would be expected to be issued in reliance upon the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) of the US Securities Act. Section 3(a)(10) exempts securities issued in exchange for one or more outstanding securities from the general requirements of registration where the terms and conditions of the issuance and exchange of such securities have been approved by a court, after a hearing on the fairness of the terms and conditions of the issuance and exchange at which all persons to whom such securities will be issued have the right to appear and be heard. The Court would hold a hearing on the Scheme’s fairness to GKN Shareholders, at which hearing all such shareholders would be entitled to attend in person or through counsel. If the Acquisition is implemented by way of the Scheme, a person who receives New Melrose Shares pursuant to the Scheme and who is an affiliate of Melrose may not resell such securities without registration under the US Securities Act or pursuant to the applicable resale provisions of Rule 144 under the US Securities Act or another applicable exemption from registration or in a transaction not subject to registration (including a transaction that satisfies the applicable requirements of Regulation S under the US Securities Act). Whether a person is an affiliate of a company for the purposes of the US Securities Act depends on the circumstances, but affiliates can include certain officers, directors and significant shareholders. Persons who believe that they may be affiliates of Melrose should consult their own legal advisers prior to any sale of securities received pursuant to the Scheme.

No document relating to the Offer or the Acquisition will be posted into the US, but a “Qualified Institutional Buyer” or an “Accredited Investor” (as such terms are defined by the SEC) may be permitted to participate in the Offer upon establishing its eligibility to receive New Melrose Shares by completing an eligibility questionnaire available on www.melroseplc.net and returning any required supporting documentation. The Offer will qualify for “Tier II” exemptions from the tender offer rules included in Regulation 14E under the US Exchange Act. Accordingly, the Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that may be different from those applicable under US domestic tender offer procedures and law. A person who receives New Melrose Shares pursuant to the Offer may not resell such securities without registration under the US Securities Act or without an applicable exemption from registration or in a transaction not subject to registration (including a transaction that satisfies the applicable requirements of Regulation S under the US Securities Act).

This Offer Document does not constitute a public offer of securities for sale in the US or a public offer to acquire or exchange securities in the US. Securities may not be offered or sold in the US absent registration or an exemption from registration. No offer to acquire securities or to exchange securities for other securities has been made, or will be made, directly or indirectly, in or into, or by use of the mails, any means or instrumentality of interstate or foreign commerce or any facilities of a national securities exchange of, the US or any other country in which such offer may not be made other than (i) in accordance with the US Securities Act, as amended, or the securities laws of such other country, as the case may be, or (ii) pursuant to an available exemption from such requirements. In particular, New Melrose Shares will only be made available in
the United States to qualified institutional buyers (as defined in Rule 144A under the US Securities Act) or accredited investors (as defined in Rule 501(a) under the US Securities Act) in transactions that are exempt from the registration requirements of the US Securities Act. Such shareholders will be required to make such acknowledgements and representations to, and agreements with, Melrose as Melrose may require to establish that they are entitled to receive New Melrose Shares.

Nothing in this Offer Document shall be deemed an acknowledgement that any SEC filing is required or that an offer requiring registration under the US Securities Act may ever occur in connection with the Offer.

The New Melrose Shares have not been, and will not be, registered under the securities laws of any state or jurisdiction in the United States and, accordingly, will only be issued to the extent that exemptions from the registration or qualification requirements of state “blue sky” securities laws are available or such registration or qualification requirements have been complied with.

US investors should closely read paragraph 18 of Part 1, as well as paragraphs 8 and 9 of Section C of Part 2 of this Offer Document, for further details. In particular, US investors should note that once the Offer is declared unconditional in all respects, Melrose will accept all GKN Shares that have by that time been validly tendered in acceptance of the Offer and will, in accordance with the City Code, settle the relevant consideration for all such accepted GKN Shares within 14 calendar days of such date, rather than the three trading days that US investors may be accustomed to in US domestic tender offers. Similarly, if the Offer is terminated or withdrawn, all documents of title will be returned to shareholders within 14 calendar days of such termination or withdrawal.

The receipt of cash pursuant to the Offer by a US GKN Shareholder may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other, tax laws. Each GKN Shareholder is urged to consult his independent professional adviser immediately regarding the tax consequences of accepting the Offer.

In accordance with, and to the extent permitted by, the City Code, normal UK market practice and Rule 14e-5 under the US Exchange Act, RBC Europe Limited, Investec and their respective affiliates may continue to act as exempt principal traders in GKN Shares on the London Stock Exchange and will engage in certain other purchasing activities consistent with their respective normal and usual practice and applicable law, including Rule 14e-5 under the US Exchange Act. To the extent required to be disclosed in accordance with applicable regulatory requirements, information about any such purchases will be disclosed to the Panel by no later than 12 noon on the next “business day”, as such term is defined in the City Code, and will be available from any Regulatory Information Service, including the Regulatory News Service on the London Stock Exchange website, www.londonstockexchange.com, and will also be available on Melrose’s website www.melroseplc.net. To the extent that such information is required to be publicly disclosed in the United Kingdom in accordance with applicable regulatory requirements, this information will, as applicable, also be publicly disclosed in the United States.

New Melrose Shares

The New Melrose Shares have not been, and will not be, listed on any stock exchange other than London Stock Exchange and have not been, and will not be, registered under the US Securities Act or under any laws of any state, district or other jurisdiction, of the United States, nor have clearances been, nor will they be, obtained from the securities commission or similar authority of any province or territory of Canada and no prospectus has been, or will be, filed, or registration made, under any securities law of any province or territory of Canada, nor has a prospectus in relation to the New Melrose Shares been, nor will one be, lodged with, or registered by, the Australian Securities and Investments Commission, nor have any steps been taken, nor will any steps be taken, to enable the New Melrose Shares to be offered in compliance with applicable securities laws of Japan and no regulatory clearances in respect of the New Melrose Shares have been, or will be, applied for in any other jurisdiction.

The Prospectus Equivalent Document relating to the issuance of New Melrose Shares pursuant to the Offer has been published on and is available to Eligible GKN Shareholders on Melrose’s website at www.melroseplc.net. Please note, however, that certain information on Melrose’s website may not be accessible to persons in the United States or any other Restricted Jurisdiction. The Prospectus Equivalent Document has not been and will not be submitted for approval to any market supervisory authority other than the competent authority of the UK, the FCA. Consequently, no steps may be taken that would constitute or that would result in an offer to the public of New Melrose Shares outside of the UK. The distribution of the Prospectus Equivalent Document may, in certain jurisdictions, be restricted by law, and the Prospectus Equivalent Document may not be used for the
purpose of, or in connection with, any offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase or subscribe for New Melrose Shares, or possess or distribute the Prospectus Equivalent Document, this Offer Document or the Form of Acceptance, and must obtain any consent, approval or permission required for the purchase, offer or sale of New Melrose Shares under the applicable laws and regulations in force in any jurisdiction in which any such purchase, offer or sale is made. Melrose is not making an offer to sell the New Melrose Shares or soliciting an offer to purchase any of the New Melrose Shares to any person in any jurisdiction in which such an offer or such solicitation is not permitted.

Cautionary note regarding forward looking statements

This Offer Document contains certain forward looking statements with respect to the financial condition, results of operations and businesses of Melrose and GKN and their respective groups, and certain plans and objectives of Melrose with respect to the Enlarged Group. All statements other than statements of historical fact are, or may be deemed to be, forward looking statements. Forward looking statements are statements of future expectations that are based on management’s current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward looking statements include, among other things, statements concerning the potential exposure of Melrose, the Melrose Group, GKN, the GKN Group and/or the Enlarged Group to market risks and statements expressing management’s expectations, beliefs, estimates, forecasts, projections and assumptions, including as to future potential cost savings, synergies, earnings, cash flow, return on average capital employed, production and prospects. These forward looking statements are identified by their use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “goals”, “intend”, “may”, “objectives”, “outlook”, “plan”, “probably”, “project”, “risks”, “seek”, “should”, “target”, “will” and similar terms and phrases.

There are a number of factors that could affect the future operations of Melrose, the Melrose Group, GKN, the GKN Group and/or the Enlarged Group and that could cause results to differ materially from those expressed in the forward looking statements included in this Offer Document, including (without limitation): (a) changes in demand for Melrose’s and/or GKN’s products; (b) currency fluctuations; (c) loss of market share and industry competition; (d) risks associated with the identification of suitable potential acquisition properties and targets, and successful negotiation and completion of such transactions; and (e) changes in trading conditions.

All forward looking statements contained in this Offer Document are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Readers should not place undue reliance on forward looking statements. For a discussion of important factors which could cause actual results to differ from forward-looking statements in relation to the Melrose Group or the GKN Group, refer to the annual report and accounts of the Melrose Group for the financial year ended 31 December 2016 and of the GKN Group for the financial year ended 31 December 2016, respectively, as well as the section entitled “Risk Factors” in the Prospectus Equivalent Document.

Unless otherwise specified, each forward looking statement speaks only as of the date of this Offer Document. Neither Melrose nor the Melrose Group undertakes any obligation to publicly update or revise any forward looking statement as a result of new information, future events or otherwise, except to the extent legally required, including without limitation pursuant to the Listing Rules, the Prospectus Rules, the Disclosure Guidance and Transparency Rules and the Market Abuse Regulations. In light of these risks, results could differ materially from those stated, implied or inferred from the forward looking statements contained in this Offer Document.

Rounding

Certain figures included in this Offer Document have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables or forms may vary slightly and figures shown as totals in certain tables or forms may not be an arithmetic aggregation of the figures that precede them.

No forecasts or estimates

Other than the forecasts issued by GKN and set out in paragraph 11 of Part 1 (which forecasts have not been subject to comment or verification by Melrose or its directors and in respect of which the Melrose Directors accept no responsibility) and the Melrose Profit Estimate, no statement in this Offer Document (including any statement of estimated synergies) is intended as a profit forecast, estimate or quantified benefits statement for
any period and no statement in this Offer Document should be interpreted to mean that cash flow from operations, free cash flow, earnings or earnings per share for Melrose, GKN or the Enlarged Group, as appropriate, for the current or future financial years would necessarily match or exceed the historical published cash flow from operations, free cash flow, earnings or earnings per share for Melrose or GKN as appropriate.

**Disclosure requirements of the City Code**

Under Rule 8.3(a) of the City Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person’s interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 p.m. on the 10th Business Day following the commencement of the offer period and, if appropriate, by no later than 3.30 p.m. on the 10th Business Day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the City Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person’s interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 p.m. on the Business Day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4 of the City Code).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel’s website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel’s Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

For the purpose of this section (Disclosure requirements of the City Code) and the following section (Publication on website and availability of hard copies) of this Offer Document, “Business Day” means a day on which the London Stock Exchange is open for the transaction of business.

**Publication on website and availability of hard copies**

A copy of this Offer Document and the Prospectus Equivalent Document, together with those documents listed in paragraph 9 of Part 4 of this Offer Document and all information incorporated into this Offer Document by reference to another source, are available, subject to certain restrictions relating to persons resident in the United States or any other Restricted Jurisdiction, for inspection on Melrose’s website www.melroseplc.net. For the avoidance of doubt, the contents of the websites referred to in this Offer Document are not incorporated into and do not form part of this Offer Document.

Subject to certain restrictions relating to persons in the United States or any other Restricted Jurisdiction, you may request further hard copies of this Offer Document, the Form of Acceptance and/or any information incorporated into this Offer Document by reference to another source by contacting the Receiving Agent, Equiniti Limited by telephone between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (excluding English and Welsh public holidays) on 0333 207 6524 or, if calling from outside the United Kingdom, +44 121 415 0909. Calls to the helpline from outside the UK will be charged at the applicable
international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice. In addition, provided you are not located in the United States or any other Restricted Jurisdiction, you may also request a hard copy of the Prospectus Equivalent Document by contacting the Receiving Agent in accordance with the above details. You may also request that all future documents, announcements and information to be sent to you in relation to the Offer should be in hard copy form. A hard copy of such documents, announcements and information will not be sent unless so requested in accordance with the above.

This document is dated 1 February 2018.
PART 1: LETTER FROM THE FINANCIAL ADVISERS

To: GKN Shareholders and, for information only, to persons with information rights and participants in the GKN Share Schemes

Dear GKN Shareholder,

Offer for GKN plc by Melrose Industries PLC

1. Introduction

On 17 January 2018, Melrose Industries PLC announced the terms of its firm offer to acquire the entire issued and to be issued share capital of GKN plc. Details of the Offer are set out below.

Acceptances of the Offer should be received as soon as possible and, in any event, by no later than 1.00 p.m. (London time) on 9 March 2018.

2. Summary of the terms of the Offer

Under the terms of the Offer (which is subject to the Conditions, including the approval of the Melrose Shareholder Resolutions at the Melrose General Meeting) and further terms summarised below and set out in Part 2 of this Offer Document, GKN Shareholders are entitled to receive:

1.49 New Melrose Shares

and 81 pence in cash

for each GKN Share

Based on Melrose’s Closing Price of 226.4 pence per Melrose Share on 31 January 2018 (being the Latest Practicable Date), the Acquisition:

• values each GKN Share at 418.3 pence;
• values the entire issued and to be issued ordinary share capital of GKN at approximately £7.3 billion; and
• represents an attractive immediate premium of:
  • approximately 26 per cent. to the Closing Price of 332.70 pence per GKN Share on 11 January 2018 (being the last Business Day before commencement of the Offer Period); and
  • approximately 28 per cent. to the Closing Price of 326.30 pence per GKN Share on 5 January 2018 (being the last Business Day prior to the approach made by Melrose to the GKN Board in connection with the Offer).

Following completion of the Acquisition, GKN Shareholders will have received £1.4 billion in cash and will own approximately 57 per cent. of the Enlarged Group, which will include both the current GKN and Melrose businesses.

The Melrose Board, who have been so advised by Rothschild and RBC Europe Limited as to the financial terms of the Acquisition, consider the terms of the Acquisition to be fair and reasonable and in the best interests of the Melrose Shareholders. In providing their advice to the Melrose Board, Rothschild and RBC Europe Limited have taken into account the Melrose Board’s commercial assessment of the Acquisition. Each of Rothschild and RBC Europe Limited is acting as independent financial adviser to Melrose for the purposes of providing independent advice to the Melrose Board in connection with the Acquisition under Rule 3 of the City Code.
The Offer includes a Mix and Match Facility, which will allow Eligible GKN Shareholders to elect, subject to offsetting elections, to vary the proportions in which they receive New Melrose Shares and cash in respect of their GKN Shares. The Mix and Match Facility allows Eligible GKN Shareholders to either:

- elect the “More Shares” option (equating to approximately 1.8622\(^1\) New Melrose Shares for every GKN Share so elected if other GKN Shareholders make equal and opposite Mix and Match Elections), so as to surrender some or all of their entitlement to the cash component under the terms of the Offer (being 81 pence per GKN Share held) in exchange for additional New Melrose Shares (being approximately 0.3722\(^2\) New Melrose Shares per 81 pence if other GKN Shareholders make equal and opposite Mix and Match Elections) in addition to the 1.49 New Melrose Shares due; or

- elect the “More Cash” option (equating to 405 pence for every GKN Share so elected if other GKN Shareholders make equal and opposite Mix and Match Elections), so as to surrender some or all of their entitlement to New Melrose Share under the terms of the Offer (being 1.49 New Melrose Shares per GKN Share held) in exchange for additional cash (being 324 pence per 1.49 New Melrose Shares if other GKN Shareholders make equal and opposite Mix and Match Elections) in addition to the 81 pence per GKN Share due.

The ratio for making elections under the Mix and Match Facility has been determined by reference to the offer price of 405 pence per GKN Share made when Melrose first approached the GKN Board in connection with the terms of the Offer.

IMPORTANT: An election under the Mix and Match Facility does not guarantee that you will receive either approximately 1.8622 New Melrose Shares under the “More Shares” option or 405 pence under the “More Cash” option in respect of each GKN Share so elected. Elections under the Mix and Match Facility could be scaled back pro rata, with any unsuccessful elections for the “More Cash” option or “More Shares” option being treated as an election to receive the Base Consideration of 81 pence and 1.49 New Melrose Shares. Adjustments to the entitlements of GKN Shareholders pursuant to the Mix and Match Elections may be made by Equiniti Limited under instruction from Melrose on a basis that Melrose consider to be fair and reasonable to the extent necessary to satisfy all entitlements pursuant to the Mix and Match Elections as nearly as may be practicable. Such adjustments shall be final and binding on GKN Shareholders.

It should be noted that the total number of New Melrose Shares to be issued and the maximum aggregate amount of cash to be paid under the terms of the Offer will not be varied as a result of elections under the Mix and Match Facility. Satisfaction of elections made by Eligible GKN Shareholders under the Mix and Match Facility will therefore depend on the extent to which other GKN Shareholders make offsetting elections. To the extent that elections for “More Cash” or “More Shares” cannot be satisfied in full, they will be scaled down on a pro-rata basis and rounded down to the nearest whole number of GKN Shares. As a result, Eligible GKN Shareholders who make an election under the Mix and Match Facility will not necessarily know the exact number of New Melrose Shares or the amount of cash they will receive until settlement of the consideration due to them is made following the Effective Date. The Mix and Match Facility will not affect the entitlement to the Base Consideration due under the Offer to any GKN Shareholder who does not make an election under the Mix and Match Facility. Further information about the Offer and the Mix and Match Facility is provided in Section C of Part 2 of this Offer Document.

The New Melrose Shares will be issued credited as fully paid and will rank pari passu in all respects with the Melrose Shares in issue at the time the New Melrose Shares are issued pursuant to the Offer, including the right to receive and retain dividends and other distributions declared, made or paid by reference to a record date falling after the Effective Date. Applications will be made to the UKLA for the New Melrose Shares to be admitted to the Official List with a premium listing and to trading on the main market for listed securities of the London Stock Exchange. A total of up to 2,598,898,592 New Melrose Shares will be issued in connection with the Offer assuming Melrose acquires the entire issued and to be issued share capital of GKN.

If, after 17 January 2018, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the GKN Shares, Melrose reserves the right to reduce the offer consideration by an amount up to the amount of such dividend and/or distribution and/or return of capital so announced, declared or paid, in which case any reference in this Offer Document to the offer consideration for the GKN Shares will be deemed to be a reference to the offer consideration as so reduced and GKN Shareholders will be entitled to receive and retain that dividend and/or distribution.

---

\(^1\) The full number of New Melrose Shares for every GKN Share under the “More Shares” option is 1.862242647058824.

\(^2\) The full number of New Melrose Shares for every 81 pence under the “More Shares” option is 0.372242647058824.
and/or return of capital. For the avoidance of doubt, any payments made in cash or by way of the delivery of shares on the vesting of awards calculated by reference to dividends accrued in respect of those underlying vested shares are not to be construed as a dividend, distribution or return of capital for these purposes. In the event of any such dividend and/or other distribution and/or other return of capital being announced, declared or paid in respect of the GKN Shares, an appropriate adjustment will be made to the Mix and Match Facility.

3. Conditions

The Offer is conditional upon, amongst other things, approval from the Melrose Shareholders, clearance from the EU, US and other antitrust authorities and approvals or confirmation of non-applicability from (i) CFIUS and other US defence and federal agencies, (ii) the German BMWi and (iii) the French Ministry of Economy ((i) - (iii) together, the “Defence and Ministerial Conditions”).

4. Update on regulatory approvals

Melrose and its advisers have contacted all relevant regulators to inform them about the Acquisition and to commence the process for gaining the relevant clearances as expeditiously as possible. A draft notification has been submitted to CFIUS and notifications have been made to the German BMWi and the French Ministry of Economy, and constructive dialogue continues with all relevant regulators in the EU, the US (including CFIUS) and elsewhere. In addition, filings or draft filings have been submitted in relation to all antitrust conditions being US, EU, Canada, India, Mexico, Turkey, Russia and South Africa. Based on its analysis to date, Melrose does not believe there to be any substantive competition issues or overlaps in any of the relevant jurisdictions. The Melrose Board understands that such regulators have or are in the process of contacting GKN and its advisers to request relevant data from GKN. Melrose has also requested this data directly from GKN (on a counsel to counsel basis) so as to complete the relevant filings. GKN (through its counsel) has stated that it does not propose to respond to Melrose’s requests for information. Melrose has sent a follow up request for cooperation by GKN.

In any event, Melrose believes the relevant regulators have the ability to require GKN to provide the relevant information. Melrose continues to work with the relevant authorities to ensure all necessary filings are made and the approvals obtained as quickly as possible.

The Offer is subject to the Conditions and further terms set out or referred to in Part 2 of this Offer Document.

5. Compulsory acquisition, delisting of GKN Shares and re-registration of GKN

If Melrose receives acceptances under the Offer in respect of, and/or otherwise acquires, both 90 per cent. or more in value of the GKN Shares to which the Offer relates and 90 per cent. or more of the voting rights carried by those shares, and assuming that all of the other Conditions have been satisfied or waived (if capable of being waived), Melrose intends to apply the provision of sections 974 to 991 of the Companies Act to compulsorily acquire any outstanding GKN Shares to which the Offer relates and in respect of which the Offer has not been accepted. Any GKN Shares compulsorily acquired will be acquired on the same terms as the Offer.

If the Offer becomes or is declared unconditional in all respects and Melrose has, by virtue of acceptances of the Offer, acquired GKN Shares carrying 75 per cent. or more of the voting rights of GKN, it is intended that an application will be made to the London Stock Exchange for the cancellation of the trading of GKN Shares on its main market for listed securities and the UKLA will be requested to cancel the listing of GKN Shares on the Official List.

It is anticipated that the cancellation of GKN’s listing on the Official List and admission to trading on the London Stock Exchange’s main market for listed securities will take effect no earlier than 20 Business Days following the later of the date on which the Offer becomes or is declared unconditional in all respects or, provided Melrose has, by virtue of its shareholdings and acceptances of the Offer, acquired GKN Shares carrying 75 per cent. or more of the voting rights of GKN, the date on which Melrose has made an announcement of that fact.

As soon as possible after the cancellation of the trading of GKN Shares on the London Stock Exchange’s main market for listed securities and the cancellation of the listing of GKN Shares on the Official List, it is intended that GKN will be re-registered as a private limited company.

Following the Effective Date, Melrose intends to procure the termination of the existing GKN American Depositary Receipt programme in accordance with its terms.
Delisting of the GKN Shares and the re-registration of GKN as a private limited company will significantly reduce the liquidity and marketability of any GKN Shares in respect of which the Offer has not been accepted at that time. Any remaining GKN Shareholders would become minority shareholders in a majority controlled private limited company and may therefore be unable to sell their GKN Shares. There can be no certainty that GKN would pay any further dividends or other distributions or that such minority GKN Shareholders would again be offered an opportunity to sell their GKN Shares on terms which are equivalent to or no less advantageous than those under the Offer.

6. Procedure for acceptance of the Offer

This paragraph should be read in conjunction with Sections C, D and/or E of Part 2 of this Offer Document and, in respect of GKN Shares held in certificated form (that is, not in CREST), the notes on the accompanying Form of Acceptance, which shall be deemed to be incorporated into, and form part of, the terms of the Offer.

Different procedures for acceptance apply depending upon whether your GKN Shares are held in certificated or uncertificated form (that is, within CREST).

The Offer will not be extended to holders of American Depositary Receipts representing GKN Shares (“GKN ADRs”). You should refer to the terms of the deposit agreement relating to the GKN American Depositary Receipt programme to determine your rights to instruct the depositary for the GKN American Depositary Receipt programme (the “Depositary”) in relation to the GKN ADRs. If you are a holder of GKN ADRs and wish to participate directly in the Offer (assuming you would be eligible to participate if you were to hold GKN Shares directly), you should contact either the Depositary, or if you hold the GKN ADRs through a broker or other securities intermediary, that broker or intermediary, in each case to determine the date by which you must instruct them to act in order that any necessary processing can be completed in time.

(a) GKN Shares held in certificated form (that is, not in CREST)

(i) General

You should complete separate Forms of Acceptance for GKN Shares held in certificated form but under different designations. If you have any queries as to how to complete the Form of Acceptance, please telephone the Receiving Agent, Equiniti Limited between 8.30 a.m. and 5.30 p.m. Monday to Friday (excluding English and Welsh public holidays) on 0333 207 6524 (or from outside the United Kingdom on +44 121 415 0909). Calls to the helpline from outside the UK will be charged at the applicable international rates. Additional Forms of Acceptance are available from the Receiving Agent upon request.

(ii) Completion of the Form of Acceptance

If you hold your GKN Shares, or any of them, in certificated form (that is, NOT in CREST), to accept the Offer in respect of those GKN Shares, you should complete, sign and return the enclosed Form of Acceptance in accordance with the relevant instructions set out in this paragraph 6 below, in Section D of Part 2 of this Offer Document and in the Form of Acceptance.

(A) To accept the Offer to receive the Base Consideration:

You must complete Box 1 by inserting the total number of certificated GKN Shares held by you in respect of which you wish to accept the Offer, whether or not you wish to make an election under the Mix and Match Facility. Note this must be in respect of a whole number of GKN Shares.

In addition:

(1) an individual must sign the Form of Acceptance in accordance with the instructions set out in Step 5A in the presence of a witness, who must also sign the Form of Acceptance in accordance with the instructions set out in Step 5A; or

(2) a company must execute the Form of Acceptance in accordance with the instructions set out in Step 5B.

If you do not insert a number in Box 1 of the Form of Acceptance, you will be deemed to have accepted the Offer in respect of the number of GKN Shares printed in Box A of the relevant Form of Acceptance. If you enter in Box 1 the word “ALL” or any other word or marking or a number which is greater than the number of GKN Shares that you hold and you have signed Box 5A or Box 5B, you will be deemed to have accepted the Offer in respect of the greater of: (i) your entire holding of GKN Shares in certificated form as disclosed by details of the register of members made available to
the Receiving Agent prior to the time the relevant Form of Acceptance is processed by them; (ii) your entire holding of GKN Shares in certificated form as disclosed by details of the register of members made available to the Receiving Agent prior to the latest time for receipt of Form(s) of Acceptance, which can be taken into account in determining whether the Offer is unconditional as to acceptances; and (iii) the number of GKN Shares in certificated form in respect of which certificates or an indemnity in lieu thereof is received.

(B) To make an election under the Mix and Match Facility:

To make an election under the Mix and Match Facility you must first accept the Offer in accordance with the instructions set out in paragraph 6(a)(ii)(A) above. Having done so, you must then complete EITHER Box 2A OR Box 2B of the Form of Acceptance. Under the Mix and Match Facility, you may, subject to availability, elect to receive either additional New Melrose Shares only or additional cash only in respect of some or all of your GKN Shares. YOU MUST NOT THEREFORE COMPLETE BOTH BOX 2A AND BOX 2B. If you complete both Box 2A and Box 2B, you will be deemed not to have made a valid election under the Mix and Match Facility and you will be deemed to have accepted the Offer to receive the Base Consideration in respect of the number of GKN Shares inserted or deemed to be inserted in Box 1.

(1) To elect for more New Melrose Shares:

If you wish to receive additional New Melrose Shares in lieu of cash to which you would be entitled under the Offer to receive the Base Consideration, you must put either “ALL” or the relevant number of GKN Shares (which must be a whole number) in respect of which you wish to receive additional New Melrose Shares in Box 2A.

(2) To elect for more cash:

If you wish to receive additional cash in lieu of the New Melrose Shares to which you would otherwise be entitled under the Offer to receive the Base Consideration, you must put either “ALL” or the relevant number of GKN Shares (which must be a whole number) in respect of which you wish to receive additional cash in Box 2B.

If you make a Mix and Match Election in respect of some (but not all) of your GKN Shares, you will receive the Base Consideration in respect of the balance of your GKN Shares.

A Form of Acceptance received after the closing date of the Mix and Match Facility (if one is specified) but before the Closing Date will be taken to constitute an acceptance of the Offer to receive the Base Consideration (but not a valid election under the Mix and Match Facility).

The invalidity of an election under the Mix and Match Facility will not affect the validity of an acceptance of the Offer. Eligible GKN Shareholders tendering a valid acceptance of the Offer but an invalid election under the Mix and Match Facility will be taken to have accepted the Offer to receive the Base Consideration.

(iii) Return of the Form of Acceptance

To accept the Offer in respect of GKN Shares held in certificated form (including in respect of an election under the Mix and Match Facility, if any), the completed, signed and (where applicable) witnessed Form of Acceptance should be returned by post or by hand (during normal business hours) to the Receiving Agent, Equiniti Limited at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing BN99 6DA, together (subject to paragraph 6(a)(iv) below) with the relevant share certificate(s) and/or other document(s) of title, as soon as possible and, in any event, so as to be received not later than 1.00 p.m. on 9 March 2018. A reply-paid envelope (valid for posting in the UK only) is enclosed for your convenience. No acknowledgement of receipt of documents will be given.

Any Form of Acceptance received in an envelope post-marked in the United States or in any other Restricted Jurisdiction or otherwise appearing to Melrose or its agents to have been sent from the United States or any other Restricted Jurisdiction may be rejected, unless the requirements for eligibility to participate in the Offer have, in Melrose’s sole judgement, been met.

For further information on GKN Shareholders resident overseas, see paragraph 18 below of this Part 1 above.
(iv) **Share certificates not readily available or lost**

If your GKN Shares are held in certificated form, a completed, signed and (where applicable) witnessed Form of Acceptance should be accompanied by the relevant share certificate(s) and/or other document(s) of title. If for any reason the relevant share certificate(s) and/or other document(s) of title is/are not readily available or is/are lost, you should nevertheless complete, sign and lodge a Form of Acceptance as stated above by post or by hand (during normal business hours) to the Receiving Agent, Equiniti Limited, at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing BN99 6DA, so as to be received not later than 1.00 p.m. on 9 March 2018. You should send with such Form of Acceptance any share certificate(s) and/or other document(s) of title which you may have available, accompanied by a letter stating that the remaining documents will follow as soon as possible or that you have lost one or more of your share certificate(s) and/or other document(s) of title.

If subsequently available, you should then arrange for the relevant share certificate(s) and/or other document(s) of title to be forwarded as soon as possible. If you have lost your share certificate(s) and/or other document(s) of title, you should as soon as possible write to or telephone GKN’s registrars, Equiniti Limited (who are also the Receiving Agent), on 0333 207 6524 (or from outside the United Kingdom on +44 121 415 0909), requesting a letter of indemnity for the lost share certificate(s) and/or other document(s) of title which, when completed in accordance with the instructions given, should be returned by post or (during normal business hours) by hand to the Receiving Agent as stated above.

(v) **Validity of acceptances**

Without prejudice to Sections C and D of Part 2 of this Offer Document, subject to the provisions of the City Code, Melrose reserves the right to treat as valid in whole or in part any acceptance of the Offer which is not entirely in order or which is not accompanied by the relevant share certificate(s) and/or other document(s) of title. In such event, no settlement of the consideration under the Offer will be made until after the relevant share certificate(s) and/or other document(s) of title or indemnities reasonably satisfactory to Melrose have been received.

(b) **GKN Shares held in uncertificated form (that is, in CREST)**

(i) **General**

If your GKN Shares are held in uncertificated form, to accept the Offer and to make an election under the Mix and Match Facility, if desired, you should take (or procure the taking of) the actions set out below to transfer those GKN Shares in respect of which you wish to accept the Offer to the appropriate escrow balance(s), specifying the Receiving Agent (in its capacity as a CREST participant under the Escrow Agent’s participant ID referred to below) as the Escrow Agent, as soon as possible and in any event so that the TTE instruction settles not later than 1.00 p.m. on 9 March 2018. Note that settlement cannot take place on weekends or UK bank holidays (or other times at which the CREST system is non-operational)-you should therefore ensure you time the input of any TTE instructions accordingly.

The input and settlement of a TTE instruction in accordance with this paragraph will (subject to satisfying the requirements set out in Section E of Part 2) constitute an acceptance of the Offer in respect of the number of GKN Shares in uncertificated form so transferred to escrow.

If you are a CREST sponsored member, you should contact your CREST sponsor before taking any action. Only your CREST sponsor will be able to send the TTE instruction(s) to Euroclear in relation to your GKN Shares.

After settlement of a TTE instruction, you will not be able to access the GKN Shares concerned in CREST for any transaction or charging purposes. If the Offer becomes or is declared unconditional in all respects, the Escrow Agent will transfer the GKN Shares concerned in accordance with paragraph (e)(i) of Section E of Part 2 to this Offer Document.

You are recommended to refer to the CREST Manual issued by Euroclear for further information on the CREST procedure outlined below.

You should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST sponsor) to enable a TTE instruction relating to your GKN Shares to settle as soon as possible and, in any event, so as to be received.
not later than 1.00 p.m. on 9 March 2018. You are referred in particular to those sections of the CREST Manual concerning the practical limitations of the CREST system and timings.

(ii) To accept the Offer to receive the Base Consideration:

To accept the Offer to receive the Base Consideration in respect of some or all of your GKN Shares, you should send (or, if you are a CREST sponsored member, procure that your CREST sponsor sends) a Basic Offer TTE Instruction to Euroclear which must be properly authenticated in accordance with Euroclear’s specifications and which must contain, in addition to the other information that is required for a TTE instruction to settle in CREST, the following details:

- the number of GKN Shares in respect of which you wish to accept the offer (such GKN Shares to be transferred to an escrow balance);
- the ISIN number for the GKN Shares which is GB0030646508;
- your member account ID;
- your participant ID;
- the participant ID of the Escrow Agent (this is 5RA66), acting in its capacity as the CREST Receiving Agent;
- the relevant member account ID of the Escrow Agent, (this is MELGKN01);
- the intended settlement date (this should be as soon as possible and in any event not later than 1.00 p.m. on 9 March 2018);
- the corporate action number for the Offer (this is allocated by Euroclear and shall be available on a screen from Euroclear);
- input with standard delivery instruction priority of 80; and
- the contact name and telephone number of the accepting GKN Shareholder inserted in the shared note field.

(iii) To make an election under the Mix and Match Facility

To accept the Offer and make an election under the Mix and Match Facility, you should send (or if you are a CREST sponsored member, procure that your CREST sponsor sends) a Mix and Match TTE Instruction (but not a Basic Offer TTE Instruction) to Euroclear in relation to such shares, in accordance with EITHER paragraph (A) OR paragraph (B) below. Under the Mix and Match Facility, you may, subject to availability, elect to receive either additional New Melrose Shares only or additional cash only in respect of some or all of your GKN Shares. YOU MUST NOT THEREFORE INDICATE THAT YOU WOULD LIKE TO RECEIVE ADDITIONAL NEW MELROSE SHARES AND ADDITIONAL CASH. If you do so, you will be deemed not to have made a valid election under the Mix and Match Facility and you will be deemed to have accepted the Offer to receive the Base Consideration in respect of the number of GKN Shares in respect of which the Mix and Match TTE Instruction relates.

(A) To elect for more New Melrose Shares:

You should adopt the same procedures as apply in respect of a Basic Offer TTE Instruction, but with the following variations:

1. in the field relating to the number of GKN Shares to be transferred to escrow, you should insert the number of shares in respect of which you wish to make an election under the Mix and Match Facility for additional New Melrose Shares only; and

(B) To elect for more cash:

You should adopt the same procedures as apply in respect of a Basic Offer TTE Instruction, but with the following variations:

1. in the field relating to the number of GKN Shares to be transferred to escrow, you should insert the number of shares in respect of which you wish to make an election under the Mix and Match Facility for additional cash only; and
(2) the member account ID of the Escrow Agent for such election is MELGKN03.

If you make a Mix and Match Election in respect of some (but not all) of your GKN Shares, you will need to send (or procure the sending of) a Basic Offer TTE Instruction in respect of the balance of your GKN Shares in order to receive the Base Consideration under the Offer in respect of such balance of your GKN Shares.

A Mix and Match TTE Instruction which settles after the closing date of the Mix and Match Facility (if one is specified) but before the Closing Date will be deemed to be an acceptance of the Offer to receive the Base Consideration (but not a valid election under the Mix and Match Facility).

The invalidity of an election under the Mix and Match Facility will not affect the validity of an acceptance of the Offer. Eligible GKN Shareholders tendering a Mix and Match TTE Instruction which is a valid acceptance of the Offer but an invalid election under the Mix and Match Facility will be taken to have accepted the Offer to receive the Base Consideration.

(iv) Validity of acceptances

Holders of GKN Shares in uncertificated form who wish to accept the Offer should note that a TTE instruction will only be a valid acceptance of the Offer as at 9 March 2018 if it has settled on or before 1.00 p.m. on that date or, if later, as at the Closing Date if it has settled on or before 1.00 p.m. on that date. A Form of Acceptance which is received in respect of GKN Shares held in uncertificated form may be treated as an invalid acceptance of the Offer and may be disregarded.

(v) General

Normal CREST procedures (including timings) apply in relation to any GKN Shares that are, or are to be, converted from uncertificated to certificated form, or from certificated to uncertificated form, during the course of the Offer (whether any such conversion arises as a result of a transfer of GKN Shares or otherwise). GKN Shareholders who are proposing to convert any such shares are recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the shares as a result of the conversion to take all necessary steps in connection with an acceptance of the Offer (in particular, as regards delivery of share certificate(s) and/or other documents of title or transfers to an escrow balance as described above) prior to 1.00 p.m. on 9 March 2018.

If you are in any doubt as to the procedure for acceptance of the Offer, please contact the Receiving Agent, Equiniti Limited, at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing BN99 6DA or by telephone between 8.30 a.m. and 5.30 p.m. Monday to Friday (excluding English and Welsh public holidays) on 0333 207 6524 (or from outside the United Kingdom on +44 121 415 0909). Calls to the helpline from outside the UK will be charged at the applicable international rates. You are reminded that, if you are a CREST sponsored member, you should contact your CREST sponsor before taking any action.

7. No access to GKN’s non-public information

Melrose and its advisers have not had access to GKN’s non-public information or documentation and accordingly have been unable to perform any due diligence on such information or documentation. All information relating to GKN and the GKN Group has been sourced from publicly available information and has not been subject to comment or verification by GKN or the relevant member of the GKN Group or their respective directors.

8. Background to and reasons for the Offer

The letter from the Chairman of Melrose included on pages 3 to 11 of this Offer Document explains the background to the Offer. Melrose’s focus is to acquire high quality industrial manufacturing businesses with strong fundamentals whose performance can benefit from a change in direction. The strategy is based on supporting and incentivising management teams to transform and grow their businesses, exit low margin sales, ensure appropriate costs and invest in operations to improve efficiencies so as to achieve superior profit growth, increased operating margins and strong profit conversion to cash. Through a combination of these factors, Melrose has been able to increase underlying operating margins on the businesses that it has owned by 30 to 70 per cent. from their original levels, including 60 per cent. on Nortek, its most recent acquisition, in just 10 months under ownership to 30 June 2017. Melrose employs prudent levels of leverage and invests heavily in its businesses. On average, Melrose has invested an amount equivalent to a third of the original equity purchase price in its businesses over time.
The Melrose Board believes that GKN owns good industrial manufacturing businesses serving strong end markets, delivering aerospace and vehicle components to a blue chip customer base. Despite the longstanding support of its shareholders, GKN management has a track record of failing to deliver on its margin targets. The Melrose Board believes that, through its demonstrated track record and experience, Melrose can improve GKN’s operational and financial performance to ensure it achieves its potential. In particular, the Melrose Board expects to re-energise and re-purpose GKN’s operations to enable them to exceed GKN’s own previously stated top-end group trading margin target of 10 per cent.\(^{(1)}\)

The Melrose Board believes that the Acquisition represents a significant opportunity for Melrose to deploy its strategy to deliver substantial value for shareholders.\(^{(1)}\)

---

\(^{(1)}\) This statement is not and is not intended as a profit forecast or a Quantified Financial Benefit Statement for the purposes of Rule 28 of the City Code and should not be interpreted as such. “Trading margin” means management trading profit expressed as a percentage of management sales. Based on GKN’s 2008 annual report, “trading profit” is defined as operating profit or loss before: strategic restructuring and impairment charges of subsidiaries and joint ventures, amortisation of non-operating intangible assets arising on business combinations, profits and losses on the sale or closures of businesses, change in the value of derivative and other financial instruments and profits and losses, after tax, arising on discontinued operations.

9. **Timetable**

Under Rule 31.7 of the City Code, except with the consent of the Panel, all the Conditions must be satisfied or waived if capable of waiver or the Offer will lapse within 21 days of the First Closing Date (9 March 2018) or the date the Offer becomes or is declared unconditional as to acceptances, whichever is the later. Rule 31.7 of the City Code also provides that the Panel’s consent to an extension will normally only be granted, broadly, if the outstanding condition involves a material official authorisation or regulatory clearance relating to the transaction and it has not been possible to extend the latest day by which the offer may become or be declared unconditional as to acceptances (such day being Day 60) under Rule 31.6 of the City Code.

The timetable for obtaining the consent of the relevant agencies in respect of the Defence and Ministerial Conditions is controlled by such agencies and depends, in part, upon the engagement of GKN. This timetable differs from, and can be longer than, the conventional timetable for an offer under the City Code.

At the time of the Announcement the Panel Executive informed Melrose that if Day 60 was not extended under Rule 31.6 of the City Code and if the Defence and Ministerial Conditions are not satisfied within 21 days of Day 60 it would be minded to give its permission to the extension of the 21 day period in Rule 31.7 of the City Code to provide further time for any outstanding Defence and Ministerial Condition to be satisfied. This was predicated on Melrose taking the full 28 days allowed under the rules of the City Code to post this Offer Document. As this Offer Document has been published on an expedited basis, the Panel Executive has withdrawn the guidance communicated to Melrose at the time of the Announcement. Since the Announcement, Melrose’s contact with the relevant agencies has been positive and consequently Melrose continues to believe that it will be able to obtain the relevant clearances within the parameters permitted by the City Code timetable and remains committed to completing the Acquisition as soon as possible.

In the event that Day 60 is extended by the Panel under Rule 31.6 of the City Code, which could require the consent of GKN, then Eligible GKN Shareholders who have previously accepted the Offer will be able to withdraw their acceptances from date that is 21 days after the First Closing Date (i.e. from 30 March 2018).

The Panel Executive has informed Melrose that any request for an extension under Rule 31.7 of the City Code would need to be considered in light of the circumstances prevailing at the time. In the event the 21 day period in Rule 31.7 of the City Code is extended by the Panel, then Eligible GKN Shareholders who have previously accepted the Offer will be unable to withdraw their acceptances from the time the Offer becomes or is declared unconditional as to acceptances. Accordingly, if the 21 day period set out in Rule 31.7 of the City Code is extended by the Panel in the manner described above, Eligible GKN Shareholders who have previously accepted the Offer will not be able to withdraw their acceptances for the duration of this extended period. Any extension of the 21 day period set out in Rule 31.7 of the City Code will be announced by Melrose via a Regulatory Information Service. In such circumstance, Melrose has agreed to keep the Offer open for acceptances for at least 14 days following the date on which the Offer becomes or is declared unconditional in all respects.

10. **Information on Melrose**

Melrose’s strategy is to acquire high-quality manufacturing businesses, with strong fundamentals and the potential for significant development and improvement under Melrose management.
Through investing in businesses, changing management focus and operational improvements, Melrose seeks to increase and realise the value in such businesses at the appropriate time and to return the proceeds to shareholders.

The Melrose Group currently consists of four divisions:

**Air Management**

The Air Management division is the largest in the Melrose Group. It comprises two businesses: a global heating, ventilation and air conditioning business which produces residential, commercial and custom HVAC equipment and is based in Missouri, USA; and Air Quality & Home Solutions (“AQH”), which manufactures ventilation products under new management headquartered in Wisconsin, USA.

**Security & Smart Technology**

The Security & Smart Technology division comprises the Security & Control, Core Brands and GTO Access Systems businesses, which have been consolidated under one management team in California, USA. It is one of the world’s leading developers and manufacturers of security, home automation and access control technologies for the residential audio video and professional video markets.

**Ergonomics**

The Ergonomics division comprises Ergotron, a world leading manufacturer and distributor of innovative products designed with ergonomic features including wall mounts, carts, workstations and stands. The business is headquartered in Minneapolis, USA and is organised into three segments: commercial; original design and manufacture; and consumer.

**Energy**

The Energy division manufactures and services turbogenerators and transformers under the Brush brand as well as switchgear for rail and industrial use under the Hawker Siddeley Switchgear brand name and small mobile generators as Harrington Generators International.

**Melrose’s current trading and prospects**

On 1 February 2018, Melrose released a trading update which is set out below.

“Melrose is today providing a trading update ahead of its audited 2017 preliminary results.

- Melrose confirms trading in 2017 was in line with management expectations
- Nortek trading has been transformed more comprehensively and faster than envisaged at the time of the acquisition; underlying operating profits at constant currency are up approximately 50% compared to last year of $241.0 million and approximately 65% up on the full year prior to acquisition of $220.1 million\(^1,2\)
- Nortek’s underlying operating margin\(^3\) increased to approximately 15%, an increase of more than 5 percentage points
- The well-publicised structural change in the global gas turbine market has led to Brush commencing employee consultations today in relation to the intended closure of its Dutch turbogenerator facility and the downsizing of its turbogenerator production in the UK

Simon Peckham, Chief Executive of Melrose said:

“Changing the culture and direction of Nortek by freeing it from the restrictions of a centralised group structure, when combined with our investments at the rate of approximately 2x depreciation, has resulted in this exceptional improvement in performance in a very short space of time. Over the years, in businesses spanning many different industry sectors from automotive to consumer products and from aerospace to security, the Melrose team’s widespread experience and expertise has continued to deliver exceptional results. We have no doubt this approach would also be successful at GKN.”

**Nortek**

The Nortek businesses have built on a promising start under Melrose ownership to have an outstanding 2017. Having just completed its first full year in the Melrose group, underlying operating profit is up approximately 50% compared with 2016, which itself benefited from four months of Melrose improvements. Nortek has also achieved operating margins of approximately 15%, being the original three to five year aim at the time of the
acquisition and an improvement of more than 5 percentage points. The business has been extremely successful in converting this strong performance into cash, with a cash conversion rate under Melrose ownership of over 100%.

This improvement has been driven by the hard work of the Nortek operational management teams, freed from the restrictions of the formerly centralised group structure, to implement the necessary improvement programmes funded by Melrose planned investments equal to approximately 2x depreciation. The full benefits of these investments are still unfolding alongside further improvements planned for 2018 as Melrose looks to maintain the pace of change in order to deliver further value for shareholders.

The following are examples of these ongoing improvement programmes:

• Global HVAC – A strengthened and refocused management team under the incumbent CEO is currently spending £9 million to upgrade the key US production facilities in Tualatin and Oklahoma City, which will improve productivity and enable the production of state-of-the-art custom air handling products for the healthcare and data centre markets, with the full benefits expected to flow from 2018 onwards. This has been matched by significant investment in the R&D centre in Saskatoon, Canada, focused on new product development and process improvements that are pivotal to the success of the production plants. A detailed product profitability review has led not only to the exiting of approximately 12% of low margin divisional sales, but has also provided the business with a better understanding of its cost base and enabled a more informed approach to tendering.

• Air Quality and Home Solutions (AQH) – A new CEO with significant large customer experience has been installed and the distraction of the loss making European business of Best Italia S.p.A has been removed by selling it to a suitable home within Electrolux in July 2017. Now streamlined and refocused, AQH is part way through optimising a previously fragmented production footprint. This involves a site consolidation in Canada and increased production at the Hartford, USA headquarters, made possible by an ongoing £16 million investment to upgrade Hartford’s plant and equipment, including automated lines and laser welders, and a consolidation of the entire warehousing operation into the main facility. An in-depth product portfolio review has supported the continued refreshing of the product range, with a number of new product launches due in 2018.

• Security and Smart Technology – The opening of the new Carlsbad, USA headquarters in April 2018 will complete the consolidation of the Nortek Security and Control, Core Brands and GTO businesses under one management team. This includes a significant investment to upgrade their research and development capabilities. The consolidation strengthens the core team under the incumbent CEO and refocuses the business on profitable channels, improving the product mix to take advantage of customer changes in the market. This has been supported by significant investment in tooling for new products such as Nova and the further development of the leading Elan platform.

• Ergotron – Already a high margin business on acquisition, Melrose has made further investments focused on supporting expansion projects long sought-after by the existing management team. These include growth in e-commerce and the APAC and European markets, as well as a restructuring of the Tualatin, USA production facility and further development of Ergotron’s market leading ‘WorkFit’ and medical cart products.

The Board believes that these and other ongoing investments will enable Nortek to continue to build on the success achieved to date to deliver further improvement for the benefit of shareholders.

Brush

As flagged in Melrose’s full year 2016 results announcement on 2 March 2017 and again in the interim 2017 results announcement on 31 August 2017, the Brush Turbogenerator business (which represented less than 5% of the Melrose Group revenues for 2016) is facing significant structural market changes. These have been caused by worldwide environmental policy which has triggered a fall in volumes in the gas turbine market of over 60% from its peak in 2011. This in turn has resulted in Brush’s turbogenerator sales falling from 122 units in 2016 to a forecast for 2018 of approximately 50 units.

This has meant that every aspect of the Turbogenerator business has been under review. With no material change in these market conditions expected in the foreseeable future, Brush has commenced consultations with employees today in relation to restructuring its Turbogenerator business to reflect the reduced levels of activity. This restructuring involves the intended closure of the turbogenerator production facility at Ridderkerk, Netherlands and the transfer of its 4-pole turbogenerator production to the facility in Plzen, Czech Republic.
while the factory in Changshu, China has already been closed. In the UK, Brush has entered into consultation with its workforce about the future of 2-pole turbogenerator production at the Loughborough, UK facility, which accounts for approximately half the workforce at the site. The 520-strong workforce employed at Brush’s other UK sites in the transformers, switchgear and mobile generator businesses remain unaffected.

The cash cost of these restructuring items is estimated to be £40 million and is expected to be materially complete by the end of 2018. This is expected to mitigate the current £12 million annual losses of the Turbogenerator business and align it to the new market conditions. The carrying value of the business has been reduced to £300 million. The Board continues to be fully committed to supporting Brush and its management team in emerging from these adverse market conditions so as to be positioned to have the best possible long-term future.

Melrose’s Chairman Christopher Miller said:

“We expect continuing strong performances at each Nortek division and are delighted with the progress we have made so far. There is more to go for. Nortek will also benefit from recent favourable tax changes announced in the US.

Brush, albeit a very small part of the Melrose portfolio, is a different story. We are doing all we can to support the business and its management team in tackling extremely adverse market conditions to be positioned for the best possible long-term future.

Meanwhile we are working hard on our proposal to merge the business and shareholder interests of GKN with Melrose to create a manufacturing powerhouse worth in excess of £10 billion today. The merger would create one of the largest companies in the UK and advance the fortunes of GKN’s divisions, employees, customers and pensioners across the piece. We believe it’s an exciting prospect for both sets of shareholders and that our long-term track record, with Nortek as just the most recent example, is clear proof of the transformation we can make at GKN.”

Notes to the trading update

1 This statement has been provided on an underlying operating profit basis consistent with the current accounting policies of Melrose, which are in accordance with IFRS, adjusted for constant currency at the 2016 average exchange rates for the comparison to 2016 and at the 2015 average exchange rates for the comparison to 2015. The principal exchange rate is GBP:USD and the average rates applied to calculate growth in underlying operating profit on a constant currency basis are 1.3554 for 2016 and 1.5284 for 2015. The average GBP:USD exchange rate for 2017 is 1.2888.

Underlying operating profit excludes items which are significant in size or volatility or by nature are non-trading or non-recurring, or any item released to the Income Statement that was previously a fair value item booked on acquisition. These items include acquisition and disposal costs, restructuring and transformation charges, which include the losses incurred within closed businesses in the year of closure, and amortisation of intangible assets acquired in business combinations.

2 For the purposes of Rule 28 of the Code, this statement constitutes a profit estimate (the “Profit Estimate”). The Profit Estimate, the assumptions on which it is based, and the reports from Deloitte LLP (acting as reporting accountants for Melrose) and Rothschild and RBC Europe Limited (acting as financial advisers for Melrose, together, the “Financial Advisers”) as required by Rule 28.1 of the Code are set out in the Appendix to this Announcement.

3 Underlying operating profit as a percentage of revenue.

4 Defined as operating cash generated before capital expenditure as a percentage of EBITDA. EBITDA is defined as underlying operating profit before interest, tax, depreciation and amortisation.

5 Based on annualised revenues to include Nortek for the period prior to ownership.

For further details, please refer to Part 6 of this Offer Document.

Save for the developments in the Brush turbogenerator business, including the reduction in carrying value and associated restructuring costs as described in the 1 February 2018 trading update set out in this paragraph 10 of Part 1, there has been no significant change in the financial or trading position of the Melrose Group since 30 June 2017, the date to which Melrose’s last published unaudited consolidated financial interim statements were prepared.

11. Information on GKN

GKN is a global engineering business, designing, manufacturing and servicing systems and components for OEMs around the world. With its headquarters in Redditch, United Kingdom, GKN operates across Europe, Asia Pacific and the Americas. Approximately £3,743 million of GKN’s sales were generated in Europe (excluding the UK), £3,326 million in the Americas, £1,296 million in Asia Pacific and £1,047 million in the United Kingdom, in each case in the financial year ended 31 December 2016. GKN employs approximately 22,650 people in Europe (excluding the UK), 14,000 in Asia Pacific, 15,900 in the Americas and 5,600 in the
UK, in each case as at 31 December 2016, including subsidiaries and joint ventures. As at 30 June 2017, GKN had gross assets of approximately £9,330 million and as of 31 December 2016, GKN generated profits before tax of approximately £292 million.

GKN’s three divisions comprise:

**Aerospace (36% GKN Group revenue, 44% GKN Group segment operating profit)**(1): a leading tier one supplier of aircraft and engine structures and electrical interconnection systems to the global aerospace industry

- global number two in aerostructures and in the independent aero engine components market, and number three in electrical wiring systems; and
- develops, manufactures and supplies niche products such as ice protection, fuel systems, transparencies including specially coated cockpit and cabin windows, and flotation devices.

**Driveline (49% GKN Group revenue, 43% GKN Group segment operating profit)**(1): the leading tier one supplier of automotive driveline systems and solutions to the world’s leading vehicle manufacturers

- develops, manufactures and supplies an extensive range of automotive driveline products and systems, for use in everything from the smallest ultra-low-cost cars to the most sophisticated premium vehicles that demand complex driving dynamics; and
- number one in driveline and all-wheel drive (AWD) markets; eDrive systems include electric axles and transmissions.

**Powder Metallurgy (11% GKN Group revenue, 15% GKN Group segment operating profit)**(1): the world’s largest manufacturer of sintered components and a leading producer of metal powder

- global leader in sintered components; and
- global number two manufacturer of metal powder.

**Other businesses (4% GKN Group revenue, 1% GKN Group segment operating profit)**(1):

- GKN Wheels & Structures is a manufacturer of off highway wheels and a specialist in advanced structures and chassis systems for automotive and off-highway; and
- GKN Shafts & Services is a global supplier of power management products and services.

(1) Segment operating profit excludes unallocated corporate costs of £21 million as at 31 December 2016.

### GKN’s current trading and prospects

On 13 October 2017, GKN released a trading statement, an extract of which is set out below:

“GKN plc, the global engineering business that serves the aerospace and automotive markets, today issues a trading update for the period since the half year results announcement on 26 July 2017, brought forward as a result of two significant external claims. As a result of these, together with continuing operational challenges in GKN Aerospace North America, the Group now expects management profit before tax(1) for 2017 to be slightly above 2016.

GKN has been made aware of two probable claims which are expected to result in a charge of around £40 million in the fourth quarter of 2017. One relates to GKN Aerospace and the other GKN Driveline. Both claims are commercially sensitive with no additional information disclosable at this time.

Overall in the third quarter, the Group achieved good organic sales growth, with GKN Driveline continuing to outperform the market and GKN Aerospace delivering sales slightly up on the prior year. Group trading margin in the third quarter was lower than the comparable period in the prior year, mainly due to programme transitions and on-going operational challenges in GKN Aerospace North America.

Following a detailed review, GKN Aerospace North America will incur a £15 million non-cash charge at its Alabama, USA facility relating to revised assumptions on programme inventory and receivables balances.

Given the issues above, the review of the carrying value of goodwill and other assets at the year-end is expected to produce a significant non-cash impairment charge, relating to the North American business, which will be disclosed outside management profit before tax.

(1) Financial information set out in this announcement, unless otherwise stated, is presented on a management basis which aggregates the sales and trading profit of subsidiaries with the Group’s share of the sales and trading profit of equity accounted investments. References to trading margins are to trading profit expressed as a percentage of sales. Where appropriate, reference is made to organic results which exclude the impact of acquisitions/divestments as well as currency translation on the results of overseas operations.”
Melrose understands that the reference to “the North American business” above refers to the GKN Aerospace American business (and not the GKN business as a whole).

On 16 November 2017, GKN published further guidance, an extract of which is set out below:

“A review of working capital has been initiated across other Aerospace plants in North America. While this review is not yet complete it is likely to result in a further write-off estimated to be between £80 million and £130 million, much of which built up before 2017.

With the exception of the working capital write-off referred to above, all other guidance for the full year remains unchanged.”

On 12 January 2018, GKN published a further announcement, an extract of which is set out below:

“Trading update

Q4 2017 trading was in line with expectations and the Group therefore continues to expect 2017 management profit before tax(1) to be slightly ahead of 2016 (which was £678 million) before the additional working capital write-off in North American Aerospace announced on 16 November 2017. The balance sheet review in North America has progressed significantly and the one time write-off and associated costs are still estimated to be between £80 million and £130 million, albeit nearer the upper end of that range. These balance sheet write-offs will be included within management profit before tax.

(1) Financial information set out in this announcement, unless otherwise stated, is presented on a management basis which aggregates the sales and trading profit of subsidiaries with the Group’s share of the sales and trading profit of equity accounted investments.

As previously announced, the review of the carrying value of goodwill and other fixed assets at the year-end will produce a significant non-cash impairment charge relating to the North American Aerospace business, which, in line with our accounting policy, will be disclosed outside of management profit before tax.

Transformation programme

GKN commenced a wide-ranging review in 2017. This was necessary because, while sales have been growing, both profit margins and cash generation have been below expectations.

A new strategy has been developed to improve significantly performance in all of GKN’s businesses. This will continue to leverage GKN’s in-depth global knowledge of the automotive and aerospace industries to drive leadership in its chosen markets.

GKN is now creating differentiated product segments that will be classified as either core or non-core. There will be three different strategies for the core product segments—improve (e.g. Constant Velocity Joints), grow (e.g. Aero Engines) and develop (e.g. eDrive and Additive Manufacturing). Each strategy will have different capital expenditure targets and different expectations for growth, margin improvement, cash generation and return on investment. However, all will have stretching targets to be achieved through a transformation programme (“Project Boost”). Furthermore, to ensure that the strategy is delivered and that shareholder value is realised, a much stronger performance and accountability culture will be instilled throughout the business, supported by changes to incentives to align with the new strategy.

Project Boost is a two year programme to improve cash and profit that will incorporate all areas of the business operating system including culture. This includes optimising direct and indirect procurement, process and productivity, and capital allocation. Portfolio rationalisation of our non-core product segments will also be a priority. The development of this programme has been ongoing for a number of months. The Board is confident Project Boost will deliver a step change in profit margin and cash generation, and expects to deliver a significant increase in annual cash flow with the full run rate achieved during 2020 through a combination of cost and capital expenditure reduction and pricing discipline.

Future Group structure

The Board has regularly reviewed GKN’s corporate structure. In recent months GKN has undertaken an intensive analysis of the economic benefits and costs (including the costs of pensions and tax) of separating the Aerospace and Automotive businesses.

In addition to Project Boost, the Board believes that shareholder value will be maximised by setting distinct strategic, operational and financial objectives for the businesses, with clear focus, accountability and better aligned incentive plans.
The Board intends to separate the businesses, recognising the strategic optionality for shareholders in having separate companies with distinct investment profiles and capital allocation policies. The Board will communicate further details on the optimal method of separation in due course. The timing of the separation will be determined by the need to maximise the economic benefits and minimise the costs associated with separation.

(…)

Profit forecast regarding the financial year to 31 December 2017

The paragraph above entitled “Trading update” states that “the Group therefore continues to expect 2017 management profit before tax to be slightly ahead of 2016 (which was £678 million) before the additional working capital write-off in North American Aerospace announced on 16 November 2017.” In the announcement entitled “Trading update—brought forward by two probable significant external claims” dated 13 October 2017, GKN announced that “the Group now expects management profit before tax for 2017 to be slightly above 2016” (the “2017 Profit Forecast”). The 2017 Profit Forecast was reconfirmed in the announcement entitled “Board Change and Guidance Update” dated 16 November 2017, before the working capital write-off referred to above and as further described in that announcement (the “Working Capital Write-Off”). The 2017 Profit Forecast was published before Melrose made an approach with regard to a possible offer for GKN and therefore the requirements of Rule 28.1(c) of the Code apply to the 2017 Profit Forecast. In accordance with Rule 28.1(c) of the Code, the GKN Directors confirm that the 2017 Profit Forecast, before the Working Capital Write-Off, remains valid and confirm that the 2017 Profit Forecast has been properly compiled and that the basis of accounting used is consistent with GKN’s accounting policies.

On 22 January 2018, GKN released an announcement relating to eDrive, an extract of which is set out below:

“GKN Driveline today announces that its order book for electric driveline (eDrive) technologies hit a record £2 billion (1) by the end of last year following a series of significant programme wins with major global automakers. The order book growth underpins and extends GKN’s market-leading position in eDrive systems. GKN’s success is accelerating its annual eDrive sales growth. Sales, which were previously forecast to rise from £33m in 2017 to £200m in 2020, are now expected to increase over eight-fold to £275m. In 2022, GKN forecasts that eDrive sales will reach £500m.

GKN’s success has been achieved through a long term commitment to Research and Development. In 2017, the Research and Development expense charged to the income statement was £36m, with total investment of over £123m over the past six years. Whilst impacting near-term financial performance, this investment is now delivering strong sales and order book growth. Through the R&D programme, GKN is rapidly bringing full systems capability to the market and is able to offer a range of solutions to meet customer demands. GKN is delivering components, sub-systems and full-systems in response to a variety of OEM needs. Building on systems integration leadership recognised by recent Automotive News PACE Awards, GKN will be adding GKN eMotors to their gear and torque management technology portfolio.

As at 31 December 2017, GKN’s order book relating to eDrive was £2 billion following a number of major programme wins. Amongst these are:

- GKN’s Multimode eTransmission system is due to launch on a Chinese OEM’s platform across a number of vehicle models from 2018
- GKN is due to supply a semi-integrated electric driveline unit from 2019 for a new vehicle launched by a premium European automaker
- GKN has developed an integrated electric driveline system for a European OEM’s global programme that is expected to be first launched in China from next year

(1) Order book corresponds to cumulative business awarded by customers (including share of joint ventures) less orders fulfilled and cancellations, based on GKN’s best reasonable estimates in terms of volumes, selling prices and project lifespans.

Save as set out above and so far as Melrose is aware having regard to publicly available information, there has been no significant change in the financial or trading position of the GKN Group since 30 June 2017, the date to which GKN’s last published unaudited consolidated financial interim statements were prepared.
12. Intentions of Melrose with regard to GKN’s business, employees, and the GKN Pension Scheme

Lack of access to undertake detailed planning

Melrose has not been provided with access to GKN’s management or internal GKN data and therefore has only been able to undertake diligence from industry information and publicly available data. Accordingly, Melrose has not been able to undertake any substantial analysis in order to formulate detailed plans or intentions regarding the impact of the Acquisition on the GKN businesses.

However, Melrose is an experienced acquirer of businesses whose performance it believes can be improved and expects to be able to apply its proven model of increasing underlying profitability margins through a combination of exiting lower margin sales, efficiency measures focusing on operating performance (including through appropriate incentives) and reduced cost base as well as targeted investment. On average, Melrose invests an amount equivalent to a third of the equity consideration into acquired businesses during the period of its ownership.

Intentions in respect of GKN

Melrose attaches great importance to retaining the skills, knowledge and expertise of GKN’s operational management and employees.

Melrose intends to carry out an in-depth review of GKN’s businesses alongside the operational management team as appropriate in order to formulate a detailed improvement plan and has already identified several immediate actions which it expects to implement which comprise:

- head office restructuring and consequent simplification of the management structure;
- change of culture to focus on performance and reduced cost base;
- focus on profitability, not sales, by exiting unprofitable or low margin business;
- investment in operations to produce returns rather than growth only;
- management focus back on business by changing incentives and ensuring targets are delivered; and
- fast economic-based decision making to create a speedy, flat and non-bureaucratic organisation.

Head Office

As above, Melrose expects to restructure GKN’s head office in order to simplify the management structure and remove shared functions. Melrose currently has had no information upon which to make an assessment of the suitability of, or requirement for the head office location, or its flexibility as a site and in view of the restructuring described can give no certainty on its retention. The functions and operations of the head office and their necessity for the success of the business will be assessed in consultation with operational management following the Effective Date. Following the undertaking of this review the best locations for these functions will be determined and actioned appropriately, which may involve some headcount reduction.

It is also anticipated that following the delisting of the GKN Shares (as further described in paragraph 5 below) certain functions related to GKN’s status as a listed company will no longer be required.

Potential disposals

Once they have been improved, Melrose also expects to sell the Powder Metallurgy business in the medium term and certain smaller businesses in the Aerospace and Driveline divisions, which it may deem non-core following its review. By first improving these non-core businesses, we will ensure they deliver more, not less, value to their trusted customers both before and after any sale. Our margin improvement expectations are reliant on changing the internal ways of working within GKN, and not on altering the relationships with GKN’s main customers.

R&D

Melrose understands the importance of R&D to GKN. However, GKN does not disclose a detailed breakdown around its R&D programmes and initiatives, as such, it is not possible for Melrose to have formed any bespoke intentions in respect of R&D in any particular division. However, Melrose’s stated strategy is to invest in its businesses, which includes R&D.
Operational management reviews

The Melrose Board recognises that in order to achieve improved performance, cost savings for the Enlarged Group will be required following the Offer becoming or being declared wholly unconditional. Melrose’s approach to its acquisitions, which it would look to replicate in this situation, is to simplify management structure, establish direct reporting lines and work with operational management teams to establish specific profit improvement plans. Such plans typically include optimisation of production footprint, improvements in productivity and reductions in general administrative expenses. In respect of GKN, Melrose will conduct a detailed review following the Offer becoming or being declared wholly unconditional. A central tenet of ownership by Melrose is the empowerment of operational management to create a sense of ownership and the removal of any unnecessary administrative barriers. As such this review will be undertaken with the operational management of the business and will look at every facet of the businesses within the GKN Group. Melrose will agree with the operational management teams detailed plans for how to drive performance and improve their businesses, including a potential headcount review. For example, addressing the underperformance identified by Melrose against the margin targets of the Aerospace division and Driveline division will be a focus of the review.

As would be expected, the time required to undertake the reviews for each business will vary, however, in previous acquisitions the time taken in the formalisation of detailed plans with operational management teams has not taken longer than two months. As set out above, optimisation of production footprint, improvements in productivity and reductions in general administrative expenses may result from implementation of the plan once the process described above has been completed in conjunction with the operational management teams.

Whilst no direct parallel can be drawn, to illustrate the nature of the reviews undertaken an example from our most recent acquisition follows.

Nortek

Upon acquisition in 2016, in the first months of ownership Melrose undertook business reviews with the operational management teams in the form described above, which resulted in recommendations of various actions to improve the business and reduce Nortek’s central cost base, including:

• at Air Management, Melrose committed to an investment of £10 million to improve manufacturing processes and warehousing in Air Quality & Home Solutions, and a further investment of £3 million in HVAC, including clean room production capabilities, and upgrading equipment at Saltillo, Mexico;

• consolidation of the Security & Control, Core Brands and GTO businesses into one division, Security & Smart Technology;

• committed investments totalling over £1 million at Ergotron for tooling to enable the business to break into new markets, including large furniture, insertion machines and new carts;

• closure of the central headquarters in Providence, the reorganisation of the businesses into three divisions in the Melrose Group: Air Management; Security & Smart Technology; and Ergonomics;

• decentralisation of head office functions back to the businesses, including HR, IT, legal, supply chain, distribution and benefits administration;

• implementation of Melrose treasury processes for hedging and cash control; and

• removal of the Nortek board, with oversight retained by the Melrose Board.

Accordingly, the outcome of the reviews will be driven in large part by Melrose in agreement with operational management teams. Pending conclusion of their respective review, each of the businesses within the GKN Group will continue to be operated in the ordinary course. Accordingly, beyond the statements set out in this Offer Document, Melrose cannot be certain what, if any, repercussions there will be on the locations of GKN’s places of business, any redeploymet of GKN’s fixed assets, research & development function, head office location, facilities and/or locations of GKN’s divisions or the number of employees (including in respect of the balance, the skills and functions of those employees), all of which will depend on the outcome of the reviews.

Following completion of the reviews, such actions as it is resolved are necessary will be taken in order to implement the improvements which are identified and deliver the expected benefits of the Acquisition.
**Pensions**

The existing contractual and statutory employment rights, including in relation to existing pensions contributions, of GKN’s management and employees will be fully safeguarded in accordance with applicable law. The accrued benefits for existing members of GKN’s defined benefit pension schemes will not be affected. GKN’s UK defined benefit pension schemes will remain closed to admission of new members and to future accrual. Melrose notes the statements by the Trustees of the GKN Group pension schemes on 16 January 2018 and GKN on 29 January 2018. The numbers published are entirely in line with Melrose’s own reading of the pension exposure at GKN and Melrose looks forward to meeting the trustees as soon as is appropriate. Melrose confirms its intention to make a substantial voluntary cash contribution of £150 million to the GKN pension schemes within 12 months of the completion of the Offer. Melrose has an impeccable track record of safeguarding and improving pensioners’ rights in every acquisition it has made.

The Acquisition will not have any impact on the existing businesses of Melrose.

13. **Financing**

Melrose intends to finance the cash consideration payable to GKN Shareholders pursuant to the Acquisition with proceeds of borrowings under its debt facilities. Melrose PLC has entered into the New Facilities Agreement which provides for term facilities and revolving credit facilities in an aggregate principal amount of up to £2,600,000,000, $2,000,000,000 and €500,000,000, under which certain members of the Melrose Group may borrow upon the satisfaction of certain conditions. The proceeds of borrowings under the Facilities may be used to finance the cash consideration payable to GKN Shareholders pursuant to the Acquisition, to refinance existing indebtedness of the Melrose Group and the GKN Group, to pay fees and expenses relating to the Acquisition and any refinancing and for general corporate purposes. Such loans under the Facilities will be available on a customary “certain funds” basis. Further details relating to the New Facilities Agreement are set out in paragraph 5 of Part 4 of this Offer Document.

Rothschild and RBC Europe Limited are satisfied that sufficient resources are available to Melrose to satisfy in full the cash consideration payable to GKN Shareholders pursuant to the Acquisition.

14. **Melrose Shareholder Approval and Prospectus Equivalent Document**

As a result of its size, the Acquisition is classified as a Class 1 transaction for Melrose for the purposes of the Listing Rules. Accordingly, Melrose will be required to seek the approval of Melrose Shareholders for the Acquisition at the Melrose General Meeting. The Acquisition will also be conditional on Melrose Shareholders granting authority at the Melrose General Meeting to the Melrose Directors to allot and issue the New Melrose Shares to GKN Shareholders.

The Prospectus Equivalent Document relating to the issuance of New Melrose Shares pursuant to the Offer has been published and is available to Eligible GKN Shareholders on Melrose’s website at www.melroseplc.net. The Melrose Circular, containing details of the Acquisition, the Melrose Shareholder Resolutions and notice of the Melrose General Meeting, will be posted to Melrose Shareholders shortly.

The Prospectus Equivalent Document contains information relating to the Melrose Group, the GKN Group, the Enlarged Group and the New Melrose Shares. GKN Shareholders (other than the Restricted GKN Shareholders) who wish to receive a hard copy of the Prospectus Equivalent Document should contact the Receiving Agent, Equiniti Limited at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing BN99 6DA or by telephone between 8.30 a.m. and 5.30 p.m. Monday to Friday (excluding English and Welsh public holidays) on 0333 207 6524 (or from outside the United Kingdom on +44 121 415 0909). Calls to the helpline from outside the UK will be charged at the applicable international rate. GKN Shareholders should carefully read the terms of the Prospectus Equivalent Document before determining whether to elect to receive New Melrose Shares pursuant to the terms of the Offer. Please note, however, that certain information on Melrose’s website may not be accessible to persons in the United States or any other Restricted Jurisdiction.

15. **Share Schemes**

Participants in the GKN Share Schemes will be contacted in due course regarding the effect of the Offer on their rights under these schemes and provided with further details concerning the proposals which will be made to them. Appropriate proposals, pursuant to Rule 15 of the City Code, will be set out in separate letters to be sent to participants in the share schemes in due course.
The Offer extends to any GKN Shares which are unconditionally allotted or issued whilst the Offer remains open for acceptance as a result of the exercise of options or other awards granted under the GKN Share Schemes.

16. Admission of New Melrose Shares

The Offer is conditional on Melrose receiving a confirmation that the application for the admission of the New Melrose Shares to the Official List with a premium listing and to trading on the London Stock Exchange’s main market for listed securities has been approved. This Condition is set out at Condition (c) in Section A of Part 2 of this Offer Document and cannot be waived.

It is anticipated that Melrose will submit an application for the admission of the New Melrose Shares to the Official List with a premium listing and trading on the London Stock Exchange’s main market for listed securities prior to the Effective Date. It is expected that the admission of New Melrose Shares to the Official List with a premium listing and trading on the London Stock Exchange’s main market for listed securities will become effective on or shortly after 8.00 a.m. on the Effective Date.

17. Taxation

For GKN Shareholders in the United Kingdom, your attention is drawn to Part 3 of this Offer Document. If you are in any doubt as to your tax position, or if you are subject to taxation in any jurisdiction other than the United Kingdom, you should consult your own independent tax adviser without delay.

18. Overseas Shareholders

The attention of GKN Shareholders who are citizens or residents of jurisdictions outside the United Kingdom or who are holding shares for such citizens or residents and any person (including, without limitation, any custodian, nominee or trustee) who may have an obligation to forward any document in connection with the Offer outside the United Kingdom is drawn to Sections C, D and/or E of Part 2 of this Offer Document and, in respect of GKN Shares held in certificated form, to the relevant provisions of the Form of Acceptance, which they should read before taking any action.

The availability of the Offer to GKN Shareholders who are not resident in the United Kingdom may be affected by the laws of their relevant jurisdiction. Such persons should inform themselves about, and observe, any applicable legal or regulatory requirements of their jurisdiction. If you remain in any doubt, you should consult your professional adviser in the relevant jurisdiction without delay.

19. Financial effects of the Offer

The following table sets out, for illustrative purposes only, and on the bases and assumptions set out in the notes below, the financial effects on the capital value and income for a holder of one GKN Share assuming the Offer becomes unconditional in all respects. It compares the value of the number of New Melrose Shares and the amount of cash consideration to be issued or paid (respectively) under the Offer in respect of one GKN Share with the value of one GKN Share on 11 January 2018 (being the last Business Day before the commencement of the Offer Period). It assumes no election is made under the Mix and Match Facility. In assessing the financial effects of the Offer, no account has been taken of any potential liability to taxation of a GKN Shareholder.

(a) Effect on capital value under the terms of the Offer

<table>
<thead>
<tr>
<th>Description</th>
<th>Note</th>
<th>pence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of 1.49 New Melrose Shares</td>
<td>(1)</td>
<td>337</td>
</tr>
<tr>
<td>Cash consideration</td>
<td></td>
<td>81</td>
</tr>
<tr>
<td>Total value of consideration in respect of one GKN Share</td>
<td></td>
<td>418</td>
</tr>
<tr>
<td>Less: market value of one GKN Share on 11 January 2018</td>
<td>(2)</td>
<td>(333)</td>
</tr>
<tr>
<td>Increase in capital value</td>
<td></td>
<td>86</td>
</tr>
<tr>
<td>Percentage increase in capital value</td>
<td></td>
<td>26%</td>
</tr>
</tbody>
</table>

(b) Effect on gross income under the terms of the Offer

<table>
<thead>
<tr>
<th>Description</th>
<th>Note</th>
<th>pence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross annual dividend income from 1.49 New Melrose Shares</td>
<td>(3)</td>
<td>4.9</td>
</tr>
<tr>
<td>Gross income from re-investment of cash consideration</td>
<td>(4)</td>
<td>1.2</td>
</tr>
<tr>
<td>Total gross income in respect of consideration for one GKN Share</td>
<td></td>
<td>6.1</td>
</tr>
<tr>
<td>Less: Gross annual dividend income from one GKN Share</td>
<td>(5)</td>
<td>(9.0)</td>
</tr>
<tr>
<td>Increase/(decrease) in gross income</td>
<td></td>
<td>(2.9)</td>
</tr>
<tr>
<td>Percentage increase/(decrease) in gross income</td>
<td></td>
<td>(32)%</td>
</tr>
</tbody>
</table>
(1) Based on a value of 226.4 pence for each New Melrose Share (being the Closing Price per Melrose Share on the Latest Practicable Date).

(2) Based on the Closing Price of 332.7 pence per GKN Share on 11 January 2018 (being the last Business Day before the commencement of the Offer Period).

(3) The gross dividend income from 1.49 New Melrose Shares is based on the aggregate of the FY2016 final dividend of 1.9 pence and the initial FY2017 interim dividend of 1.4 pence per share.

(4) The income on the cash consideration has been calculated on the assumption that the cash is re-invested for a period of 12 months to yield approximately 1.5 per cent. per annum, being the yield shown by UK Gilts of ten year maturities on 31 January 2018 (being the Latest Practicable Date), as published in the Financial Times.

(5) The dividend income from one GKN Share is based on the aggregate of the FY2016 final dividend of 5.9 pence and the initial FY2017 interim dividend of 3.1 pence per share.

(6) In assessing the financial effects of receiving New Melrose Shares, no account has been taken of any potential taxation liability of a GKN Shareholder or of any timing differences in the payment of dividends.

Assuming no changes from the latest publicly available information, completion of the Acquisition will result in an increase in the net assets of Melrose to £4,531 million as at 30 June 2017, excluding any goodwill impact (GKN had net assets of £2,546 million as at 30 June 2017), and an increase in operating profit of £784 million (based on GKN analysts’ trading profit consensus as at 12 January 2018), for the year ending 31 December 2017.

Nothing in this paragraph 19 shall be construed as a profit forecast or be interpreted to mean that the future earnings per share, profits, margins or cash flows of Melrose will necessarily be greater or less than the historical published earnings per share, profits, margins or cash flows of Melrose.

20. Settlement

Subject to the Offer becoming or being declared unconditional in all respects (and except as provided in paragraph 8 of Section C of Part 2 of this Offer Document in the case of certain Overseas Shareholders), settlement of the consideration to which any GKN Shareholder (or the first-named shareholder in the case of joint holders) is entitled under the Offer will be effected: (a) in the case of acceptances received, complete in all respects, by the date on which the Offer becomes or is declared unconditional in all respects, within 14 calendar days of such date; and (b) in the case of acceptances received, complete in all respects, after such date but prior to the Closing Date, within 14 calendar days of such receipt, in the following manner:

(i) GKN Shares in certificated form (that is, not in CREST)

Where an acceptance relates to GKN Shares in certificated form, settlement of any cash due will be despatched by first class post (or such other method as may be approved by the Panel) to accepting GKN Shareholders or their appointed agents (but not into the United States or any other Restricted Jurisdiction unless Melrose, in its sole discretion, determines otherwise). All such cash payments will be made in pounds sterling by cheque drawn on a branch of a United Kingdom clearing bank.

Where an acceptance relates to GKN Shares in certificated form, any New Melrose Shares to which the accepting GKN Shareholder is entitled will be issued to such GKN Shareholder in certificated form. Definitive share certificates for the New Melrose Shares will be despatched by first class post (or by such other method as may be approved by the Panel) to accepting GKN Shareholders or their appointed agents or nominees (but not to any address in the United States or any other Restricted Jurisdiction unless Melrose is satisfied in its sole discretion that the New Melrose Shares can be offered, sold or delivered to such shareholder, or for such shareholder’s account or benefit, pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the applicable jurisdiction, and in the case of the United States, the US Securities Act).

(ii) GKN Shares in uncertificated form (that is, in CREST)

Where an acceptance relates to GKN Shares in uncertificated form, settlement of entitlements to cash will be paid by means of a CREST payment in favour of the accepting GKN Shareholder’s payment bank in respect of the cash consideration due, in accordance with CREST assured payment arrangements. Melrose reserves the right to settle all or part of the cash consideration referred to in this paragraph 20(ii) for all or any GKN Shareholders who make a valid election to receive cash in the manner set out in respect of cash settlement in paragraph 20(i) above.

Where an acceptance relates to GKN Shares in uncertificated form, settlement of any New Melrose Shares due will be delivered to GKN Shareholders through CREST. Melrose shall procure that Euroclear is instructed to credit the appropriate stock account in CREST of the relevant GKN Shareholder (or his
appropriately authorised nominee) with such relevant GKN Shareholder’s entitlement to New Melrose Shares.

21. General

(a) If the Offer does not become or is not declared unconditional in all respects:

(i) in the case of GKN Shares held in certificated form, share certificate(s) and/or other document(s) of title will be returned by post (or by such other method as may be approved by the Panel) within 14 calendar days of the Offer lapsing to the person or agent whose name and address (outside the United States or any other Restricted Jurisdiction) is set out in the Form of Acceptance or, if none is set out, to the first-named holder at his or her registered address (provided that no such documents will be sent to an address in the United States or any other Restricted Jurisdiction); and

(ii) in the case of GKN Shares held in uncertificated form, the Escrow Agent will, immediately after the lapsing of the Offer (or within such longer period as the Panel may permit, not exceeding 14 calendar days), give TTE instructions to Euroclear to transfer all GKN Shares held in escrow balances and in relation to which it is the Escrow Agent for the purposes of the Offer to the original available balances of the GKN Shareholders concerned.

(b) Subject to the City Code, and notwithstanding any other provision of this Part 1 of this Offer Document, Melrose reserves the right to treat as valid in whole or in part any acceptance of the Offer if received by the Receiving Agent or otherwise on behalf of Melrose which is not entirely in order or in correct form or which is not accompanied by (as applicable) the relevant share certificate(s) and/or other relevant document(s) or the relevant TTE instruction or is received by it at any place or places or in any form or manner determined by either the Receiving Agent or Melrose otherwise than as set out in this Offer Document or in the Form of Acceptance. In that event, no settlement of consideration under the Offer will be made until after the acceptance is entirely in order and (as applicable) the relevant transfer to escrow has settled or the relevant share certificate(s) and/or other document(s) of title or satisfactory indemnities have been received by the Receiving Agent.

(c) No acknowledgement of receipt of any Form of Acceptance, transfer by means of CREST, communication, notice, share certificate(s) or document(s) of title will be given by or on behalf of Melrose. All communications, notices, certificates, documents of title and remittances to be delivered by or sent to or from GKN Shareholders (or their designated agents) will be delivered by or sent to or from them (or their designated agent(s)) at their own risk.

(d) Melrose reserves the right to direct that a portion of the GKN Shares to be transferred to it pursuant to acceptances of the Offer be transferred directly to a wholly owned subsidiary of Melrose nominated by Melrose.

22. Action to be taken

(a) If you hold GKN Shares in certificated form:

If you hold your GKN Shares, or any of them, in certificated form (that is, NOT in CREST), to accept the Offer and to make an election under the Mix and Match Facility, if desired, in respect of those GKN Shares, you should complete, sign and return the enclosed Form of Acceptance along with your valid share certificate(s) and/or any other relevant documents of title by post or by hand (during normal business hours) to the Receiving Agent, Equiniti Limited, at Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6DA as soon as possible and, in any event, so as to be received not later than 1.00 p.m. on 9 March 2018. Further details on the procedures for acceptance of the Offer if you hold any of your GKN Shares in certificated form are set out in paragraph 6(a) of this Part 1, Section D of Part 2 of this Offer Document and in the accompanying Form of Acceptance. A reply-paid envelope for use within the UK only is enclosed for your convenience and may be used by holders of GKN Shares in certificated form in the UK for returning their Form of Acceptance.

(b) If you hold GKN Shares in uncertificated form:

If you hold your GKN Shares, or any of them, in uncertificated form (that is, in CREST), to accept the Offer and to make an election under the Mix and Match Facility, if desired, in respect of those GKN Shares, you should follow the procedure for Electronic Acceptance through CREST so that the
TTE instruction settles as soon as possible and, in any event, not later than 1.00 p.m. on 9 March 2018. Further details on the procedures for acceptance of the Offer if you hold any of your GKN Shares in uncertificated form are set out in paragraph 6(b) of this Part 1 and in Section E of Part 2 of this Offer Document. If you hold any of your GKN Shares through a CREST sponsored member, you should contact your CREST sponsor as only your CREST sponsor will be able to send the necessary TTE instruction to Euroclear.

The Melrose Board believes that the Offer will give GKN Shareholders the opportunity to participate in the creation of considerable value from both the GKN and the Melrose businesses. The Melrose Board recommends that you accept the Offer.

Yours sincerely,

For and on behalf of:

N M Rothschild & Sons Limited       RBC Europe Limited
Ravi Gupta                          Mark Preston
Managing Director                  Managing Director
PART 2: CONDITIONS TO AND FURTHER TERMS OF THE OFFER

Section A:

Conditions to the Offer

The Offer is conditional upon:

Acceptance Condition

(a) valid acceptances of the Offer having been received (and not, where permitted, withdrawn) by no later than 1.00 p.m. on 9 March 2018 (or such later times and/or dates as Melrose may, subject to the rules of the City Code or with the consent of the Panel, decide) in respect of 90 per cent. (or such lesser percentage as Melrose may decide) of GKN Shares to which the Offer relates and of the voting rights attached to those shares provided that this Condition will not be satisfied unless Melrose and/or any member of the Melrose Group (which for these purposes means Melrose and its wholly owned subsidiaries) has acquired or agreed to acquire (whether pursuant to the Offer or otherwise) GKN Shares carrying in aggregate more than 50 per cent. of the voting rights then normally exercisable at a general meeting of GKN;

For the purposes of this Condition (a):

(i) GKN Shares which have been unconditionally allotted but not issued before the Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise, shall be deemed to carry the voting rights they will carry upon issue;

(ii) valid acceptances shall be deemed to have been received in respect of GKN Shares which are treated for the purposes of Part 28 of the Companies Act as having been acquired or contracted to be acquired by Melrose, whether by virtue of acceptance of the Offer or otherwise;

(iii) the expression “GKN Shares to which the Offer relates” shall be construed in accordance with Chapter 3 of Part 28 of the Companies Act; and

(iv) all percentages of voting rights and share capital are to be calculated by reference to the percentage held and in issue outside treasury.

In addition, the Offer will be conditional upon the following Conditions and, accordingly, the Offer will not become or be declared wholly unconditional unless the following Conditions (as amended if appropriate) have been satisfied or, where relevant, waived:

Melrose Shareholder approval

(b) the passing at the Melrose General Meeting (or at any adjournment thereof) of the resolutions to be proposed at the Melrose General Meeting as set out in the notice of general meeting to be attached to the Melrose Circular, with any amendments thereto, to approve, implement and effect the Acquisition and the acquisition of any GKN Shares, to authorise the allotment of New Melrose Shares pursuant to the Acquisition and to approve the Acquisition in accordance with the Class 1 requirements under Listing Rule 10.5.1R(2);

Admission to listing

(c) (i) the admission to the Official List with a premium listing of the New Melrose Shares to be issued on the Effective Date in connection with the Acquisition becoming effective in accordance with the Listing Rules and the admission of such shares to trading becoming effective in accordance with the Admission and Disclosure Standards of the London Stock Exchange or (ii) if Melrose so determines (and subject to the consent of the Panel) (A) the UKLA having acknowledged to Melrose or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of the New Melrose Shares to the Official List with a premium listing has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject (“listing conditions”)) will become effective as soon as a dealing notice has been issued by the FCA and any listing conditions having been satisfied and (B) the London Stock Exchange having acknowledged to Melrose or its agent (and such acknowledgement not having been withdrawn) that the New Melrose Shares will be admitted to trading on the main market for listed securities of the London Stock Exchange;
CFIUS and US defence conditions

(d) (i) CFIUS having determined either (A) that the Acquisition is not a “covered transaction”; (B) that it is a “covered transaction”, and there are no unresolved national security issues, either unconditionally or subject to such conditions in a mitigation agreement satisfactory to Melrose; or (C) CFIUS shall have sent a report to the President of the United States requesting the President’s decision and the President shall have announced a decision not to take any action to suspend, prohibit or place any limitations on the Acquisition, or the time permitted by law for such action shall have lapsed; (ii) insofar as the Acquisition is required to be notified to the DDTC pursuant to section 122.4(b) of ITAR, all necessary notifications and filings have been made and all applicable waiting or notification periods have expired, lapsed or been terminated or waived as appropriate in each case in respect of the Acquisition without the DDTC having revoked any ITAR registration held by any member of the GKN Group or having imposed any conditions on any such registration which are not satisfactory to Melrose; and (iii) DSS having signed and returned an executed counterpart of the commitment letter submitted by Melrose and GKN, approving in principle the measures to be implemented following the Effective Date to mitigate any issues arising from the participation of Melrose in the Acquisition, without invalidating, suspending or otherwise terminating any of the facility clearances possessed by GKN Group or any of its affiliates;

German defence condition

(e) the BMWi having (i) confirmed in writing that the Acquisition does not fall within the scope of the sector-specific investment regime and, therefore, does not require clearance pursuant to section 61, sentence 1 of the AWV; (ii) issued clearance in writing pursuant to section 61, sentence 1 of the German Foreign Trade Ordinance; (iii) not initiated a formal investigation of the Acquisition within three months following receipt of the report pursuant to section 60, paragraph 3 of the AWV and, therefore, clearance is deemed to have been issued in accordance with section 61, sentence 2 of the AWV; or (iv) not prohibited or restricted the Acquisition within three months following receipt of the relevant documentation pursuant to section 62, paragraph 1 of the AWV;

French foreign investment condition

(f) (i) the French Ministry of Economy having provided clearance in respect of the Acquisition in relation to foreign investment control in respect of sensitive sectors provided under articles R. 153-1 et seq. of the French Monetary and Financial Code (“French Foreign Investment Control”); or (ii) the French Ministry of Economy having confirmed that French Foreign Investment Control is not required in relation to the Acquisition;

European Commission clearance

(g) insofar as the Acquisition constitutes, or is deemed to constitute, a concentration with an EU dimension within the scope of the EU Merger Regulation (the “EUMR”):

(i) the European Commission indicating, on terms satisfactory to Melrose, that it does not intend to initiate proceedings under Article 6(1)(c) of the EUMR in respect of the Acquisition (or being deemed to have done so under Article 10(6) of the EUMR);

(ii) no indication having been made that a European Union or EFTA state may take appropriate measures to protect legitimate interests pursuant to Article 21(4) of the EUMR in relation to the Acquisition or any aspect of it; and

(iii) to the extent that the European Commission refers any aspect of the Acquisition to a competent authority of any Member State of the European Union or EFTA, under Article 9 of the EUMR, all relevant notifications or filings having been made, all appropriate waiting periods having expired, lapsed or been terminated and all such clearances or approvals having been granted (or being deemed to have been granted in accordance with the relevant law) provided that each such clearance or approval has an equivalent effect to the decision referred to in Condition (g)(i) above;

US Anti-Trust

(h) all filings having been made and all appropriate waiting periods under the United States HartScottRodino Antitrust Improvements Act of 1976 and the rules and regulations promulgated thereunder having expired, lapsed or been terminated as appropriate without the issuance of a second request in each case in respect
of the Acquisition and the acquisition of the GKN Shares by Melrose or any member of the Melrose Group;

**Canada Anti-Trust**

(i) insofar as the Acquisition is subject to mandatory notification under Part IX of the Competition Act (Canada), either:

(i) the Commission of Competition having issued an advanced ruling certificate under subsection 102(1) of the Competition Act (Canada); or

(ii) (A) any applicable waiting period under the Competition Act (Canada) having expired or been waived, and (B) unless waived in writing by Melrose, at its sole discretion, Melrose having received written confirmation from the Commission of Competition stating that the Commissioner of Competition does not intend to make an application under section 92 of the Competition Act (Canada) in respect of the Acquisition;

**Merger control clearance in any other jurisdiction**

(j) to the extent that any other merger control consents or approvals are required or desirable prior to the completion of the Acquisition according to the law of any other jurisdiction (including India, Mexico, Russia, South Africa and Turkey), all relevant notifications or filings having been made, all appropriate waiting periods having expired, lapsed or been terminated and all such clearances or approvals having been granted (or being deemed to have been granted in accordance with the relevant law) provided that each such clearance or approval is on terms satisfactory to Melrose;

**General Third Party clearances**

(k) the waiver (or non-exercise within any applicable time limits) by any relevant government or governmental, quasi-governmental, supranational, statutory, regulatory, environmental or investigative body, court, trade agency, association, institution, any entity owned or controlled by any relevant government or state, or any other body or person whatsoever in any jurisdiction (each a “Third Party”) of any termination right, right of pre-emption, first refusal or similar right (which is material in the context of the Wider GKN Group taken as a whole) arising as a result of or in connection with the Acquisition including, without limitation, its implementation and financing or the proposed direct or indirect acquisition of any shares or other securities in, or control of, GKN by Melrose or any member of the Melrose Group;

(l) all necessary filings or applications having been made in connection with the Acquisition and all statutory or regulatory obligations in any jurisdiction having been complied with in connection with the Acquisition or the acquisition by any member of the Wider Melrose Group of any shares or other securities in, or control of, GKN and all Authorisations reasonably deemed necessary or appropriate by Melrose or any member of the Wider Melrose Group for, or in respect of, the Acquisition, including without limitation its implementation and financing or the proposed direct or indirect acquisition of any shares or other securities in, or control of, GKN or any member of the Wider GKN Group by any member of the Wider Melrose Group having been obtained in terms and in a form satisfactory to Melrose from all appropriate Third Parties or persons with whom any member of the Wider GKN Group has entered into contractual arrangements and all such Authorisations together with all material authorisations, orders, recognitions, grants, licences, confirmations, clearances, permissions and approvals necessary or appropriate to carry on the business of any member of the Wider GKN Group which is material in the context of the Melrose Group or the GKN Group as a whole or of the financing of the Acquisition remaining in full force and effect and all filings necessary for such purpose having been made and there being no notice or intimation of any intention to revoke or not to renew any of the same at the time at which the Acquisition becomes otherwise unconditional and all necessary statutory or regulatory obligations in any jurisdiction having been complied with;

(m) no Third Party having given notice of a decision to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference (and, in each case, not having withdrawn the same), or having enacted, made or proposed any statute, regulation, decision or order, or change to published
practice or having taken any other steps, and there not continuing to be outstanding any statute, regulation, decision or order, which in each case would or might reasonably be expected to:

(i) require, prevent or delay the divestiture, or materially alter the terms envisaged for any proposed divestiture by any member of the Wider Melrose Group or any member of the Wider GKN Group of all or any portion of their respective businesses, assets or property or impose any limitation on the ability of any of them to conduct their respective businesses (or any of them) or to own any of their respective assets or properties or any part thereof which, in any such case, is material in the context of the Wider Melrose Group or the Wider GKN Group in either case taken as a whole;

(ii) require, prevent or delay the divestiture by any member of the Wider Melrose Group of any shares or other securities in GKN;

(iii) impose any material limitation on, or result in a delay in, the ability of any member of the Wider Melrose Group directly or indirectly to acquire or to hold or to exercise effectively any rights of ownership in respect of shares or loans or securities convertible into shares or any other securities (or the equivalent) in any member of the Wider GKN Group or the Wider Melrose Group or to exercise voting or management control over any such member;

(iv) otherwise adversely affect the business, assets, profits or prospects of any member of the Wider Melrose Group or of any member of the Wider GKN Group to an extent which is material in the context of the Wider Melrose Group or the Wider GKN Group in either case taken as a whole;

(v) make the Acquisition or its implementation or the acquisition or proposed acquisition by Melrose or any member of the Wider Melrose Group of any shares or other securities in, or control of GKN void, illegal, and/or unenforceable under the laws of any jurisdiction, or otherwise, directly or indirectly, restrain, restrict, prohibit, delay or otherwise interfere with the same, or impose additional conditions or obligations with respect thereto;

(vi) require any member of the Wider Melrose Group or the Wider GKN Group to offer to acquire any shares or other securities (or the equivalent) or interest in any member of the Wider GKN Group or the Wider Melrose Group owned by any third party;

(vii) impose any limitation on the ability of any member of the Wider GKN Group to co-ordinate its business, or any part of it, with the businesses of any other members which is adverse to and material in the context of the Wider GKN Group taken as a whole or in the context of the Acquisition; or

(viii) result in any member of the Wider GKN Group ceasing to be able to carry on business under any name under which it presently does so,

and all applicable waiting and other time periods (including any extensions thereof) during which any such Third Party could institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference or any other step under the laws of any jurisdiction in respect of the Acquisition or the acquisition or proposed acquisition of any GKN Shares having expired, lapsed or been terminated;

Certain matters arising as a result of any arrangement, agreement etc.

(n) save as Disclosed, there being no provision of any agreement, arrangement, licence, permit or other instrument to which any member of the Wider GKN Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject, which in consequence of the Acquisition or the proposed acquisition of any shares or other securities (or equivalent) in GKN or because of a change in the control or management of GKN or otherwise, could or might result in any of the following to an extent which is material and adverse in the context of the Wider GKN Group, or the Wider Melrose Group, in either case taken as a whole, or in the context of the Acquisition:

(i) any moneys borrowed by or any other indebtedness (actual or contingent) of, or grant available to any such member, being or becoming repayable or capable of being declared repayable immediately or earlier than their or its stated maturity date or repayment date or the ability of any such member to borrow moneys or incur any indebtedness being withdrawn or inhibited or being capable of becoming or being withdrawn or inhibited;

(ii) any such agreement, arrangement, licence, permit or instrument or the rights, liabilities, obligations or interests of any such member thereunder being terminated or modified or affected or any obligation or liability arising or any action being taken or arising thereunder;
(iii) any assets or interests of any such member being or falling to be disposed of or charged or any right arising under which any such asset or interest could be required to be disposed of or charged;
(iv) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any such member;
(v) the rights, liabilities, obligations or interests of any such member in, or the business of any such member with, any person, firm or body (or any arrangement or arrangements relating to any such interest or business) being terminated, adversely modified or affected;
(vi) the value of any such member or its financial or trading position or prospects being prejudiced or adversely affected;
(vii) any such member ceasing to be able to carry on business under any name under which it presently does so; or
(viii) the creation or acceleration of any liability, actual or contingent, by any such member, and no event having occurred which, under any provision of any agreement, arrangement, licence, permit or other instrument to which any member of the Wider GKN Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject, would or might reasonably be expected to result in any of the events or circumstances as are referred to in sub-paragraphs (i) to (viii) of this Condition;

Certain events occurring since 31 December 2016

(o) save as Disclosed, no member of the Wider GKN Group having, since 31 December 2016:

(i) save as between GKN and wholly-owned subsidiaries of GKN or for GKN Shares issued under or pursuant to the exercise of options and vesting of grants awarded under the GKN Share Schemes, issued or agreed to issue, authorised or proposed the issue of additional shares of any class;

(ii) save as between GKN and wholly-owned subsidiaries of GKN or for the grant of options and awards and other rights under the GKN Share Schemes, issued or agreed to issue, authorised or proposed the issue of securities convertible into shares of any class or rights, warrants or options to subscribe for, or acquire, any such shares or convertible securities;

(iii) other than to another member of the GKN Group, prior to completion of the Acquisition, recommended, declared, paid or made any dividend or other distribution payable in cash or otherwise;

(iv) save for intra-GKN Group transactions, merged or demerged with any body corporate or acquired or disposed of or transferred, mortgaged or charged or created any security interest over any assets or any right, title or interest in any asset (including shares and trade investments) or authorised or proposed or announced any intention to propose any merger, demerger, acquisition or disposal, transfer, mortgage, charge or security interest, in each case, other than in the ordinary course of business and, in each case, to the extent which is material in the context of the Wider GKN Group taken as a whole;

(v) save for intra-GKN Group transactions, made or authorised or proposed or announced an intention to propose any change in its loan capital in each case, to the extent which is material in the context of the Wider GKN Group taken as a whole;

(vi) issued, authorised or proposed the issue of any debentures or (save for intra-GKN Group transactions), save in the ordinary course of business, incurred or increased any indebtedness or become subject to any contingent liability;

(vii) purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay any of its own shares or other securities or reduced or, save in respect to the matters mentioned in sub-paragraphs (i) or (ii) above, made any other change to any part of its share capital in each case, to the extent which is material in the context of the Wider GKN Group taken as a whole;

(viii) save for intra-GKN Group transactions, implemented, or authorised, proposed or announced its intention to implement, any reconstruction, amalgamation, scheme, commitment or other transaction or arrangement otherwise than in the ordinary course of business;
(ix) entered into or varied or authorised, proposed or announced its intention to enter into or vary any contract, transaction or commitment (whether in respect of capital expenditure or otherwise) which is of a long term, onerous or unusual nature or magnitude or which involves or could involve an obligation of such a nature or magnitude other than in the ordinary course of business, in each case, to the extent which is material in the context of the Wider GKN Group taken as a whole;

(x) (other than in respect of a member which is dormant and was solvent at the relevant time) taken any corporate action or steps or had any legal proceedings started or threatened against it in relation to the suspension of payments, a moratorium of any indebtedness, its winding-up, dissolution or reorganisation or for the appointment of a receiver, administrative receiver, administrator, manager, trustee or similar officer of all or any part of its assets or revenues or any analogous proceedings in any jurisdiction or appointed any analogous person in any jurisdiction or had any such person appointed, in each case, to the extent which is material in the context of the Wider GKN Group taken as a whole;

(xi) entered into any contract, transaction or arrangement which would be restrictive on the business of any member of the Wider GKN Group or the Wider Melrose Group other than of a nature and extent which is normal in the context of the business concerned;

(xii) waived or compromised any claim otherwise than in the ordinary course of business which is material in the context of the Wider GKN Group taken as a whole;

(xiii) made any material alteration to its memorandum or articles of association or other incorporation documents;

(xiv) been unable, or admitted in writing that it is unable, to pay its debts or commenced negotiations with one or more of its creditors with a view to rescheduling or restructuring any of its indebtedness, or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business;

(xv) entered into any contract, commitment, arrangement or agreement otherwise than in the ordinary course of business or passed any resolution or made any offer (which remains open for acceptance) with respect to or announced any intention to, or proposed to, effect any of the transactions, matters or events referred to in this Condition (o);

(xvi) made or agreed or consented to any change to:

(A) the terms of the trust deeds constituting the pension scheme(s) established by any member of the Wider GKN Group for its directors, employees or their dependents;

(B) the contributions payable to any such scheme(s) or to the benefits which accrue or to the pensions which are payable thereunder;

(C) the basis on which qualification for, or accrual or entitlement to, such benefits or pensions are calculated or determined; or

(D) the basis upon which the liabilities (including pensions) of such pension schemes are funded, valued or made,

in each case, to the extent which is material in the context of the Wider GKN Group taken as a whole;

(xvii) proposed, agreed to provide or modified the terms of any of the GKN Share Schemes or other benefit constituting a material change relating to the employment or termination of employment of a material category of persons employed by the Wider GKN Group or which constitutes a material change to the terms or conditions of employment of any senior employee of the Wider GKN Group, save as agreed by the Panel (if required) and by Melrose, or entered into or changed the terms of any contract with any director or senior executive; or

(xviii) taken (or agreed or proposed to take) any action which requires, or would require, the consent of the Panel or the approval of GKN Shareholders in general meeting in accordance with, or as contemplated by, Rule 21.1 of the City Code;
No adverse change, litigation or regulatory enquiry

(p) save as Disclosed, since 31 December 2016:

(i) no adverse change or deterioration having occurred in the business, assets, financial or trading position or profits or prospects or operational performance of any member of the Wider GKN Group which, in any such case, is material in the context of the Wider GKN Group taken as a whole and no circumstances have arisen which would or might reasonably be expected to result in such adverse change;

(ii) no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Wider GKN Group is or may become a party (whether as a plaintiff, defendant or otherwise) and no enquiry, review or investigation by, or complaint or reference to, any Third Party against or in respect of any member of the Wider GKN Group having been instituted announced or threatened by or against or remaining outstanding in respect of any member of the Wider GKN Group which in any such case has had or might reasonably be expected to have an adverse effect on the Wider GKN Group taken as a whole;

(iii) no contingent or other liability having arisen or become apparent to Melrose or increased which has had or might reasonably be expected to have an adverse effect on the Wider GKN Group taken as a whole; and

(iv) no steps having been taken which are likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Wider GKN Group which is necessary for the proper carrying on of its business and the withdrawal, cancellation, termination or modification of which has had, or would reasonably be expected to have, an adverse effect on the Wider GKN Group taken as a whole;

No discovery of certain matters

(q) save as Disclosed, Melrose not having discovered:

(i) that any financial, business or other information concerning the Wider GKN Group as contained in the information publicly disclosed at any time by or on behalf of any member of the Wider GKN Group is materially misleading, contains a material misrepresentation of fact or omits to state a fact necessary to make that information not misleading, in each case, to the extent which is material in the context of the Wider GKN Group taken as a whole;

(ii) that any member of the Wider GKN Group or partnership, company or other entity in which any member of the Wider GKN Group has a significant economic interest and which is not a subsidiary undertaking of GKN is subject to any liability (contingent or otherwise) which is not disclosed in the Annual Report and Accounts of GKN for the financial year ended 31 December 2016, in each case, to the extent which is material in the context of the Wider GKN Group taken as a whole; or

(iii) any information which affects the import of any information disclosed at any time by or on behalf of any member of the Wider GKN Group and which is material in the context of the Wider GKN Group taken as a whole;

(r) save as Disclosed, Melrose not having discovered that:

(i) any past or present member of the Wider GKN Group has failed to comply with any and/or all applicable legislation or regulation, of any jurisdiction with regard to the use, treatment, storage, carriage, disposal, spillage, release, discharge, leak or emission of any waste or hazardous substance or any substance likely to impair the environment or harm human health or animal health or otherwise relating to environmental matters or the health and safety of humans, or that there has otherwise been any such use, treatment, storage, carriage, disposal, spillage, release, discharge, leak or emission (whether or not the same constituted a non-compliance by any person with any such legislation or regulations, and wherever the same may have taken place) any of which storage, carriage, disposal, spillage, release, discharge, leak or emission would be likely to give rise to any liability (actual or contingent) on the part of any member of the Wider GKN Group and which is material in the context of the Wider GKN Group taken as a whole;

(ii) there is, or is likely to be, for any other reason whatsoever, any liability (actual or contingent) of any past or present member of the Wider GKN Group to make good, remediate, repair, reinstate or clean up any property or any controlled waters now or previously owned, occupied, operated or made use
of or controlled by any such past or present member of the Wider GKN Group (or on its behalf) or by any person for which a member of the Wider GKN Group is or has been responsible, or in which any such member may have or previously have had or be deemed to have had an interest, under any environmental legislation, regulation, notice, circular or order of any Third Party and which is material in the context of the Wider GKN Group taken as a whole or the Acquisition;

(iii) circumstances exist (whether as a result of the making of the Offer or the Acquisition or otherwise) which would be reasonably likely to lead to any Third Party instituting, or whereby any member of the Wider Melrose Group or any present or past member of the Wider GKN Group would be likely to be required to institute, an environmental audit or take any other steps which would in any such case be reasonably likely to result in any liability (whether actual or contingent) to improve, modify existing or install new plant, machinery or equipment or carry out changes in the processes currently carried out or make good, remediate, repair, re-instate or clean up any land or other asset currently or previously owned, occupied or made use of by any past or present member of the Wider GKN Group (or on its behalf) or by any person for which a member of the Wider GKN Group is or has been responsible, or in which any such member may have or previously have had or be deemed to have had an interest which is material in the context of the Wider GKN Group taken as a whole or the Acquisition; or

(iv) circumstances exist whereby a person or class of persons would be likely to have any claim or claims in respect of any product or process of manufacture or materials used therein currently or previously manufactured, sold or carried out by any past or present member of the Wider GKN Group which claim or claims would be likely, materially and adversely, to affect any member of the Wider GKN Group and which is material in the context of the Wider GKN Group taken as a whole or the Acquisition; and

**Anti-corruption, sanctions and criminal property**

(s) save as Disclosed, Melrose not having discovered that:

(i) (A) any past or present member, director, officer or employee of the Wider GKN Group is or has at any time engaged in any activity, practice or conduct which would constitute an offence under the Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977 or any other applicable anti-corruption legislation and regulation or (B) any person that performs or has performed services for or on behalf of the Wider GKN Group is or has at any time engaged in any activity, practice or conduct in connection with the performance of such services which would constitute an offence under the Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977 or any other applicable anti-corruption legislation and regulation;

(ii) any asset of any member of the Wider GKN Group constitutes criminal property as defined by section 340(3) of the Proceeds of Crime Act 2002 (but disregarding paragraph (b) of that definition);

(iii) any past or present member, director, officer or employee of the Wider GKN Group, or any other person for whom any such person may be liable or responsible, has engaged in any business with, made any investments in, made any funds or assets available to or received any funds or assets from: (A) any government, entity or individual in respect of which US or European Union persons, or persons operating in those territories, are prohibited from engaging in activities or doing business, or from receiving or making available funds or economic resources, by US or European Union laws or regulations, including the economic sanctions administered by the United States Office of Foreign Assets Control, or HMRC; or (B) any government, entity or individual targeted by any of the economic sanctions of the United Nations, the United States, the European Union or any of its member states; or

(iv) any member of the Wider GKN Group is or has been engaged in any transaction which would cause Melrose to be in breach of any law or regulation upon its acquisition of GKN, including the economic sanctions of the United States Office of Foreign Assets Control, or HMRC, or any government, entity or individual targeted by any of the economic sanctions of the United Nations, the United States, the European Union or any of its member states.
Section B:

Waiver and Invocation of the Conditions

Melrose reserves the right to waive, in whole or in part, all or any of the Conditions set out in Section A of Part 2 above, except for Conditions (a) (Acceptance Condition), (b) (Melrose Shareholder approval) and (c) (Admission to listing), which cannot be waived. Other than in respect of Conditions (a) to (c) (inclusive), Melrose may invoke a Condition to cause the Offer not to proceed only if the circumstances giving rise to the Condition not being satisfied are of material significance to Melrose in the context of the Offer.

The Offer will be subject to the satisfaction (or waiver, if permitted) of the Conditions and to the full terms and conditions set out in this Part 2 of this Offer Document and in the Form of Acceptance.

Melrose shall be under no obligation to waive (if capable of waiver), to determine to be or remain satisfied or to treat as satisfied any of Conditions (b) to (s) (inclusive) that are capable of waiver by a date earlier than the latest date specified above for the fulfilment of the relevant Condition, notwithstanding that the other Conditions to the Acquisition may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any such Condition(s) may not be capable of fulfilment.

If Melrose is required by the Panel to make an offer for GKN Shares under the provisions of Rule 9 of the City Code, Melrose may make such alterations to the Conditions as are necessary to comply with the provisions of that Rule.
Section C:
Further terms of the Offer

1. Definitions
Except where the context otherwise requires, any reference in this Offer Document and in the Form of Acceptance to:
(i) the “Offer” shall mean the Offer and shall include any revision or extension thereof;
(ii) to the Offer being or becoming or being declared “unconditional” shall be construed as references to the Offer becoming or being declared unconditional as to acceptances whether or not any other condition of the Offer remains to be fulfilled;
(iii) the “Acceptance Condition” is to the condition as to acceptances in paragraph (a) of Section A of Part 2 of this Offer Document and references to the Offer being unconditional as to acceptances shall be construed accordingly;
(iv) “acceptances of the Offer” includes deemed acceptances of the Offer;
(v) an “extension” of the Offer includes a reference to an extension of the date by which the Offer must become or be declared unconditional in all respects;
(vi) “Day 39” shall mean 12 March 2018 or such later date as the Panel may agree;
(vii) “Day 46” shall mean 19 March 2018 or such later date as the Panel may agree; and
(viii) “Day 60” shall mean 2 April 2018 or such later date as may be determined by Melrose with the agreement of the Panel to be the last date for fulfilment of the Acceptance Condition in accordance with the City Code.

2. Acceptance Period
(a) The Offer is initially open for acceptance until 1.00 p.m. on 9 March 2018. Melrose reserves the right (but shall not be obliged, other than as may be required by the City Code) at any time or from time to time to extend the Offer after such time and, in such event, shall make a public announcement of such extension in the manner described in paragraph 4(a) of this Section C of Part 2 and give oral or written notice of such extension to the Receiving Agent.
(b) Although no revision is contemplated, if the Offer is revised it shall remain open for acceptance for a period of at least 14 calendar days (or such other period as may be permitted by the Panel) after the date on which Melrose publishes revised offer documentation. Except with the consent of the Panel, Melrose may not revise its Offer or publish any revised Offer documentation after Day 46, or, if later, the date which is 14 calendar days before the last date on which the Offer can become unconditional.
(c) The Offer, whether revised or not, shall not (except with the consent of the Panel or as otherwise permitted by the City Code) be capable of becoming unconditional after 12.00 midnight on Day 60 (or any other time and/or date beyond which Melrose has stated that the Offer shall not be extended and has not, where permitted, withdrawn that statement), nor of being kept open for acceptance after that time and/or date unless the Offer has previously become unconditional provided that Melrose reserves the right, with the permission of the Panel, to extend the time for the Offer to become unconditional to a later time(s) and/or date(s). If the Offer has not become unconditional at such time (taking account of any prescribed extension of the Offer), the Offer shall lapse in the absence of a competing bid and/or unless the Panel agrees otherwise. If the Offer lapses for any reason, the Offer shall cease to be capable of further acceptance and GKN Shareholders and Melrose shall cease to be bound by prior acceptances.
(d) If the Offer becomes, or is declared, unconditional it shall remain open for acceptance for not less than 14 calendar days from the date on which it would otherwise have expired. If the Offer has become unconditional and it is stated by or on behalf of Melrose that the Offer shall remain open until further notice or if the Offer shall remain open for acceptance beyond the 70th day following publication of the Offer Document, then not less than 14 calendar days’ written notice shall be given by or on behalf of Melrose to GKN Shareholders who have not accepted the Offer prior to the Closing Date and to persons with information rights.
(e) If a competitive situation arises (as determined by the Panel) after Melrose has made a “no extension” statement and/or “no increase” statement (as referred to in the City Code) in relation to the Offer, Melrose
may, if it specifically reserved the right to do so at the time the statement was made (or otherwise with the consent of the Panel), choose not to be bound by or withdraw such statement and to extend or revise the Offer provided that Melrose complies with the requirements of the City Code and, in particular, that

(i) it announces the withdrawal and states that it is free to extend or revise the Offer (as appropriate) as soon as possible and in any event within four Business Days of the date of the firm announcement of the competing offer or other competitive situation;

(ii) it sends a notice to GKN Shareholders (and persons with information rights) at the earliest opportunity to that effect or, in the case of GKN Shareholders with registered addresses in Restricted Jurisdictions, by announcement in the United Kingdom; and

(iii) any GKN Shareholders who accept the Offer after the date of the “no extension” and/or “no increase” statement is given a right of withdrawal in accordance with paragraph 5(d) of this Section C.

(f) Melrose may, if it specifically reserved the right to do so at the time the statement was made (or otherwise with the consent of the Panel), choose not to be bound by the terms of a “no extension” or “no increase” statement and may publish an increased or improved offer (either as to the value or form of the consideration or otherwise) if it is recommended for acceptance by the GKN Board, or in any circumstance permitted by the Panel.

(g) If GKN announces material new information of the kind referred to in Rule 31.9 of the City Code after Day 39, Melrose may choose not to be bound by a “no extension” statement and/or a “no increase” statement if it specifically reserved the right to do so at the time such statement is made (or otherwise with the consent of the Panel) and to be free to revise and/or extend the Offer, if permitted by the Panel, provided that:

(i) notice to this effect is published as soon as possible and in any event within four Business Days after the date of announcement by GKN; and

(ii) GKN Shareholders (and persons with information rights) are notified in writing at the earliest opportunity to that effect or, in the case of GKN Shareholders with registered addresses in Restricted Jurisdictions, by announcement in the United Kingdom.

(h) If a competitive situation arises as determined by the Panel and is continuing on the Business Day immediately preceding Day 60 and the Offer has not previously become or been declared unconditional in all respects, or has been withdrawn or lapsed, Melrose will enable GKN Shareholders in uncertificated form who have not already validly accepted the Offer but who have previously accepted a competing offer, to accept the Offer by special form of acceptance to take effect on Day 60. The special form of acceptance shall constitute a valid acceptance of the Offer provided that:

(i) it is received by the Receiving Agent on or before Day 60;

(ii) the relevant GKN Shareholder shall have applied to withdraw his acceptance of the competing offer but that the GKN Shares to which such withdrawal relates shall not have been released from escrow by the escrow agent to the competing offer before Day 60; and

(iii) the GKN Shares to which the special form of acceptance relates are not transferred to escrow in accordance with the procedure for acceptance set out in the letter from the Financial Advisers contained in Part 1 of this Offer Document on or before Day 60, but an undertaking is given that they will be so transferred as soon as possible thereafter.

GKN Shareholders wishing to use such special forms of acceptance should apply to the Receiving Agent, Equiniti Limited, by telephone between 8.30 a.m. and 5.30 p.m. on 0333 207 6524 (or from outside the United Kingdom on +44 121 415 0909) on the Business Day preceding Day 60 in order that such forms can be despatched. Notwithstanding the right to use such a special form for acceptance, holders of GKN Shares in uncertificated form may not use a Form of Acceptance (or any other purported acceptance form) for the purpose of accepting the Offer in respect of such shares.

3. Acceptance Condition

(a) Except with the consent of the Panel, for the purpose of determining at any particular time whether the Acceptance Condition is satisfied, Melrose may only take into account acceptances received or purchases
of GKN Shares made in respect of which all relevant documents and/or TTE instructions are received by the Receiving Agent:

(i) by 1.00 p.m. on Day 60 (or any other time and/or date beyond which Melrose has stated that the Offer shall not be extended and has not, where permitted, withdrawn such statement); or

(ii) if the Offer is extended with the consent of the Panel, such later time(s) or date(s) the Panel may agree.

If the latest time at which the Offer may become or be declared unconditional in all respects is extended beyond midnight on Day 60, acceptances received and purchases made in respect of which the relevant documents are received by the Receiving Agent after 1 p.m. on such date may only be taken into account with the agreement of the Panel (except where the City Code permits otherwise).

(b) Except as otherwise agreed by the Panel:

(i) an acceptance of the Offer will only be counted towards fulfilling the Acceptance Condition if the requirements of Note 4 and, if applicable, Note 6 on Rule 10 of the City Code are satisfied in respect of it;

(ii) a purchase of GKN Shares by Melrose or its nominee(s) or (if Melrose is required by the Panel to make an offer for GKN Shares under Rule 9 of the City Code) by a person acting in concert with Melrose or its nominee(s), will only be counted towards fulfilling the Acceptance Condition if the requirements of Note 5 and, if applicable, Note 6 on Rule 10 of the City Code are satisfied in respect of it;

(iii) GKN Shares which have been borrowed by Melrose may not be counted towards fulfilling the Acceptance Condition; and

(iv) before the Offer may become or be declared unconditional, the Receiving Agent shall issue a certificate to Melrose or either of the Financial Advisers (or their respective agents) which states the number of GKN Shares in respect of which acceptances have been received, and the number of GKN Shares otherwise acquired, whether before or during the Offer Period, which comply with the provisions of this paragraph 3. A copy of the certificate will be sent to the Panel as soon as possible after it is issued.

(c) For the purpose of determining at any particular time whether the Acceptance Condition is satisfied Melrose is not bound (unless required by the Panel) to take into account any GKN Shares which have been unconditionally allotted or issued or which arise as a result of the exercise of conversion rights before the determination takes place unless GKN or its agent has given written notice to Melrose or the Receiving Agent, Equiniti Limited, at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing BN99 6DA on behalf of Melrose, containing relevant details of the allotment, issue or conversion. Notification by e-mail, telex, facsimile or other electronic transmission does not constitute written notice for this purpose.

4. Announcements

(a) Without prejudice to paragraph 4(b) of this Section C of Part 2 below, by 8.00 a.m. on the next Business Day (the “relevant day”) following the day on which the Offer is due to expire or becomes or is declared unconditional, or is revised or extended (or such later time(s) or date(s) as the Panel may agree), Melrose will make an appropriate announcement through a Regulatory Information Service. The announcement will state (unless otherwise permitted by the Panel):

(i) the total number of GKN Shares (A) for which acceptances of the Offer have been received (specifying the extent, if any, to which such acceptances have been received from any person(s) acting or deemed to be acting in concert with Melrose for the purposes of the Offer) and (B) which were the subject of an irrevocable commitment or letter of intent procured by Melrose or any person acting in concert with it;

(ii) details of any GKN relevant securities in which Melrose or any person acting in concert with it has an interest or in respect of which it has a right to subscribe, in each case specifying the nature of the interests or rights concerned and details of any short positions over GKN relevant securities held by Melrose or any person acting in concert with it (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery;
(iii) details of any GKN relevant securities in respect of which Melrose or any person acting in concert with it has an outstanding irrevocable commitment or letter of intent; and

(iv) details of any relevant securities of GKN which Melrose or any person acting in concert with it has borrowed or lent, save for any borrowed shares which have been either on-lent or sold, and will specify the percentages of each class of relevant securities represented by these figures. The announcement shall include a statement of the total number of GKN Shares which Melrose may count towards the satisfaction of the Acceptance Condition and the percentage of GKN Shares represented by this figure.

(b) Except as otherwise agreed by the Panel, in computing the number of GKN Shares represented by acceptances and/or purchases for the announcement, an acceptance or purchase will only be counted towards fulfilling the Acceptance Condition if the requirements of Notes 4, 5 and 6 (as applicable) on Rule 10 of the City Code are satisfied. Subject to this, Melrose may include or exclude, for announcement purposes, acceptances and purchases not in all respects in order or not accompanied by the relevant share certificate(s) and/or other document(s) of title and/or not accompanied by the relevant TTE instruction or which are subject to verification.

(c) Any decision to extend the time and/or date by which the Acceptance Condition has to be fulfilled may be made at any time up to, and will be announced by 8.00 a.m. on the relevant day or such later time(s) and/or date(s) as the Panel may agree. The announcement will state the next expiry time and date unless the Offer is then unconditional, in which case a statement may instead be made that the Offer will remain open until further notice.

(d) In this Section C of Part 2, references to the making of an announcement or the giving of notice by or on behalf of Melrose include, in each case, the release of an announcement by Melrose’s public relations consultants or the Financial Advisers or other nominee of Melrose, in each case on behalf of Melrose, to the press and/or the transmission by whatever means of an announcement to a Regulatory Information Service. An announcement made otherwise than through a Regulatory Information Service will be notified simultaneously through a Regulatory Information Service (unless otherwise agreed by the Panel).

(e) A copy of any announcement made by Melrose in accordance with this paragraph 4 of this Section C of Part 2 will be available, subject to certain restrictions relating to persons resident in the United States or any other Restricted Jurisdiction, for inspection on Melrose’s website at www.melroseplc.net as soon as possible and in any event by no later than 12 noon on the Business Day following the announcement.

(f) Without limiting the manner in which Melrose may choose to make any public announcement and, subject to the obligations of Melrose under applicable law and paragraph 4(e) of this Section C of Part 2 above, Melrose will have no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release to a Regulatory Information Service.

5. Rights of withdrawal

(a) Acceptances of and elections by GKN Shareholders under the Offer are irrevocable, subject to the remainder of this paragraph 5 of this Section C of Part 2.

(b) If Melrose, having announced the Offer to be unconditional, fails to comply by 3.30 p.m. on the relevant day (as defined in paragraph 4(a) of this Section C of Part 2) (or such later time(s) and/or date(s) as the Panel may agree) with any of the other requirements specified in paragraph 4(a) of this Section C of Part 2, an accepting GKN Shareholder who holds GKN Shares in certificated form may (unless the Panel agrees otherwise) immediately thereafter withdraw his acceptance of the Offer by written notice or otherwise signed by the accepting GKN Shareholder (or his agent duly appointed in writing and evidence of whose appointment, in a form reasonably satisfactory to Melrose, is produced with the notice) given by post or by hand (during normal business hours only) to the Receiving Agent, Equiniti Limited. Alternatively, in the case of GKN Shares held in uncertificated form, withdrawals can also be effected in the manner set out in paragraph 5(f) of this Section C of Part 2. Subject to paragraph 2(c) of this Section C of Part 2, this right of withdrawal may be terminated not less than eight calendar days after the relevant day by Melrose confirming, if such is the case, that the Offer is still unconditional and complying with the other requirements relating to the Offer specified in paragraph 4(a) of this Section C of Part 2. If that confirmation is given, the first period of 14 calendar days referred to in paragraph 2(d) of this Section C of Part 2 shall start on the date of that confirmation.
(c) If by 1.00 p.m. on the day falling 21 days after the First Closing Date (or such later time(s) and/or date(s) as the Panel agree) the Offer has not become unconditional, an accepting GKN Shareholder may withdraw his acceptance of the Offer by written notice or otherwise in the manner referred to in paragraph 5(b) of this Section C of Part 2 (or, in the case of GKN Shares held in uncertificated form, in the manner set out in paragraph 5(f) of this Section C of Part 2) at any time before the earlier of:

(i) the time that the Offer becomes unconditional; and

(ii) the final time for the lodging of acceptances of the Offer which can be taken into account in accordance with paragraph 3(a) of this Section C of Part 2.

(d) If a “no extension” and/or “no increase” statement is withdrawn in accordance with paragraph 2(e) of this Section C of Part 2, a GKN Shareholder who accepts the Offer after the date of that statement may withdraw such acceptance by written notice or otherwise in accordance with paragraph 5(b) of this Section C of Part 2 (or, in the case of GKN Shares held in uncertificated form, in the manner set out in paragraph 5(f) of this Section C of Part 2) for a period of eight calendar days after the date on which Melrose sends the notice of the withdrawal of that statement to GKN Shareholders.

(e) In this paragraph 5, “written notice” (including any letter of appointment, direction or authority) means notice in writing signed by the relevant accepting GKN Shareholder (or his/their agent(s) duly appointed in writing and evidence of whose appointment satisfactory to Melrose is produced with the notice) given by post or by hand (during normal business hours) at the Receiving Agent, Equiniti Limited, at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing BN99 6DA. Facsimile or other electronic transmission or copies will not be sufficient. A notice which is postmarked in, or otherwise appears to Melrose or its agents to have been sent from the United States or any Restricted Jurisdiction may be treated as invalid, unless Melrose is satisfied in its sole discretion that such notice was sent by an Eligible GKN Shareholder.

(f) In the case of GKN Shares held in uncertificated form, if withdrawals are permitted pursuant to paragraphs 5(b), 5(c) and 5(d) of this Section C of Part 2 above, an accepting GKN Shareholder may withdraw his acceptance through CREST by sending (or, if a CREST sponsored member, procuring that his CREST sponsor sends) an ESA instruction to settle in CREST in relation to each Electronic Acceptance to be withdrawn. Each ESA instruction must, in order for it to be valid and to settle, include the following details:

• the number of GKN Shares to be withdrawn, together with their ISIN number which is GB0030646508;

• the member account ID of the accepting shareholder, together with his participant ID;

• the member account ID of the Escrow Agent included in the relevant Electronic Acceptance to be withdrawn;

• the Escrow Agent’s participant ID (this is 5RA66);

• the CREST transaction participant number of the Electronic Acceptance to be withdrawn;

• the intended settlement date for the withdrawal;

• the corporate action number for the Offer (this is allocated by Euroclear and shall be available on a screen from Euroclear); and

• input with standard delivery instruction priority of 80.

Any such withdrawal will be conditional upon the Receiving Agent verifying that the withdrawal request is validly made. Accordingly, the Receiving Agent will, on behalf of Melrose, reject or accept the withdrawal by transmitting in CREST a receiving agent reject (AEAD) or a receiving agent accept (AEAN) message.

(g) If an accepting GKN Shareholder withdraws his acceptance, all documents of title and other documents lodged with the Form of Acceptance will be returned as soon as practicable following the receipt of the withdrawal (and in any event within 14 calendar days) and the Receiving Agent will immediately give TFE instructions for the release of securities held in escrow to the original balance(s) of the GKN Shareholder concerned.
(h) GKN Shares in respect of which acceptances have been validly withdrawn in accordance with this paragraph 5 may subsequently be re-assented to the Offer by following one of the procedures described in paragraph 6 of Part 1 of this Offer Document at any time while the Offer remains open for acceptance.

(i) All questions as to the validity (including time of receipt) of any notice of withdrawal will be determined by Melrose whose determination (except as required by the Panel) will be final and binding. None of Melrose, the Financial Advisers, the Receiving Agent, or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give such notification or for any determination under this paragraph 5.

6. Revised Offer

(a) Although no revision is contemplated, if the Offer is revised (in its original or previously revised form(s) and either in its terms or Conditions or in the value or form of the consideration offered or otherwise), the benefit of the revised offer will, subject to paragraphs 6(e) and 8 below, be made available to a GKN Shareholder who has accepted the Offer (in its original or any revised form(s)) and who has not validly withdrawn such acceptance (a “previous acceptor”). The acceptance of the Offer by or on behalf of a previous acceptor will, subject to paragraphs 6(e), 6(f) and 8 below, be deemed an acceptance of the revised offer and will constitute the separate appointment of each of Melrose and any director of Melrose or persons authorised by Melrose or any of the Financial Advisers as its attorney and/or agent with authority:

(i) to accept the revised offer on behalf of such previous acceptor;

(ii) if the revised offer includes alternative form(s) of consideration, to make elections for and/or accept the alternative form(s) of consideration on his behalf in the proportions the attorney and/or agent in his absolute discretion thinks fit; and

(iii) to execute on his behalf and in his name all further documents (if any) and to do all things (if any) as may be required to give effect to such acceptances and/or elections.

In making any election and/or acceptance, the attorney and/or agent will take into account the nature of any previous acceptance(s) or election(s) made by or on behalf of the previous acceptor and other facts or matters he may reasonably consider relevant. The attorney and/or agent shall not be liable to any GKN Shareholder or any other person in making such election and/or acceptance or in making any determination in respect thereof.

(b) Although no revision is contemplated, if the Offer is revised, a revised offer document will be published. On the day of publication, Melrose will publish the document on its website and will announce that the document has been so published. In addition, Melrose will make the revised offer document readily available to the trustees of the GKN pension schemes.

(c) Melrose reserves the right to treat an executed Form of Acceptance or TTE instruction relating to the Offer (in its original or any previously revised form(s)) which is received (or dated) after the announcement or issue of any revised offer as a valid acceptance of the revised offer (and where applicable a valid election for the alternative forms of consideration). That acceptance will constitute a power of attorney and an authority in the terms of paragraph (a) above, mutatis mutandis, on behalf of the relevant GKN Shareholder.

(d) The deemed acceptance and/or election referred to in paragraph (a) above shall not apply, and the power of attorney and the authorities conferred by that paragraph shall not be exercised if, as a result, a previous acceptor would (on such basis as one or more of the Financial Advisers may reasonably consider appropriate) receive and/or retain (as appropriate) less in aggregate in consideration under the revised offer or otherwise than he would have received and/or retained (as appropriate) in aggregate in consideration as a result of his acceptance of the Offer in the form originally accepted by such previous acceptor or on his behalf.

(e) The deemed acceptance and/or election referred to in paragraph (a) above shall not apply, and the power of attorney and the authorities conferred by that paragraph shall not be exercised in the case of a previous acceptor who (i) lodges with the Receiving Agent, within 14 calendar days of publication of the revised offer documentation, a form of acceptance (or any other form issued on behalf of Melrose) in which he validly elects to receive consideration under the revised offer in some other manner or (ii) sends (or, if a CREST sponsored member, procures that his CREST sponsor sends), in respect of GKN Shares in uncertificated form, an ESA instruction to settle in CREST in relation to each Electronic Acceptance in
respect of which an election is to be changed. Each ESA instruction must, in order for it to be valid and to settle, include the following details:

- the number of GKN Shares in respect of which the changed election is made, together with their ISIN number which is GB0030646508;
- the member account ID of the previous acceptor, together with his participant ID;
- the member account ID of the Escrow Agent included in the relevant Electronic Acceptance;
- the Escrow Agent’s participant ID (this is 5RA66);
- the CREST transaction reference number of the Electronic Acceptance in respect of which the election is to be changed;
- the intended settlement date for the changed election;
- the corporate action number for the Offer (this is allocated by Euroclear and shall be available on a screen from Euroclear); and
- input with standard delivery instruction priority of 80,

and, in order that the desired change of election can be effected, must include the member account ID of the Escrow Agent relevant to the new election.

Any such change of election will be conditional upon the Receiving Agent verifying that the request is validly made. Accordingly, the Receiving Agent will on behalf of Melrose reject or accept the requested change of election by transmitting in CREST a receiving agent reject (AEAD) or receiving agent accept (AEAN) message.

7. **Mix and Match Facility**

(a) Mix and Match Elections will only be accepted in respect of a whole number of GKN Shares. Any Mix and Match Election which is made in respect of a number of GKN Shares which is not a whole number shall be deemed to be made in respect of the nearest whole number of GKN Shares rounded down. The number of GKN Shares in respect of which a Mix and Match Election is made represents the number of GKN Shares in respect of which an Eligible GKN Shareholder wishes to receive either all cash or, as the case may be, all New Melrose Shares, as consideration under the terms of the Offer.

(b) The maximum aggregate amount of cash (being £1.4 billion) to be paid and the maximum aggregate amount of New Melrose Shares to be issued (being 2,598,898,592) under the Offer will not be varied as a result of elections under the Mix and Match Facility. The available cash and New Melrose Shares will be allocated in accordance with this paragraph 7 among Eligible GKN Shareholders who make valid Mix and Match Elections.

(c) Valid Mix and Match Elections for more New Melrose Shares made by Eligible GKN Shareholders will be satisfied in full where sufficient New Melrose Shares are available as a result of other accepting Eligible GKN Shareholders validly making Mix and Match Elections for more cash. If the number of New Melrose Shares made available as a result of valid Mix and Match Elections for cash is insufficient to satisfy in full all valid Mix and Match Elections for New Melrose Shares, then such elections will be scaled down on a pro rata basis and rounded down to the nearest whole number of GKN Shares.

(d) Valid Mix and Match Elections for cash made by Eligible GKN Shareholders will be satisfied in full where sufficient cash is available as a result of other accepting Eligible GKN Shareholders validly making Mix and Match Elections for New Melrose Shares. If the amount of cash made available as a result of valid Mix and Match Elections for New Melrose Shares is insufficient to satisfy in full all valid Mix and Match Elections for cash, then such elections will be scaled down on a pro rata basis and rounded down to the nearest whole number of GKN Shares.

(e) Each Eligible GKN Shareholder will automatically receive the Base Consideration (81 pence and 1.49 New Melrose Shares). The Mix and Match Facility, however, allows Eligible GKN Shareholders to either:

(i) elect the “More Shares” option (equating to approximately 1.8622$^{1}$ New Melrose Shares for every GKN Share so elected if other GKN Shareholders make equal and opposite Mix and Match Elections), so as to surrender some or all of their entitlement to the cash component under the terms of the Offer (being 81 pence per GKN Share held) in exchange for additional New Melrose Shares.

---

$^{1}$ The full number of New Melrose Shares for every GKN Share under the “More Shares” option is 1.862242647058824.
(being approximately 0.3722 New Melrose Shares per 81 pence if other GKN Shareholders make equal and opposite Mix and Match Elections) in addition to the 1.49 New Melrose Shares due; or

(ii) elect the “More Cash” option (equating to 405 pence for every GKN Share so elected if other GKN Shareholders make equal and opposite Mix and Match Elections), so as to surrender some or all of their entitlement to New Melrose Share under the terms of the Offer (being 1.49 New Melrose Shares per GKN Share held) in exchange for additional cash (being 324 pence per 1.49 New Melrose Shares if other GKN Shareholders make equal and opposite Mix and Match Elections) in addition to the 81 pence per GKN Share due.

The ratio for making elections under the Mix and Match Facility has been determined by reference to the offer price of 405 pence per GKN Share made when Melrose first approached the GKN Board in connection with the terms of the Offer.

IMPORTANT: An election under the Mix and Match Facility does not guarantee that you will receive either 1.8622 New Melrose Shares under the “More Shares” option or 405 pence under the “More Cash” option in respect of each GKN Share so elected. Elections under the Mix and Match Facility could be scaled back pro rata, with any unsuccessful elections for the “More Cash” option or “More Shares” option being treated as an election to receive the Base Consideration of 81 pence and 1.49 New Melrose Shares. Adjustments to the entitlements of GKN Shareholders pursuant to the Mix and Match Elections may be made by Equiniti Limited under instruction from Melrose on a basis that Melrose consider to be fair and reasonable to the extent necessary to satisfy all entitlements pursuant to the Mix and Match Elections as nearly as may be practicable. Such adjustments shall be final and binding on GKN Shareholders.

(f) The Mix and Match Facility will remain open until closed by Melrose. Melrose reserves the right to close the Mix and Match Facility at 1.00 p.m. on the First Closing Date without further notice or on any subsequent closing date (if any). Any closure of the Mix and Match Facility will be announced by Melrose via a Regulatory Information Service. If the Mix and Match Facility has been closed, Melrose reserves the right to reintroduce a mix and match facility on the same terms as described in this paragraph 7 of Section C of Part 2 and subject to the rules of the City Code. In addition, in the event Melrose applies the provisions of sections 974 to 991 of the Companies Act to compulsorily acquire any outstanding GKN Shares to which the Offer relates and in respect of which the Offer has not been accepted (as described in paragraph 5 of Part 1 of this Offer Document), a mix and match facility will be available to those relevant GKN Shareholders affected by the compulsory acquisition on the same terms as described in this paragraph 7 of Section C of Part 2.

(g) No election under the Mix and Match Facility will be valid unless, by the time and date on which the Mix and Match Facility closes:

(i) in respect of GKN Shares held in certificated form, both a valid acceptance of the Offer and a valid election under the Mix and Match Facility, duly completed in all respects and accompanied by all relevant share certificate(s), and/or other document(s) of title is received;

(ii) in respect of GKN Shares held in uncertificated form, settlement of a Mix and Match TTE Instruction in relation to those shares in accordance with the procedures set out in paragraph 6(b)(iii) of Part 1 occurs.

(h) If an Eligible GKN Shareholder purports to elect for both additional cash and additional New Melrose Shares under the Mix and Match Facility, both purported elections shall be deemed to be void and the relevant Eligible GKN Shareholder shall be deemed to have accepted the Base Consideration under the Offer in respect of all the GKN Shares to which the relevant Acceptance Form or TTE instruction relates.

(i) If a TTE instruction or Form of Acceptance that constitutes or includes an election under the Mix and Match Facility is either received after the time and date upon which the Mix and Match Facility closes or is received before such time and date but is not, and is not deemed to be, valid or complete in all respects at such time and date, such election shall, for all purposes, be void and the Eligible GKN Shareholder purporting to make such election shall not, for any purpose, be entitled to receive any variation of consideration under the election but such acceptance (if otherwise valid) shall, subject to the provisions of paragraph 8 of this Section C of Part 2, be deemed to be an acceptance of the Offer in respect of the number of GKN Shares in respect of which such election was purported to be made and the relevant

2 The full number of New Melrose Shares for every 81 pence under the “More Shares” option is 0.372242647058824.
Eligible GKN Shareholder will, subject to the Offer becoming wholly unconditional, be entitled to receive the Base Consideration due under the Offer in respect thereof.

(j) If Melrose chooses to leave the Mix and Match Facility open, or to reintroduce or make available a further mix and match facility, for any period or periods after the date upon which the Offer becomes wholly unconditional, Melrose shall be entitled, at its absolute discretion, to treat elections received (or validated or completed) during such period or periods as forming a separate pool or pools for the purposes of determining the nominal amount of cash and New Melrose Shares available to meet such elections on whatever basis Melrose may determine.

(k) Satisfaction of valid Mix and Match Elections are conditional on the Offer becoming wholly unconditional. The Mix and Match Facility will automatically lapse if the Offer lapses or expires.

(l) An election under the Mix and Match Facility by an Eligible GKN Shareholder may not be changed after the time that it is first made. However, acceptances including elections under the Mix and Match Facility may be withdrawn in accordance with the procedures in paragraph 6 of this Section C.

8. Overseas Shareholders

(a) The making of the Offer in jurisdictions outside the United Kingdom or to Overseas Shareholders or to persons who are custodians, nominees of or trustees for such persons may be prohibited or affected by the laws of the relevant jurisdiction. Such Overseas Shareholders should inform themselves about and observe any applicable legal requirements of such jurisdictions. It is the responsibility of any Overseas Shareholder wishing to accept the Offer to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, including obtaining any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities needing to be observed and the payment of any issue, transfer or other taxes or duties or other requisite payments due in that jurisdiction. Any such Overseas Shareholder shall be responsible for any such issue, transfer or other taxes or duties or other payments by whomsoever payable and Melrose, the Financial Advisers and any person acting on behalf of any of them shall be fully indemnified and held harmless by such Overseas Shareholders for any such issue, transfer or other taxes or duties or other payments which Melrose, the Financial Advisers and any person acting on behalf of any of them may be required to pay.

(b) Unless otherwise determined by Melrose or required by the City Code, and permitted by applicable law and regulation, the Offer is not being made, directly or indirectly, in, into or from the United States or any other Restricted Jurisdiction or any other jurisdiction where to do so would violate the laws in that jurisdiction and no person may accept the Offer by any use, means or instrumentality (including, but not limited to, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of, the United States or any other Restricted Jurisdiction or any other jurisdiction where to do so would constitute a violation of the laws of that jurisdiction, and the Offer may not be capable of acceptance by any such use, means, instrumentality or facilities. Accordingly, copies of this Offer Document, the Form of Acceptance or the Prospectus Equivalent Document and any accompanying document are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from the United States or any other Restricted Jurisdiction or any other jurisdiction where to do so would constitute a violation of the laws of that jurisdiction, and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from the United States or any other Restricted Jurisdiction or any other jurisdiction where to do so would constitute a violation of the laws of that jurisdiction.

(c) All GKN Shareholders (including nominees, trustees of custodians) who may have a contractual or legal obligation, or may otherwise intend, to forward this Offer Document and/or the Form of Acceptance and/or the Prospectus Equivalent Document should read the further details in this regard which are contained in this paragraph 8 and in Sections D and E of this Part 2 of this Offer Document before taking any action. Envelopes containing Form of Acceptance, evidence of title or other documents relating to the Offer should not be postmarked in the United States or any other Restricted Jurisdiction or otherwise despatched from such jurisdictions and all acceptors must provide addresses outside any such Restricted Jurisdictions for the settlement of the consideration to which they are entitled under the Offer or for the return of a Form of Acceptance or documents of title, except for Eligible US Holders who have satisfied Melrose (acting in its sole discretion) of their eligibility to participate in the offer through the return of a “QIB and Accredited Investor Questionnaire and Acknowledgement” and any required supporting documentation, in
a form acceptable to Melrose, in which case the postmarks and addresses provided may be in the United States.

(d) Subject to the provisions of this paragraph 8 and applicable laws, a GKN Shareholder may be deemed NOT to have accepted the Offer (or, where the context requires not to have validly elected for the Mix and Match Facility) if:

(i) he puts “No” in Box 3 of the Form of Acceptance and thereby does not make the representations and warranties set out in paragraph (c) of Section D of Part 2 of this Offer Document;

(ii) he completes Box 4 of his Form of Acceptance with an address in the United States or any other Restricted Jurisdiction or he has a registered address in the United States or any other Restricted Jurisdiction and in any such case does not insert in Box 4 of his Form of Acceptance the name and address of a person or agent outside the United States or any other Restricted Jurisdiction to whom he wishes the consideration to which he is entitled under the Offer to be sent;

(iii) in any case, a Form of Acceptance received from him is in an envelope postmarked in, or which otherwise appears to Melrose or its agents to have been sent from the United States or any other Restricted Jurisdiction;

(iv) he makes a Restricted Escrow Transfer pursuant to paragraph (e) below unless he also makes a related Restricted ESA instruction which is accepted by the Receiving Agent,

Melrose reserves the right, in its sole discretion, to investigate, in relation to any acceptance, whether the representations and warranties set out in Section D or (as the case may be) Section E of Part 2 of this Offer Document could have been truthfully given by the relevant GKN Shareholder and, if such investigation is made and as a result Melrose determines (for any reason) that such representations and warranties could not have been so given, such acceptance may be rejected as invalid. If a GKN Shareholder inserts in Box 4 of the Form of Acceptance the name and address of a person or agent in the United States or the Form of Acceptance is postmarked in, or otherwise appears to Melrose or its agent to have been sent from, the United States, Melrose may reject such acceptance, unless the requirements for eligibility to participate in the Offer have, in Melrose’s sole judgement, been met.

(e) If a holder of GKN Shares in uncertificated form is unable to give the warranties set out in paragraph (c) of Section E of Part 2, including if he is an Eligible US Holder or a nominee holding GKN Shares for an Eligible US Holder, but nevertheless can provide evidence satisfactory to Melrose that he is able to accept the Offer in compliance with all relevant legal and regulatory requirements (which evidence, in the case of an Eligible US Holder, may take the form of a “QIB and Accredited Questionnaire and Acknowledgement” completed to Melrose’s satisfaction, as set out in paragraph 9 below), he may purport to accept the Offer by sending (or if a CREST sponsored member, procuring that his CREST sponsor sends) both:

(i) a TTE instruction to a designated escrow balance detailed below (a “Restricted Escrow Transfer”); and

(ii) one or more valid ESA instructions (a “Restricted ESA instruction”).

Such purported acceptance will not be treated as a valid acceptance unless both the Restricted Escrow Transfer and the Restricted ESA instruction(s) settle in CREST and Melrose decides, in its absolute discretion, to exercise its right described in paragraph (i) below to waive, vary or modify the terms of the Offer relating to Overseas Shareholders, to the extent required to permit such acceptance to be made, in each case prior to the Closing Date. Any purported acceptance shall constitute the giving of the undertakings, representations, warranties and agreements in Section E of Part 2 of this Offer Document (other than paragraph (c)), If Melrose accordingly decides to permit such acceptance to be made, the Receiving Agent will on behalf of Melrose accept the purported acceptance as an Electronic Acceptance on the terms of this Offer Document (as so waived, varied or modified) by transmitting in CREST a receiving agent accept (AEAN) message. Otherwise, the Receiving Agent will on behalf of Melrose reject the purported acceptance by transmitting in CREST a receiving agent reject (AEAD) message. Each Restricted Escrow Transfer must, in order for it to be valid and to settle, include the following details:

- the ISIN number for the GKN Shares which is GB0030646508;
- the number of GKN Shares in uncertificated form in respect of which the Offer is to be accepted;
- the member account ID and participant ID of the accepting GKN Shareholder;
• the participant ID of the Escrow Agent specific to a Restricted Escrow Transfer (this is 5RA66);
• the member account ID of the Escrow Agent (this is RESTRICT);
• the intended settlement date (this should be as soon as possible and in any event no later than 1.00 p.m. on 9 March 2018);
• the corporate action number for the Offer (this is allocated by Euroclear and shall be available on a screen from Euroclear);
• input with standard delivery instruction priority of 80; and
• the contact name and telephone number of the accepting GKN Shareholder inserted in the shared note field.

Each Restricted ESA instruction must, in order for it to be valid and to settle, include the following details:

• the ISIN number for the GKN Shares, which is GB0030646508;
• the number of GKN Shares relevant to that Restricted ESA instruction;
• the member account ID and participant ID of the accepting GKN Shareholder;
• the participant ID and the member account ID of the Escrow Agent set out in the Restricted Escrow Transfer;
• the transaction reference number of the Restricted Escrow Transfer to which the Restricted ESA instruction relates;
• the intended settlement date (this should be as soon as possible and in any event no later than 1.00 p.m. on 9 March 2018);
• the corporate action number for the Offer (this is allocated by Euroclear and shall be available on a screen from Euroclear);
• input with standard delivery instruction priority of 80; and
• the contact name and telephone number of the accepting GKN Shareholder inserted in the shared note field.

(f) If any person, despite the restrictions described above and whether pursuant to a contractual or legal obligation or otherwise, forwards this Offer Document, the Form of Acceptance and/or the Prospectus Equivalent Document or any related document in, into or from the United States or any other Restricted Jurisdiction or uses the mails or any means or instrumentality (including, but not limited to, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, the United States or any other Restricted Jurisdiction in connection with that forwarding, that person should:

(i) inform the recipient of such fact;

(ii) explain to the recipient that such action may invalidate any purported acceptance by the recipient; and

(iii) draw the attention of the recipient to this paragraph 8.

(g) Notwithstanding the above, Melrose may in its sole and absolute discretion provide cash consideration and New Melrose Shares to a resident of the United States or any other Restricted Jurisdiction if requested to do so by or on behalf of that person if Melrose is satisfied, in that particular case, that to do so would not constitute a breach of any securities or other relevant legislation of such Restricted Jurisdiction, as appropriate.

(h) Melrose reserves the right to notify any matter, including the making of the Offer, to all or any GKN Shareholders:

(i) with a registered address outside the United Kingdom; or

(ii) whom either Melrose or the Financial Advisers knows to be a custodian, trustee or nominee holding GKN Shares for persons who are citizens, residents or nationals of jurisdictions outside the United Kingdom,
by announcement in the United Kingdom through a Regulatory Information Service or in any other appropriate manner or by notice in the London Gazette or paid advertisement in one or more newspapers published and circulated in the United Kingdom. Such notice shall be deemed to have been sufficiently given, despite any failure by any such GKN Shareholder to receive or see that notice. A reference in this Offer Document to a notice or the provision of information in writing by or on behalf of Melrose is to be construed accordingly. No such document will be sent to an address in the United States or any other Restricted Jurisdiction.

(i) The provisions of this paragraph 8 and/or any other terms of the Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific GKN Shareholders or on a general basis by Melrose in its sole discretion. Subject to this discretion, the provisions of this paragraph 8 supersede any terms of the Offer inconsistent with them. References in this paragraph 8 to a GKN Shareholder shall include the person or persons making an Electronic Acceptance and the person or persons executing a Form of Acceptance and, in the event of more than one person executing the Form of Acceptance, the provisions of this paragraph 8 apply to them jointly and severally.

Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. If you are in any doubt about your position, you should consult your appropriate adviser in the relevant jurisdiction.

9. Notice To US Investors

(a) There will be no public offering of the New Melrose Shares in the United States. The New Melrose Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and, accordingly, may not be offered, sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, into, in or within the United States or to, or for the account or benefit of, US Persons (as defined in Regulation S), except in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

(b) The New Melrose Shares are being offered or sold only: (a) outside the United States to non-US Persons (as defined in Regulation S under the US Securities Act) in offshore transactions within the meaning of, and in accordance with, the safe harbour from the registration requirements provided by Regulation S; and (b) within, into or in the United States to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A under the US Securities Act) or accredited investors (as defined in Rule 501(a) under the US Securities Act) (in both cases, “Eligible US Holders”). Such Eligible US Holders will be required, among other things, to warrant, to undertake, to acknowledge or to provide supporting documentation with respect to certain information and/or obligations, as the case may be, in order to participate in the transaction. Such warranties will include, among others, warranties as to the facts which establish that the US Person is an Eligible US Holder. A Form of “QIB and Accredited Investor Questionnaire and Acknowledgement” is available from the Receiving Agent.

(c) Accordingly, Melrose is not extending the Offer into the US unless an exemption from the registration requirements of the US Securities Act is available and, subject to certain exceptions, this document does not constitute and will not constitute an offer or an invitation to apply for or an offer or an invitation to acquire any New Melrose Shares in the US. Subject to certain exceptions, this document will not be sent to, and no New Melrose Shares will be credited to a stock account in CREST of, any GKN Shareholder with a registered address in the US.

(d) Subject to certain exceptions, any person who acquires New Melrose Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this Offer Document, the Form of Acceptance and the Prospectus Equivalent Document and delivery of the New Melrose Shares, that they are either an Eligible US Holder or they are not, and that at the time of acquiring the New Melrose Shares they will not be, in the US and are not a US Person (as defined in Regulation S) or acting on behalf of, or for the account or benefit of a US Person (as defined in Regulation S).

(e) Each recipient of the Offer Document, the Form of Acceptance and the Prospectus Equivalent Document acknowledges that the New Melrose Shares are “restricted securities” within the meaning of Rule 144(a)(3) of the US Securities Act and it represents that it will not resell the New Melrose Shares absent registration or an available exemption or safe harbour from registration under the US Securities Act. Resales of New Melrose Shares may only be made (i) outside the US in offshore transactions to non-US Persons as defined in, and in reliance on, Regulation S or (ii) within the US to
investors that are Eligible US Holders. Melrose will require the provision of documentation from investors in the US and any transferees in the US containing representations and/or further information as to status under the US Securities Act. Melrose will refuse to issue or transfer New Melrose Shares to investors that do not meet the foregoing requirements.

(f) Persons receiving the Prospectus Equivalent Document (including custodians, nominees and trustees) must not mail, forward or otherwise distribute it in or into the United States. Their doing so may invalidate any purported acceptance of New Melrose Shares pursuant to the Offer.

10. General

(a) Melrose reserves the right, with the consent of the Panel (where necessary), to elect to implement the Acquisition by way of the Scheme. If the Acquisition is implemented by way of the Scheme, such Scheme will be implemented on the same terms, subject to appropriate amendments to reflect the change in method of effecting the Acquisition, including (without limitation and subject to the consent of the Panel):

(i) its approval by a majority in number representing not less than three-fourths in value of the relevant GKN Shareholders (or the relevant class or classes thereof, if applicable) present and voting, either in person or by proxy, at the Court Meeting and at any separate class meeting which may be required by the Court or at any adjournment of any such meeting on or before the 22nd day after the expected date of the Court Meeting to be set out in the Scheme Document in due course (or such later date, if any, as Melrose may agree and the Court may allow);

(ii) all resolutions necessary to approve and implement the Scheme being duly passed by the requisite majorities or majorities at a GKN General Meeting or at any adjournment of that meeting on or before the 22nd day after the expected date of the GKN General Meeting as set out in the Scheme Document in due course (or such later date, if any, as Melrose may agree and the Court may allow); and

(iii) the sanction of the Scheme by the Court with or without modification (but subject to any such modification being acceptable to Melrose) on or before the 22nd day after the expected date of the Court hearing to sanction the Scheme as set out in the Scheme Document in due course (or such later date, if any, as Melrose may agree and the Court may allow) and the delivery of a copy of the Scheme Order within seven Business Days thereafter to the Registrar of Companies in England and Wales.

In addition, if the Acquisition is implemented by way of the Scheme, the Scheme will be conditional upon the Conditions (other than the Acceptance Condition) and, accordingly, the necessary actions to make the Scheme effective will not be taken unless the Conditions (other than the Acceptance Condition) have either been waived (if permitted) or fulfilled.

(b) Melrose reserves the right to direct that a portion of the GKN Shares to be transferred to it pursuant to acceptances of the Offer be transferred directly to a wholly owned subsidiary of Melrose nominated by Melrose.

(c) Each of the Conditions shall respectively be regarded as a separate Condition, and shall not be limited by reference to any other Condition.

(d) Except with the consent of the Panel, the Offer shall lapse unless all of the Conditions have been fulfilled or, where permitted, waived or, where appropriate, have been determined by Melrose to be or remain satisfied, by midnight on the 21st day after the later of (i) 9 March 2018; and (ii) the date on which Condition (a) (Acceptance Condition), is fulfilled (or, in each case, such later date as Melrose may determine, with the consent of the Panel).

(e) In addition, the Offer will lapse if:

(i) in so far as the Acquisition or any matter arising from or relating to the Acquisition constitutes a concentration with a Community dimension within the scope of the Regulation, the European Commission either initiates proceedings under Article 6(1)(c) of the Regulation or makes a referral to a competent authority in the United Kingdom under Article 9(1) of the Regulation and there is then a CMA Phase 2 Reference; or

(ii) in so far as the Acquisition or any matter arising from the Acquisition does not constitute a concentration with a Community dimension within the scope of the Regulation, the Acquisition or any matter arising from or relating to the Acquisition becomes subject to a CMA Phase 2 Reference,
in each case, before the later of 1.00 p.m. on 9 March 2018 or the date when the Offer becomes or is declared unconditional as to acceptances.

(f) If the Offer lapses for any reason:

(i) the Offer will cease to be capable of further acceptance, and Melrose and accepting GKN Shareholders will cease to be bound by acceptances of the Offer delivered on or before the time when the Offer lapses.

(ii) neither Melrose nor any person acting in concert with Melrose for the purposes of the Offer may, pursuant to the City Code, make an offer (whether inside or outside the United Kingdom) for GKN Shares for a period of one year following the date of such lapse, except with the consent of the Panel;

(iii) in respect of GKN Shares held in certificated form, Forms of Acceptance, share certificates and other documents of title will be returned by post within 14 calendar days of the Offer lapsing, at the risk of the GKN Shareholder in question, to the person or agent whose name and address is set out in the relevant box on the Form of Acceptance or, if none is set out, to the first-named holder at his registered address. No such documents will be sent to an address in the United States or any other Restricted Jurisdiction; and

(iv) in respect of GKN Shares held in uncertificated form, the Receiving Agent will immediately after the Offer lapses (or within such longer period as the Panel may permit, not exceeding 14 calendar days of the Offer lapsing) give TTE instructions to Euroclear to transfer all GKN Shares held in escrow balances and in relation to which it is the Escrow Agent for the purposes of the Offer to the original available balances of the relevant GKN Shareholders.

(g) If Melrose receives acceptances under the Offer in respect of, and/or otherwise acquires, both 90 per cent. or more in value of the GKN Shares to which the Offer relates and 90 per cent. or more of the voting rights carried by those shares, and assuming that all of the other Conditions have been satisfied or waived (if capable of being waived), Melrose intends to apply the provisions of Chapter 3 of Part 28 of the Companies Act to acquire compulsorily any outstanding GKN Shares. If the Offer becomes or is declared unconditional in all respects and Melrose has, by virtue of acceptances of the Offer, acquired GKN Shares carrying 75 per cent. or more of the voting rights of GKN, it is intended that an application will be made to the London Stock Exchange for the cancellation of the trading of GKN Shares on its main market for listed securities and the UKLA will be requested to cancel the listing of GKN Shares on the Official List, both to take effect no earlier than 20 Business Days following the later of the date on which the Offer becomes or is declared unconditional in all respects or, provided Melrose has, by virtue of its shareholdings and acceptances of the Offer, acquired GKN Shares carrying 75 per cent. or more of the voting rights of GKN, the date on which Melrose has made an announcement of that fact.

(h) Except with the consent of the Panel:

(i) settlement of the consideration to which any GKN Shareholder is entitled under the Offer (including pursuant to any Mix and Match Elections) will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which Melrose may otherwise be, or claim to be, entitled against that GKN Shareholder, and

(ii) settlement of the consideration to which any GKN Shareholder is entitled will be effected in the manner prescribed in paragraph 20 of Part 1 of this Offer Document not later than 14 calendar days after the date on which the Offer becomes or is declared unconditional in all respects or, if later, within 14 calendar days of the date of receipt of a valid and complete acceptance.

Melrose reserves the right not to send any consideration to an address in the United States or any other Restricted Jurisdiction, unless the requirements for eligibility to participate in the Offer have, in Melrose’s sole judgement, been met.

(i) The terms, provisions, instructions and authorities contained in or deemed to be incorporated in the Form of Acceptance constitute part of the terms of the Offer. Words and expressions defined in this Offer Document have the same meaning when used in the Form of Acceptance unless the context requires otherwise. The provisions of Part 2 of this Offer Document shall be deemed to be incorporated and form part of the Form of Acceptance.

(j) If the expiry date of the Offer is extended, a reference in this Offer Document and in the Form of Acceptance to the First Closing Date or to 9 March 2018 (except in the definition of Offer Period and where the context requires otherwise) be deemed to refer to the expiry date of the Offer as so extended.
(k) The Offer is made in respect of all GKN Shares issued and unconditionally allotted or issued prior to the date on which the Offer closes (or such earlier date as Melrose may, subject to the rules of the City Code or with the consent of the Panel, determine). Any omission or failure to send, or make available, this Offer Document, the Form of Acceptance, the Prospectus Equivalent Document or any other document relating to the Offer and/or notice required to be sent or made available under the terms of the Offer to, or any failure to receive the same by, any person to whom the Offer is, or should be, made shall not invalidate the Offer in any way or create any implication that the Offer has not been made to any such person. Subject to the provisions of paragraph 8 of this Section C of Part 2 of this Offer Document, the Offer is not made to any GKN Shareholder to whom this Offer Document, the Form of Acceptance and the Prospectus Equivalent Document or any related document may not be sent or by whom such documents may not be received, viewed or accessed and these persons may request these documents from the Receiving Agent, Equiniti Limited, on 0333 207 6524 (or from outside the United Kingdom on +44 121 415 0909) between 8.30 a.m. and 5.30 p.m. Monday to Friday (excluding English and Welsh public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate.

(l) The Offer is made on 1 February 2018 and is capable of acceptance from that date. The Form of Acceptance, copies of this Offer Document, the Prospectus Equivalent Document and any related documents may be requested from the Receiving Agent on 0333 207 6524 (or from outside the United Kingdom on +44 121 415 0909) between 8.30 a.m. and 5.30 p.m., Monday to Friday (excluding English and Welsh public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate.

(m) The Offer, all acceptances of the Offer and all elections in respect of it are governed by and will be construed in accordance with English law. The courts of England and Wales have exclusive jurisdiction to settle any dispute arising from or connected with the Offer, all acceptances of the Offer and all elections in respect of it.

(n) The New Melrose Shares will be issued credited as fully paid, will be admitted to the Official List with a premium listing and to trading on the London Stock Exchange’s main market for listed securities and will rank pari passu in all respects with each other and with the Existing Melrose Shares, including the right to receive and retain dividends and other distributions declared, made or paid by reference to a record date falling after the Effective Date and to participate in the assets of Melrose upon a winding-up of Melrose. New Melrose Shares will be subject to the Articles and will carry the same rights as the Existing Melrose Shares. Each holder of New Melrose Shares will have as many votes (on a poll) in the general shareholders’ meetings as the number of New Melrose Shares it holds. A description of the New Melrose Shares and the rights and restrictions attaching to the New Melrose Shares is set out in the Prospectus Equivalent Document, which is published and available to Eligible GKN Shareholders on Melrose’s website at www.melroseplc.net. A total of up to 2,598,898,592 New Melrose Shares will be issued in connection with the Offer assuming Melrose acquires the entire issued and to be issued share capital of GKN.

(o) Fractions of New Melrose Shares will not be allotted to GKN Shareholders but will be aggregated and sold in the market. The net proceeds of such sale will then be paid in cash to the relevant GKN Shareholder in accordance with their fractional entitlements. Individual entitlements, however, of less than £5.00 will not be paid but will be donated to charity.

(p) GKN Shares which will be acquired pursuant to the Offer will be acquired fully paid and free from all liens, equities, charges, encumbrances, options, rights of pre-emption and any other third party rights and interests of any nature and together with all rights now or hereafter attaching or accruing to them, including voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, made or, save as set out in (q) below, paid on or after 17 January 2018.

(q) If, after 17 January 2018, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the GKN Shares, Melrose reserves the right to reduce the offer consideration by an amount up to the amount of such dividend and/or distribution and/or return of capital so announced, declared or paid, in which case any reference in this Offer Document to the offer consideration for the GKN Shares will be deemed to be a reference to the offer consideration as so reduced and GKN Shareholders will be entitled to receive and retain that dividend and/or distribution and/or return of capital. For the avoidance of doubt, any payments made in cash or by way of the delivery of shares on the vesting of awards calculated by reference to dividends accrued in respect of those underlying vested shares are not to be construed as a dividend, distribution or return of capital for these purposes. In the event of any such dividend and/or other distribution and/or other return of capital being announced,
declared or paid in respect of the GKN Shares, an appropriate adjustment will be made to the Mix and Match Facility.

(r) All powers of attorney, appointments of agents and authorities on the terms conferred by or referred to in this Part 2 or in the Form of Acceptance are given by way of security for the performance of the obligations of each relevant GKN Shareholder and are irrevocable (in respect of powers of attorney in accordance with section 4 of the Powers of Attorney Act 1971), except in the circumstances where the donor of the power of attorney, appointment or authority validly withdraws his acceptance in accordance with paragraph 5 of this Section C of Part 2.

(s) In relation to any Electronic Acceptance, Melrose reserves the right to make such alterations, additions or modifications to the terms of the Offer as may be necessary or desirable to give effect to any purported acceptance of the Offer (including Mix and Match Elections), whether in order to comply with the facilities or requirements of CREST, or otherwise, provided such alterations, additions or modifications are consistent with the requirements of the City Code or are otherwise made with the consent of the Panel.

(t) For the purposes of this Offer Document, the time of receipt of a TTE instruction, an ESA instruction or an Electronic Acceptance shall be the time at which the relevant instruction settles in CREST.

(u) Any references in this Part 2 to the return or despatch of documents by post shall extend to the return or despatch by such other method as the Panel may approve.
Section D:
Form of Acceptance for GKN Shares in certificated form

This Section D of Part 2 of this Offer Document applies to GKN Shares in certificated form. If you hold all your GKN Shares in uncertificated form, you should ignore this Section D and instead read Section E of Part 2 of this Offer Document.

For the purposes of this Section D of Part 2 of this Offer Document and the Form of Acceptance, the phrase “GKN Shares in certificated form comprised in the acceptance” shall mean the number of GKN Shares inserted in Box 1 of the Form of Acceptance or, to the extent you fail to enter a number in Box 1, the number of GKN Shares pre-printed in Box A (being the number of GKN Shares set out against a GKN Shareholder’s name as at 6 p.m. on 30 January 2018) of the Form of Acceptance, or, to extent you enter the word “ALL” or any other word or marking in Box 1, or a number greater than the relevant GKN Shareholder’s holding of GKN Shares is inserted in Box 1, the greater of:

(i) the relevant GKN Shareholder’s entire holding of GKN Shares in certificated form as disclosed by details of the register of members made available to the Receiving Agent prior to the time the Form of Acceptance is processed by them;

(ii) the relevant GKN Shareholder’s entire holding of GKN Shares in certificated form as disclosed by details of the register of members made available to the Receiving Agent prior to the latest time for receipt of Form(s) of Acceptance, which can be taken into account in determining whether the Offer is unconditional as to acceptances; and

(iii) the number of GKN Shares in certificated form in respect of which certificates or an indemnity in lieu thereof is received.

Without prejudice to the terms of the Form of Acceptance and the provisions of Sections A, B and C of this Part 2 of this Offer Document, each GKN Shareholder by whom, or on whose behalf, a Form of Acceptance is executed and lodged with the Receiving Agent, irrevocably undertakes, represents, warrants and agrees to and with Melrose, the Financial Advisers and the Receiving Agent (so as to bind him, his personal or legal representatives, heirs, successors and assigns) that:

(a) the execution of a Form of Acceptance whether or not any Boxes are completed and whether or not the Form of Acceptance is validly executed as a deed shall constitute:

(i) an acceptance of the Offer in respect of the number of GKN Shares in certificated form comprised in the acceptance;

(ii) if Box 2A or Box 2B is completed, an election under the Mix and Match Facility to receive, subject to availability as a result of offsetting elections, in the case of Box 2A additional New Melrose Shares instead of cash, or, in the case of Box 2B, additional cash instead of the New Melrose Shares, in each case in respect of the number of GKN Shares in certificated form inserted, or deemed to be inserted, in Box 2A or Box 2B of the Form of Acceptance as the case may be; and

(iii) an undertaking to execute any further documents, take any further action and give any further assurances which may be required to enable Melrose to obtain the full benefit of this Section D of Part 2 of this Offer Document and/or to perfect any of the authorities expressed to be given hereunder and otherwise in connection with his acceptance of the Offer,

in each case on and subject to the terms set out or referred to in this Offer Document and the Form of Acceptance and that each such acceptance and undertaking shall be irrevocable. If no Boxes are completed, the total number of GKN Shares inserted in Box 1 is greater than the number of GKN Shares in certificated form comprised in the acceptance, or the word “ALL”, any other word or marking is inserted in Box 1, both Box 2A and 2B have been completed, or the acceptance is otherwise completed incorrectly, but the Form of Acceptance is validly signed, it will be deemed to be an acceptance of the Base Consideration of the Offer in respect of all the GKN Shares in certificated form comprised in the acceptance; and if Box 2A or Box 2B is completed but Box 1 is not, there shall be deemed to be an acceptance of the Offer with an election under the Mix and Match Facility in respect of the number of GKN Shares inserted in Box 2A or Box 2B as the case may be and an acceptance of the Base Consideration of the Offer in respect of the remaining (if any) GKN Shares comprised in the acceptance;

(b) he is irrevocably and unconditionally entitled to sell and transfer the beneficial ownership of the GKN Shares in certificated form comprised in such acceptance and that such shares are to be sold fully paid and free from all liens, charges, equities, encumbrances, rights of pre-emption and other interests of
any nature whatsoever and together with all rights attaching to them on or after 17 January 2018, including, without limitation, voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, paid or made, or any other return of capital (whether by reduction of share capital or share premium account or otherwise) made, on or after that date;

(c) unless “NO” is inserted in Box 3 of the Form of Acceptance, such GKN Shareholder:

(i) has not received or sent copies or originals of this Offer Document, the Form of Acceptance, the Prospectus Equivalent Document or any related documents in, into or from the United States or any other Restricted Jurisdiction;

(ii) has not, in connection with the Offer or the execution or delivery of the Form of Acceptance, utilised, directly or indirectly, the mails of, or any means or instrumentality (including, without limitation, facsimile, e-mail or other electronic transmission, telex, telephone, internet or other forms of electronic communication) of interstate or foreign commerce of, or of any facility of a national securities exchange of, the United States or any other Restricted Jurisdiction;

(iii) is accepting the Offer from outside the United States or any other Restricted Jurisdiction and was outside such jurisdictions when the Form of Acceptance was delivered and was outside the United States or any other Restricted Jurisdiction when accessing and viewing the Prospectus Equivalent Document;

(iv) is not acting on a non-discretionary basis (as agent, nominee, custodian, trustee or otherwise) for a principal, unless such GKN Shareholder is an authorised employee of such principal or such principal has given any instructions with respect to the Offer from outside a Restricted Jurisdiction and the United States;

(v) is not accepting the Offer with a view to the offer, sale, resale, delivery or distribution, directly or indirectly, of any New Melrose Shares in or into the United States or any other Restricted Jurisdiction and will not hold or acquire any New Melrose Shares for any other person who he has reason to believe is purchasing for the purpose of such offer, sale, resale, delivery or distribution; and

(vi) if such GKN Shareholder is a citizen, resident or national of a jurisdiction outside the United Kingdom, he has observed the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, obtained all requisite governmental, exchange control or other consents, complied with all other necessary formalities and paid any issue, transfer or other taxes or duties or other requisite payments due in any such jurisdiction in connection with such acceptance and that he has not taken or omitted to take any action that will or may result in Melrose, the Financial Advisers or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Offer or his acceptance of the Offer;

(d) the execution of the Form of Acceptance and its delivery constitute (subject to the Offer becoming or being declared unconditional in all respects) the irrevocable appointment of any directors of, or any person authorised by, Melrose as his attorney with an irrevocable instruction and authorisation to such attorney to:

(i) complete and execute all or any form(s) of transfer, renunciation and/or other documents at the discretion of such agent and/or attorney in relation to the GKN Shares in certificated form comprised in the acceptance in favour of Melrose or such other persons as Melrose or its agents may direct;

(ii) deliver any form(s) of transfer, renunciation and/or other document(s) at the discretion of such agent and/or attorney together with any share certificate or other document(s) of title for registration relating to such GKN Shares; and

(iii) take any other action as may, in the reasonable opinion of such agent and/or attorney, be necessary or desirable for the purposes of, or in connection with the acceptance of the Offer and to vest in Melrose (or its nominees) the full legal title and beneficial ownership of GKN Shares in certificated form comprised in the acceptance;

(e) the execution of the Form of Acceptance and its delivery constitute an irrevocable instruction and authorisation (subject to the Offer becoming or being declared unconditional in all respects in accordance with its terms):

(i) to GKN or its agents to procure the registration of the transfer of the GKN Shares in certificated form comprised in the acceptance and the delivery of the share certificate(s) and other document(s) of title in respect of such GKN Shares to Melrose or as Melrose may direct;
subject to the provisions of paragraphs 8 and 9 of Section C of this Part 2, in respect of GKN Shares in certificated form comprised in the acceptance, to Melrose, the Financial Advisers or their respective agent(s) to procure that the name(s) of GKN Shareholder(s) is/are entered on the register of members of Melrose in respect of the New Melrose Shares to which the GKN Shareholder(s) is/are entitled under the Offer (subject to the terms of the Articles);

(iii) subject to the provisions of paragraphs 8 and 9 of Section C of this Part 2, to Melrose, the Financial Advisers or their respective agents, to procure the issue and despatch by post (or such other method as may be approved by the Panel) of any relevant definitive certificates(s) for the New Melrose Shares and a cheque in respect of any cash consideration to which such GKN Shareholder is entitled under the Offer to the first-named holder at his registered address or such changed address entered in Box 4 of the Form of Acceptance or such other address which is notified in writing, and is acceptable, to Melrose; and

(iv) to Melrose, the Financial Advisers or their respective agents, to record, act and rely on any mandates, instructions, consents or instruments in force relating to payments, notices or distributions which have been entered in the records of the Wider Melrose Group in respect of his holding of GKN Shares (until such are revoked or varied);

(f) the execution of the Form of Acceptance constitutes the giving of authority to each of Melrose, the Financial Advisers and the Receiving Agent and their respective director(s), officers, partners and agents within the terms set out in Section C and this Section D of this Part 2 of this Offer Document;

(g) unless the Panel otherwise gives its consent, subject to the Offer becoming or being declared unconditional in all respects (or if the Offer would become or be declared unconditional in all respects or lapse on the outcome of the resolution in question), in respect of GKN Shares in certificated form in relation to which the Offer has been accepted or deemed to be accepted and pending registration in the name of Melrose or as it may direct:

(i) Melrose or its agents shall be irrevocably authorised to direct the exercise of any votes and any or all other rights and privileges (including the right to call a general or separate class meeting of GKN) attaching to the GKN Shares in certificated form comprised in such acceptance;

(ii) the execution of a Form of Acceptance by a GKN Shareholder shall irrevocably constitute with regard to such GKN Shares in certificated form comprised in the acceptance:

(A) an irrevocable authority to GKN or its agents to send any notice, circular, warrant or other document or communication which may be required to be sent to him as a member of GKN to Melrose at its registered office;

(B) an irrevocable authority to any directors of, or person authorised by Melrose or the Financial Advisers or their respective agents to sign any document and do such things as may, in the reasonable opinion of that agent and/or attorney, be necessary or desirable in connection with the exercise of any votes or other rights or privileges attaching to the GKN Shares held by him in certificated form (including, without limitation, signing any consent to short notice of a general or separate class meeting as his agent and/or attorney and on his behalf and executing a form of proxy appointing any person nominated by Melrose to attend general and separate class meetings of GKN and attending any such meeting and exercising the votes attaching to the GKN Shares comprised in such acceptance on his behalf); and

(C) the agreement of such GKN Shareholder not to exercise any such rights without the consent of Melrose and the irrevocable undertaking not to appoint a proxy for or to attend any such general or separate class meeting of GKN;

(h) he will deliver to the Receiving Agent, or procure the delivery to the Receiving Agent of, his certificate(s) or other document(s) of title in respect of those GKN Shares in certificated form comprised in the acceptance or an indemnity acceptable to Melrose, as soon as possible, and in any event within six months of the Offer becoming unconditional;

(i) he will ratify each and every act or thing which may be done or effected by Melrose, the Financial Advisers or the Receiving Agent or any of their respective director(s), officers, partners and agents in the exercise of any of the powers and/or authorities set out in this Section D of Part 2 of this Offer Document;

(j) if any provision of Section C or this Section D of Part 2 of this Offer Document shall be unenforceable or invalid or shall not operate so as to afford Melrose, the Financial Advisers or the Receiving Agent or any
of their respective director(s), officers, partners and agents, or GKN or any of its agents the benefit of the authority expressed to be given therein, he will, with all practicable speed, do all such acts and things and execute all such documents that may be necessary or desirable to enable Melrose, the Financial Advisers and/or the Receiving Agent and any of their respective directors, agents or persons authorised by them or GKN or any of its agents to secure the full benefit of Section C and this Section D of Part 2 of this Offer Document;

(k) the terms of the Offer shall be deemed to be incorporated in, and form part of, the Form of Acceptance which shall be read and construed accordingly;

(l) the Form of Acceptance shall be deemed to be delivered on the date of its execution and shall take effect as a deed on such date;

(m) the execution of a Form of Acceptance constitutes the GKN Shareholder’s submission to the exclusive jurisdiction of the courts of England and Wales in relation to all matters arising in connection with the Offer and such Form of Acceptance; and

(n) he is not a client (as defined in the FCA Handbook) of the Financial Advisers in connection with the Offer.

A reference in this Section D of Part 2 of this Offer Document to a GKN Shareholder includes a reference to the person or persons executing the Form of Acceptance and in the event of more than one person executing such Form of Acceptance the provisions of this Section D of Part 2 of this Offer Document will apply to them jointly and to each of them.
Section E:

Electronic Acceptance for GKN Shares in uncertificated form

This Section E applies to GKN Shares in uncertificated form. If you hold all your GKN Shares in certificated form, you should ignore this Section E and instead read Section D of Part 2 of this Offer Document.

For the purposes of this Section E of Part 2 of this Offer Document, the phrase “GKN Shares in uncertificated form comprised in the acceptance” shall mean the number of GKN Shares which are transferred by the relevant GKN Shareholder by Electronic Acceptance to an escrow account by means of a TTE instruction.

Without prejudice to the provisions of Sections A, B and C of Part 2 of this Offer Document, each GKN Shareholder by whom, or on whose behalf, an Electronic Acceptance is made (or Restricted Escrow Transfer and Restricted ESA instructions are sent) irrevocably undertakes, represents, warrants and agrees to and with Melrose, the Financial Advisers and the Receiving Agent (so as to bind him, his personal or legal representatives, heirs, successors and assigns) that:

(a) the Electronic Acceptance shall constitute:

(i) an acceptance of the Offer in respect of the number of GKN Shares in uncertificated form comprised in the acceptance;

(ii) if validly elected, an election under the Mix and Match Facility to receive, subject to availability as a result of offsetting elections, additional New Melrose Shares instead of cash, or additional cash instead of New Melrose Shares, in respect of the number of GKN Shares in uncertificated form to which a Mix and Match TTE Instruction relates; and

(iii) an undertaking to execute any documents, take any further action and give any further assurances which may be required to enable Melrose to obtain the full benefit of this Section E of Part 2 and/or to perfect any of the authorities expressed to be given hereunder and otherwise in connection with his acceptance of the Offer,

in each case on and subject to the terms set out or referred to in this Offer Document and that each such acceptance, election and undertaking shall be irrevocable;

(b) he is irrevocably and unconditionally entitled to sell and transfer the beneficial ownership of the GKN Shares comprised in such acceptance and that such shares are to be sold fully paid free from all liens, charges, equities, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever and together with all rights attaching to them on or after 17 January 2018 including, without limitation, voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, paid or made on or after that date;

(c) such GKN Shareholder:

(i) has not received or sent copies or originals of this Offer Document, the Form of Acceptance, the Prospectus Equivalent Document or any related documents in, into or from the United States or any other Restricted Jurisdiction;

(ii) has not otherwise utilised in connection with the Offer, directly or indirectly, the mails of, or any means or instrumentality (including, without limitation, facsimile, e-mail or other electronic transmission, telex, telephone, internet or other forms of electronic communication) of interstate or foreign commerce of, or of any facility of a national securities exchange of, the United States or any other Restricted Jurisdiction;

(iii) is accepting the Offer from outside any Restricted Jurisdiction and was outside those jurisdictions at the time of the input and settlement of the relevant TTE instruction(s) and was outside the United States or any other Restricted Jurisdiction when accessing and viewing the Prospectus Equivalent Document;

(iv) is not acting on a non-discretionary basis (as agent, nominee, custodian, trustee or otherwise) for a principal, unless such GKN Shareholder is an authorised employee of such principal or such principal has given any instructions with respect to the Offer from outside the United States or any other Restricted Jurisdiction;
(v) is not accepting the Offer with a view to the offer, sale, resale, delivery or distribution, directly or indirectly, of any New Melrose Shares in or into the United States or any other Restricted Jurisdiction and will not hold or acquire any New Melrose Shares for any other person who he has reason to believe is purchasing for the purpose of such offer, sale, resale, delivery or distribution; and

(vi) if such GKN Shareholder is a citizen, resident or national of a jurisdiction outside the United Kingdom, he has observed the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, obtained all requisite governmental, exchange control or other consents, complied with all other necessary formalities and paid any issue, transfer or other taxes or duties or other requisite payments due in any such jurisdiction in connection with such acceptance and that he has not taken or omitted to take any action that will or may result in Melrose, the Financial Advisers or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Offer or his acceptance of the Offer;

(d) the Electronic Acceptance constitutes (subject to the Offer becoming unconditional in all respects in accordance with its terms) the irrevocable appointment of Melrose as the GKN Shareholder’s attorney with an irrevocable instruction and authorisation to such attorney to do all such acts and things as may, in the reasonable opinion of such attorney, be necessary or desirable for the purpose of, or in connection with, the acceptance of the Offer and to vest in Melrose (or its nominees), the full legal and beneficial ownership of GKN Shares in uncertificated form comprised in the acceptance;

(e) the Electronic Acceptance constitutes the irrevocable appointment of the Receiving Agent as the accepting GKN Shareholder’s Escrow Agent and attorney with an irrevocable instruction and authorisation:

(i) upon the Offer becoming unconditional in all respects in accordance with its terms, to transfer to Melrose (or to such other person or persons as Melrose or its agents may direct) by means of CREST all or any of the GKN Shares in uncertificated form comprised in the acceptance; and

(ii) if the Offer does not become or be declared unconditional in all respects, to give instructions to Euroclear immediately after the Offer lapses (or within such longer period as the Panel may permit, not exceeding 14 calendar days of the Offer lapsing) to transfer all such GKN Shares to the original balance of the accepting GKN Shareholder;

(f) the Electronic Acceptance constitutes (subject to the Offer becoming unconditional in all respects in accordance with its terms) an irrevocable instruction and authorisation:

(i) subject to the provisions of paragraphs 8 and 9 of Section C of Part 2 of this Offer Document, to Melrose, the Financial Advisers, the Receiving Agent or their respective agents to procure the making of a CREST payment obligation in favour of the GKN Shareholder’s payment bank in accordance with the CREST payment arrangements in respect of any cash consideration to which such shareholder is entitled under the Offer and to transfer any Melrose Shares to which any GKN Shareholder is entitled in uncertificated form, provided that Melrose may (if, for any reason, it wishes to do so except in circumstances where a GKN Shareholder has informed the Receiving Agent in writing prior to the Offer being declared unconditional in all respects that it is unwilling to accept settlement of the consideration by cheque or to receive certificated New Melrose Shares) determine that all or any part of such cash consideration shall be paid by cheque (despatched by post or by such other method as may be approved by the Panel) and/or that all or any of such New Melrose Shares to which the GKN Shareholder is entitled shall be issued in certificated form (despatched by post or by such other method as may be approved by the Panel) at the risk of the GKN Shareholder, to the first-named holder at his registered address or, to such other address which is acceptable to Melrose at the risk of the GKN Shareholder, provided that in the case of a GKN Shareholder whose registered address is in a Restricted Jurisdiction or, in the case of the United States, if the GKN Shareholder does not qualify in Melrose’s sole judgment as an Eligible US Holder, such cheques and/or relevant definitive certificate(s) shall be despatched to the first named holder at an address outside the United States or any other Restricted Jurisdiction stipulated by such holder or as otherwise determined by Melrose;

(ii) to Melrose, the Financial Advisers or their respective agents, to record, act and rely on any mandates, instructions, consents or instruments in force relating to payments, notices or distributions which have been entered in the records of the Wider Melrose Group in respect of his holding of GKN Shares (until such are revoked or varied);
(g) the Electronic Acceptance constitutes the giving of authority to each of Melrose and the Financial Advisers and their respective director(s), officers, partners and agents within the terms set out in Section C and this Section E of Part 2 of this Offer Document;

(h) unless the Panel otherwise gives its consent, subject to the Offer becoming unconditional in all respects (or if the Offer would become or be declared unconditional in all respects or lapse on the outcome of the resolution in question), in respect of GKN Shares in relation to which the Offer has been accepted or deemed to be accepted and pending registration in the name of Melrose or as it may direct:

(i) Melrose or its agents shall be irrevocably authorised to direct the exercise of any votes and any or all other rights and privileges (including the right to call a general or separate class meeting of GKN) attaching to the GKN Shares in uncertificated form comprised in the acceptance; and

(ii) an Electronic Acceptance by a GKN Shareholder shall irrevocably constitute with regard to such GKN Shares in uncertificated form comprised in the acceptance:

(A) an irrevocable authority to GKN or its agents to send any notice, circular, warrant or other document or communication which may be required to be sent to him as a member of GKN (including any share certificate(s) or other document(s) of title issued as a result of a conversion of such GKN Shares into certificated form) to Melrose at its registered office;

(B) an irrevocable authority to any directors of, or person authorised by Melrose or its directors to sign any document and do such things as may be necessary or desirable in connection with the exercise of any votes or other rights or privileges attaching to the GKN Shares held by him (including, without limitation, signing any consent to short notice of a general or separate class meeting as his attorney and on his behalf and executing a form of proxy appointing any person nominated by Melrose to attend general and separate class meetings of GKN and attending any such meeting (and any adjournment thereof) and exercising the votes attaching to the GKN Shares in uncertificated form comprised in the acceptance); and

(C) the agreement of such GKN Shareholder not to exercise any such rights without the consent of Melrose and the irrevocable undertaking not to appoint a proxy for or to attend such general or separate class meeting of GKN;

(i) if, for any reason, any GKN Shares in respect of which a TTE instruction has been effected in accordance with paragraph 6(b)(ii) or 6(b)(iv) (as the case may be) of the letter from the Financial Advisers contained in Part 1 of this Offer Document are converted to certificated form, he will (without prejudice to paragraph (h) of Section E of Part 2 of this Offer Document) immediately deliver, or procure the immediate delivery of the share certificate(s) or other document(s) of title in respect of all such GKN Shares that are so converted to the Receiving Agent at the address specified in paragraph 5(e) of Section C of Part 2 of this Offer Document or to Melrose at its registered office or as Melrose or its agents may direct; and he shall be deemed upon conversion to undertake, represent, warrant and agree in the terms set out in Section C of Part 2 of this Offer Document in relation to such GKN Shares in uncertificated form comprised in the acceptance; and

(j) the creation of a CREST payment obligation in favour of his payment bank in accordance with the CREST payment arrangements as referred to in paragraph (f) of this Section E of Part 2 of this Offer Document will, to the extent of the obligation so created, discharge in full any obligation of Melrose or the Financial Advisers to pay to him the cash consideration to which he is entitled under the Offer;

(k) he will do all such acts and things as shall, in the reasonable opinion of Melrose be necessary or desirable to enable the Receiving Agent to perform its functions as Escrow Agent for the purposes of the Offer or to vest in Melrose or its nominee(s), upon the Offer becoming unconditional in all respects, the GKN Shares in uncertificated form comprised in the acceptance;

(l) he will ratify each and every act or thing which may be done or effected by Melrose, its directors or the Receiving Agent or any of their respective director(s), officers, partners and agents or by GKN or its agents, as the case may be, in the proper exercise of any of the powers and/or authorities under this Section E of Part 2 of this Offer Document;

(m) if any provision of Section C or this Section E of Part 2 of this Offer Document shall be unenforceable or invalid or shall not operate so as to afford Melrose, the Financial Advisers or the Receiving Agent or any of their respective director(s), officers, partners and agents, or GKN or any of its agents the benefit of the authority expressed to be given therein, he will, with all practicable speed, do all such acts and things and
execute all such documents that may be necessary or desirable to enable Melrose, the Financial Advisers and/or the Receiving Agent and any of their respective directors, agents or persons authorised by them or GKN or any of its agents to secure the full benefit of Section C or this Section E of Part 2 of this Offer Document;

(n) the making of an Electronic Acceptance constitutes the GKN Shareholder’s submission to the exclusive jurisdiction of the courts of England and Wales in relation to all matters arising in connection with the Offer;

(o) by virtue of Regulation 43 of the Regulations the making of an Electronic Acceptance constitutes an irrevocable power of attorney by the CREST member accepting the Offer in the terms of all the powers and authorities expressed to be given in Section C, Section D (where applicable by virtue of paragraph (i) above) and this Section E of Part 2 of this Offer Document to Melrose, the Receiving Agent, the Financial Advisers or any of their respective director(s), officers, partners and agents set out in Part 2 of this Offer Document; and

(p) he is not a client (as defined in the FCA Handbook) of the Financial Advisers in connection with the Offer,

provided that paragraph (c) above shall not apply to GKN Shareholders by whom, or on whose behalf, Restricted Escrow Transfers and Restricted ESA instructions are sent.

A reference in Section E of Part 2 of this Offer Document to a GKN Shareholder includes a reference to the person or persons making an Electronic Acceptance and, in the event of more than one person making an Electronic Acceptance, the provisions of this Section E will apply to them jointly and to each of them.
PART 3: TAXATION

United Kingdom taxation

The comments set out below are based on current UK tax law as applied in England and Wales and HMRC published practice (which may not be binding on HMRC) as at the date of this Offer Document, both of which are subject to change, possibly with retrospective effect. They are intended as a general guide to certain limited aspects of the UK tax treatment of acceptance of the Offer and apply only to GKN Shareholders who are resident for tax purposes in the UK at all relevant times and, in the case of individuals, to whom “split year” treatment does not apply and who are domiciled for tax purposes only in the United Kingdom. The comments below apply only to GKN Shareholders who hold GKN Shares as an investment (other than under an individual savings account (“ISA”)) and who are the absolute beneficial owners thereof. The discussion does not constitute tax advice and does not address all possible tax consequences relating to an investment in GKN Shares. This section does not apply to certain categories of GKN Shareholders, particularly those who carry on certain financial activities (including market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services), those subject to specific tax regimes or benefitting from certain reliefs and exemptions, those connected with GKN or those who have (or are deemed to have) acquired their GKN Shares by reason of an office or employment, who (in each case) may be subject to special rules.

GKN Shareholders who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom, should consult their own professional advisers immediately.

Sale of GKN Shares

UK Taxation of Chargeable Gains

Liability to UK tax on chargeable gains will depend on the individual circumstances of each GKN Shareholder.

(i) GKN Shareholders receiving cash pursuant to the Offer

The sale by a GKN Shareholder of GKN Shares for cash pursuant to the Offer will constitute a disposal, or part disposal, for the purposes of UK tax on chargeable gains which may, depending on the GKN Shareholder’s individual circumstances (including the availability of exemptions, reliefs and allowable losses), and in particular, the GKN Shareholder’s base cost in his holding of GKN Shares, give rise to a liability to UK tax on chargeable gains.

No tax should be payable by a GKN Shareholder who is an individual on any gain realised on the disposal or part disposal if the amount of the chargeable gains realised, when aggregated with other gains realised by that GKN Shareholder in the year of assessment (and after taking account of allowable losses), does not exceed the annual exemption (the annual exemption for the tax year beginning on 6 April 2017 is £11,300 and for the tax year beginning 6 April 2018 is £11,700). From 6 April 2017, broadly, any gains in excess of this amount will be taxed at a rate of 10 per cent. for a taxpayer paying tax at the basic rate and 20 per cent. for higher and additional rate taxpayers, but where the gains of a basic rate taxpayer subject to capital gains tax exceed the unused part of their basic rate band, that excess will be subject to tax at the 20 per cent. rate.

A gain on the disposal or part disposal of GKN Shares by a GKN Shareholder which is within the charge to UK corporation tax (but which does not qualify for the substantial shareholding, or any other, exemption in respect of its GKN Shares) will be subject to corporation tax on chargeable gains in respect of the disposal (the rate of which is currently 19 per cent.). For such shareholders indexation allowance may be available to reduce any chargeable gain arising on the disposal (but not to create or increase any allowable loss).

(ii) GKN Shareholders receiving New Melrose Shares pursuant to the Offer

To the extent that a GKN Shareholder receives New Melrose Shares pursuant to the Offer and does not hold (either alone or together with persons connected with him) more than five per cent. of, or of any class of, shares in or debentures of GKN, he may not be treated as having made a disposal of his GKN Shares. Instead, his New Melrose Shares may be treated for UK capital gains tax purposes as though they were the same asset as those GKN Shares, acquired at the same time and for the same consideration as those GKN Shares (a tax free share for share exchange).
A subsequent disposal of all or any New Melrose Shares acquired pursuant to the Offer may result in a liability to UK capital gains tax depending on the relevant shareholder’s individual circumstances. Where the acquisition of the New Melrose Shares was treated as a share for share exchange the base cost of the New Melrose Shares will be the same as the original GKN Shares.

(iii) Fractional entitlements

A GKN Shareholder who receives cash as well as New Melrose Shares by virtue of the sale on his behalf of any fractional entitlements to New Melrose Shares may not in practice be treated as disposing of the shares in respect of which the cash was received, if the amount of cash received is small in comparison with the value of the original shareholding. In that case, the cash may be treated as a deduction from the base cost of his original shares for the purpose of calculating any chargeable gain or allowable loss on a subsequent disposal. This treatment will not apply where the cash proceeds are greater than the capital gains tax base cost of the original shareholding. Under current HMRC practice, any cash payment of £3,000 or less or which is five per cent. or less of the value of a GKN Shareholder’s shareholding at the time of the distribution may generally be treated as small for these purposes.

UK stamp duty and UK stamp duty reserve tax (“SDRT”)

No UK stamp duty or SDRT should be payable by GKN Shareholders in respect of the transfer of their GKN Shares as a result of accepting the Offer.

Other tax matters

Special tax provisions may apply to GKN Shareholders who have acquired or who acquire their GKN Shares by the vesting of awards or exercising options under the GKN Share Schemes, including provisions imposing a charge to income tax.

Taxation of chargeable gains

(i) Sale of New Melrose Shares by individuals

Following an acquisition of New Melrose Shares, a subsequent disposal or deemed disposal of any such shares by a holder who is an individual within the charge to UK capital gains tax may, depending upon such holder’s circumstances and subject to any available exemption or relief (such as the annual exemption of £11,300 for 2017/18 or £11,700 for 2018/19 available for UK resident individuals apart from non-domiciled individuals claiming the remittance basis of taxation), give rise to a chargeable gain or an allowable loss for the purposes of UK capital gains tax.

Individuals who have ceased to be resident for tax purposes in the UK for a period of less than five years and who dispose of their New Melrose Shares during that period may, in certain circumstances (including the availability of exemptions, reliefs and/or allowable losses), be subject to tax on their return to the United Kingdom in respect of gains realised whilst they are not resident in the United Kingdom.

(ii) Sale of New Melrose Shares by companies

Following an acquisition of New Melrose Shares, a subsequent disposal or deemed disposal of any such shares by a holder who is a company within the charge to UK corporation tax may, depending upon such holder’s circumstances and subject to any available exemption or relief (such as indexation), give rise to a chargeable gain or an allowable loss for the purposes of UK corporation tax.

In calculating any such chargeable gain, companies who are Eligible GKN Shareholders may claim an indexation allowance in respect of the subscription monies and base costs paid for their New Melrose Shares. Where shares have been purchased or acquired on different dates, consideration will need to be given to the “pooling” rules to determine the correct indexed base cost available to set off against the consideration proceeds to calculate the chargeable gain arising. The indexation allowance will generally only apply from the date the shareholder became liable to make, or made, payment of the subscription monies. It may not be used to create or increase an allowable loss.

Taxation of dividends

Under current UK tax law, Melrose will not be required to withhold tax at source from dividend payments it makes.
(i) Individuals

UK resident individual shareholders are entitled to an annual tax-free dividend allowance on the first £5,000 of dividend income received. As a result, from 6 April 2017 until 5 April 2018 the tax position is as follows:

(a) a Melrose Shareholder who is an individual, resident in the UK for tax purposes does not pay any income tax on the first £5,000 of dividend income they receive;

(b) a Melrose Shareholder who is liable to UK income tax at the basic rate (i.e. total income exceeds personal allowances but who is not liable to UK income tax at either the higher or the additional rate) is subject to UK income tax on any dividend income in excess of £5,000 at the rate of 7.5 per cent, to the extent that the dividend income in excess of £5,000 falls above the Melrose Shareholder’s personal allowance (£11,500 for the 2017/18 tax year);

(c) a Melrose Shareholder who is liable to UK income tax at the higher rate will be subject to UK income tax on any dividend income in excess of £5,000 at the rate of 32.5 per cent. to the extent that the dividend income in excess of £5,000 falls above the threshold for the higher rate of UK income tax but below the threshold for the additional rate of UK income tax, when it is treated as the top slice of the Melrose Shareholder’s income; and

(d) a Melrose Shareholder who is liable to UK income tax at the additional rate will be subject to UK income tax on any dividend income in excess of £5,000, at the rate of 38.1 per cent. to the extent that the dividend income in excess of £5,000 falls above the threshold for the additional rate of UK income tax, when it is treated as the top slice of the Melrose Shareholder’s income.

Please note that the tax free dividend allowance will reduce to £2,000 for the tax year 6 April 2018 to 5 April 2019. Otherwise, the tax rates for this year remain the same as for the 2017/18 tax year.

(ii) Companies

Subject to certain exceptions for traders in securities and insurance companies, a corporate Melrose Shareholder resident in the UK for tax purposes will normally be exempt from corporation tax on any dividend received from Melrose (unless certain conditions are not met) and will not be able to claim a tax credit in respect of any such dividend, though each shareholder’s position will depend on its individual circumstances. If the conditions for exemption are not, or cease to be, satisfied, or if a Melrose Shareholder elects for an otherwise exempt dividend to be taxable, the Melrose Shareholder will be subject to UK corporation tax on dividends received from Melrose. UK corporation tax would be charged on such dividends at the rate applicable to that corporate shareholder. Shareholders within the charge to corporation tax should consult their own professional advisers.

Stamp Duty and Stamp Duty Reserve Tax

(i) Offer

No stamp duty or SDRT will generally be payable on the issue of the New Melrose Shares.

(ii) Subsequent Transfers

Stamp duty at the rate of 0.5 per cent. (rounded up to the next multiple of £5) of the amount or value of the consideration given will generally be payable on an instrument transferring New Melrose Shares. A charge to SDRT will also arise on an unconditional agreement to transfer New Melrose Shares (at the rate of 0.5 per cent. of the amount or value of the consideration payable). However, if within six years of the date of the agreement becoming unconditional, an instrument of transfer is executed pursuant to the agreement, and stamp duty is paid on that instrument, any SDRT already paid will be refunded (generally, where the tax repaid is not less than £25, with interest at the relevant prevailing rate from the date on which the payment was made until the order for repayment is issued) provided that a claim for payment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee. An exemption from stamp duty is available on an instrument transferring New Melrose Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.
(iii) Shares held through CREST

Paperless transfers of New Melrose Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration. CREST is obliged to collect SDRT on relevant transactions settled within CREST. Under the CREST system, no stamp duty or SDRT will arise on a transfer of New Melrose Shares into the system by a Melrose Shareholder for their own account unless such a transfer is made for a consideration in money or money’s worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent) will arise.

(iv) New Melrose Shares held through clearance services or depositary receipt schemes

Special rules apply where New Melrose Shares are issued or transferred to, or to a nominee or agent for, either a person whose business is or includes issuing depositary receipts within section 67 or section 93 of the Finance Act 1986 or a person providing a clearance service within section 70 or section 96 of the Finance Act 1986, under which SDRT or stamp duty may be charged at the higher rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the value of the New Melrose Shares (rounded up to the next multiple of £5 in the case of stamp duty). Following litigation, HMRC have confirmed that they will no longer seek to apply 1.5 per cent. SDRT on an issue of shares into a clearance service or depositary receipt arrangement on the basis that the charge is not compatible with EU law. HMRC’s view is that the 1.5 per cent. SDRT or stamp duty charge will continue to apply to transfers of shares into a clearance service or depositary receipt arrangement unless they are an integral part of an issue of share capital. Accordingly, specific professional advice should be sought before transferring shares to, or to a nominee or agent for, a person whose business includes issuing depository receipts or a person providing clearing services.

Inheritance tax

Individuals who are domiciled or deemed to be domiciled in any part of the UK may be liable to inheritance tax (“IHT”) on the value of any New Melrose Shares held by them.

The main occasions on which IHT is charged are on the death of the shareholder, on any gifts made during the seven years prior to the death of the shareholder, and on certain lifetime transfers, including certain transfers to trusts or appointments out of trusts to beneficiaries.

The IHT rules are complex and GKN Shareholders should consult an appropriate professional adviser in any case where the rules may be relevant.

THE ABOVE SUMMARY IS INTENDED ONLY AS A GENERAL GUIDE TO THE TAXATION POSITION UNDER UK TAX LEGISLATION AND DOES NOT CONSTITUTE TAX OR LEGAL ADVICE. ANY PERSON WHO IS IN DOUBT AS TO HIS TAXATION POSITION OR WHO REQUIRES MORE DETAILED INFORMATION SHOULD CONSULT HIS OWN PROFESSIONAL TAX ADVISER.
PART 4: ADDITIONAL INFORMATION

1. Responsibility

The Melrose Directors, whose names are set out in paragraph 2(a) below, each accept responsibility for the information contained in this Offer Document except that the only responsibility accepted by them in respect of information relating to GKN, the Wider GKN Group and the GKN Directors, which has been compiled from previously published sources, is to ensure that such information is correctly and fairly reproduced and presented.

To the best of the knowledge and belief of the Melrose Directors (who have taken all reasonable care to ensure that such is the case), whose names are set out in paragraph 2(a) below, the information contained in this Offer Document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors

(a) The Melrose Directors and their positions in Melrose are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christopher Miller</td>
<td>Chairman</td>
</tr>
<tr>
<td>David Roper</td>
<td>Vice-Chairman</td>
</tr>
<tr>
<td>Simon Peckham</td>
<td>Chief Executive</td>
</tr>
<tr>
<td>Geoffrey Martin</td>
<td>Group Finance Director</td>
</tr>
<tr>
<td>Justin Dowley</td>
<td>Senior Non-executive Director</td>
</tr>
<tr>
<td>Elizabeth Hewitt</td>
<td>Non-executive Director</td>
</tr>
<tr>
<td>David Lis</td>
<td>Non-executive Director</td>
</tr>
<tr>
<td>Archie G. Kane</td>
<td>Non-executive Director</td>
</tr>
</tbody>
</table>

The business address of each of the Directors is 11th Floor, The Colmore Building, 20 Colmore Circus Queensway, Birmingham, B4 6AT, United Kingdom.

(b) The GKN Directors and their positions in GKN are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael Turner</td>
<td>Chairman</td>
</tr>
<tr>
<td>Anne Stevens</td>
<td>Chief Executive</td>
</tr>
<tr>
<td>Jos Sclater</td>
<td>Group Finance Director</td>
</tr>
<tr>
<td>Phil Swash</td>
<td>Chief Executive GKN Driveline</td>
</tr>
<tr>
<td>Richard Parry-Jones</td>
<td>Senior Independent Director</td>
</tr>
<tr>
<td>Angus Cockburn</td>
<td>Independent Non-executive Director</td>
</tr>
<tr>
<td>Tufan Erginbilgic</td>
<td>Independent Non-executive Director</td>
</tr>
<tr>
<td>Shonaid Jemmett-Page</td>
<td>Independent Non-executive Director</td>
</tr>
</tbody>
</table>

The registered office of GKN and the business address of each of the GKN Directors is PO Box 55, Ipsley House, Ipsley Church Lane, Redditch, Worcestershire B98 0TL.

3. Market quotations

Set out below are the Closing Prices of GKN Shares and Melrose Shares on:

(a) 11 January 2018 (the last dealing day before the commencement of the Offer Period);
(b) the first dealing day in each of the six months immediately before the date of this Offer Document; and
(c) 31 January 2018 (being the Latest Practicable Date).
4. Disclosure of interests and dealings in shares and concert parties

(a) For the purposes of this paragraph 4:

(i) “acting in concert” with a party means any such person acting or deemed to be acting in concert with that party for the purposes of the City Code and/or the Offer. Persons who will be presumed to be acting in concert with other persons include:

(A) a company, its parent, subsidiaries and fellow subsidiaries and their associated companies and companies of which such companies are associated companies, all with each other (for this purpose ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status);

(B) a company with any of its directors (together with their close relatives and related trusts);

(C) connected advisers (and persons controlling, controlled by or under the same control as such connected advisers) with their clients; and

(D) the pension funds of the company or any company covered in (A) above;

(ii) “arrangement” includes indemnity or option arrangements and any agreement or understanding, formal or informal, of whatever nature relating to relevant securities which may be an inducement to deal or refrain from dealing;

(iii) “connected advisers” includes an organisation which (i) is advising Melrose in relation to the Offer; (ii) is corporate broker to Melrose; (iii) is advising a person acting in concert with Melrose in relation to the Offer or in relation to the matter which is the reason for that person being a member of the concert party; or (iv) is advising a relevant company in relation to the Offer;

(iv) “control” means an interest, or interests, in shares carrying in aggregate 30 per cent. or more of the voting rights attributable to the capital of a company which are currently exercisable at a general meeting, irrespective of whether such interest or interests give de facto control;

(v) “dealing” includes: (i) the acquisition or disposal of securities, of the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to securities, or of general control of securities; (ii) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any securities; (iii) subscribing or agreeing to subscribe for securities; (iv) the exercise or conversion, whether in respect of new or existing securities, of any securities carrying conversion or subscription rights; (v) the acquisition of, disposal of, entering into, closing out, exercise (by either
party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to securities; (vi) entering into, terminating or varying the terms of any agreement to purchase or sell securities; (vii) the redemption or purchase of, or taking or exercising an option over, any of its own relevant securities; and (viii) any other action resulting, or which may result, in an increase or decrease in the number of securities in which a person is interested or in respect of which he has a short position; (vi) “derivative” includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security; (vii) “disclosure date” means the latest practicable date; (viii) “disclosure period” means the period commencing on 12 January 2017 (the date twelve months prior to the commencement of the Offer Period) and ending on the disclosure date; (ix) “financial collateral arrangement” means an arrangement of the kind referred to in Note 4 on Rule 4.6 of the City Code; (x) a person has an “interest” or is “interested” in securities if he has a long economic exposure, whether absolute or conditional, to changes in the price of those securities and in particular covers: (i) legal title and beneficial ownership (i.e. the ability to exercise, or control the exercise of, voting rights); (ii) the right, option or obligation to acquire, call for or take delivery of securities under an option or derivative; and (iii) the situation where a person holds a derivative referenced to, or which may result in, a long position in securities; (xi) “relevant securities” includes (i) securities of GKN which are being offered or which carry voting rights; (ii) equity share capital of GKN or, as the context requires, Melrose; (iii) securities of Melrose which carry substantially the same rights as any to be issued as consideration for the Offer; and (iv) securities of GKN or as the context requires, Melrose, carrying conversion or subscription rights into any of the foregoing; and (xii) “short position” means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery.

(b) Persons acting in concert

(i) Persons acting in concert with Melrose

In addition to the Melrose Directors (together with their close relatives and related trusts) and the members of the Wider Melrose Group, for the purposes of the City Code, the persons acting, or deemed to be acting, in concert with Melrose for the purposes of the Offer are:

<table>
<thead>
<tr>
<th>Name</th>
<th>Type of company</th>
<th>Registered Office</th>
<th>Relationship with Melrose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rothschild</td>
<td>Private Limited Company</td>
<td>New Court, St Swithin’s Lane, London EC4N 8AL</td>
<td>Financial Adviser</td>
</tr>
<tr>
<td>RBC Europe Limited</td>
<td>Private Limited Company</td>
<td>Riverbank House, 2 Swan Lane, London, EC4R 3BF</td>
<td>Financial Adviser</td>
</tr>
<tr>
<td>Investec</td>
<td>Public Limited Company</td>
<td>2 Gresham Street, London EC2V 7QF</td>
<td>Corporate Broker</td>
</tr>
</tbody>
</table>

(ii) Persons acting in concert with GKN

In addition to the GKN Directors (together with their close relatives and related trusts) and the members of the Wider GKN Group, for the purposes of the City Code, based on the announcement
made by GKN on 12 January 2018, the following persons and persons affiliated with them are acting, or deemed to be acting, in concert with GKN for the purposes of the Offer:

<table>
<thead>
<tr>
<th>Name</th>
<th>Type of company</th>
<th>Registered Office</th>
<th>Relationship with GKN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gleacher Shacklock LLP</td>
<td>Limited Liability Partnership</td>
<td>Cleveland House, 33 King Street, London, SW1Y 6RJ</td>
<td>Financial adviser</td>
</tr>
<tr>
<td>UBS Limited</td>
<td>Private Limited Company</td>
<td>5 Broadgate, London, United Kingdom, EC2M 2QS</td>
<td>Financial adviser and corporate broker</td>
</tr>
</tbody>
</table>

(c) Interests in relevant securities of GKN

(i) As at close of business on the disclosure date, the interests of the persons acting in concert with Melrose (other than the Melrose Directors and their close relatives and related trusts) in the relevant securities of GKN were as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of GKN Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investec Capital Investments (Ireland) Limited</td>
<td>13,865</td>
</tr>
<tr>
<td>Royal Bank of Canada</td>
<td>0</td>
</tr>
</tbody>
</table>

(ii) As at close of business on the disclosure date, save as disclosed in paragraph 4(c)(i), none of Melrose, any member of the Melrose Group, any of the Melrose Directors, any of such directors’ close relatives or any related trusts, nor any other person acting in concert with Melrose, nor any person with whom Melrose or any person acting in concert with Melrose has an arrangement, was interested in, had any rights to subscribe for, or had any short positions in, any relevant securities of GKN.

(d) Dealings in relevant securities of GKN

During the disclosure period, save as disclosed below in this paragraph 4(d): (i) none of Melrose, any member of the Melrose Group, any of the Melrose Directors, any of such directors’ close relatives or any related trusts, nor any other person acting in concert with Melrose, nor any person with whom Melrose or any person acting in concert with Melrose has an arrangement, had dealings in any relevant securities in GKN; and (ii) none of Melrose or any person acting in concert with Melrose has borrowed or lent any relevant securities in GKN (including for these purposes any financial collateral arrangements), save for any borrowed shares which have either been on-lent or sold.

**Investec Capital Investments (Ireland) Limited**

<table>
<thead>
<tr>
<th>Date</th>
<th>Transaction</th>
<th>Number of GKN Shares</th>
<th>Price (pence)</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 January 2018</td>
<td>Sale</td>
<td>7,000</td>
<td>446.7462</td>
</tr>
</tbody>
</table>

**Royal Bank of Canada**

<table>
<thead>
<tr>
<th>Starting date</th>
<th>Ending date</th>
<th>Shares purchased</th>
<th>Shares disposed</th>
<th>Net transactions</th>
<th>Highest price</th>
<th>Lowest price</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 January 2018</td>
<td>31 January 2018</td>
<td>0</td>
<td>6,960</td>
<td>(6,960)</td>
<td>£4.362</td>
<td>£4.362</td>
</tr>
<tr>
<td>12 December 2017</td>
<td>11 January 2018</td>
<td>20,463</td>
<td>20,463</td>
<td>0</td>
<td>£3.183</td>
<td>£3.115</td>
</tr>
<tr>
<td>12 November 2017</td>
<td>11 December 2017</td>
<td>55,308</td>
<td>47,502</td>
<td>7,806</td>
<td>£3.1388142</td>
<td>£2.9119124</td>
</tr>
<tr>
<td>12 October 2017</td>
<td>11 November 2017</td>
<td>118,921</td>
<td>115,386</td>
<td>3,535</td>
<td>£3.344</td>
<td>£2.9997825</td>
</tr>
<tr>
<td>12 July 2017</td>
<td>11 October 2017</td>
<td>144,455</td>
<td>157,009</td>
<td>(12,554)</td>
<td>£3.4825443</td>
<td>£3.146</td>
</tr>
<tr>
<td>12 April 2017</td>
<td>11 July 2017</td>
<td>123,068</td>
<td>88,661</td>
<td>34,407</td>
<td>£3.6209</td>
<td>£3.263</td>
</tr>
<tr>
<td>12 January 2017</td>
<td>11 April 2017</td>
<td>125,788</td>
<td>152,022</td>
<td>(26,234)</td>
<td>£3.7513157</td>
<td>£3.418</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>588,003</strong></td>
<td><strong>588,003</strong></td>
<td><strong>0</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* The Panel Executive has agreed on an ex parte basis that the dealings carried out during the Offer Period have no City Code consequences.
(e) Interests in relevant securities of Melrose

(i) As at the close of business on the disclosure date, the interests of the Melrose Directors and their close relatives and related trusts in the relevant securities of Melrose were as follows:

**Melrose Shares**

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Melrose Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christopher Miller</td>
<td>30,182,696</td>
</tr>
<tr>
<td>David Roper</td>
<td>15,730,130</td>
</tr>
<tr>
<td>Simon Peckham</td>
<td>17,313,210</td>
</tr>
<tr>
<td>Geoffrey Martin</td>
<td>7,400,256</td>
</tr>
<tr>
<td>Justin Dowley</td>
<td>1,065,661</td>
</tr>
<tr>
<td>Elizabeth Hewitt</td>
<td>120,877</td>
</tr>
<tr>
<td>David Lis</td>
<td>433,947</td>
</tr>
</tbody>
</table>

(1) Includes interests held by Harris & Sheldon Investments Limited and by Mr Miller’s son and two daughters
(2) Includes interests held by Mr Roper’s wife
(3) Includes interests held by Mr Peckham’s wife and father
(4) Includes interests held by Mr Martin’s mother
(5) Includes interests held by Mr Lis’ wife

**2017 Incentive Shares**

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of 2017 Incentive Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christopher Miller</td>
<td>2,583</td>
</tr>
<tr>
<td>David Roper</td>
<td>2,583</td>
</tr>
<tr>
<td>Simon Peckham</td>
<td>2,833</td>
</tr>
<tr>
<td>Geoffrey Martin</td>
<td>2,833</td>
</tr>
</tbody>
</table>

(ii) As at the close of business on the disclosure date, the interests of the persons acting in concert with Melrose (other than the Melrose Directors and their close relatives and related trusts) in the relevant securities of Melrose were as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Melrose Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Royal Bank of Canada</td>
<td>37,200</td>
</tr>
</tbody>
</table>

(iii) As at close of business on the disclosure date, save as disclosed in paragraphs 4(e)(i) and 4(e)(ii) above, none of Melrose, any member of the Melrose Group, any of the Melrose Directors, any of such directors’ close relatives or any related trusts, nor any other person acting in concert with Melrose, nor any person with whom Melrose or any person acting in concert with Melrose has an arrangement, was interested in, had any rights to subscribe for, or had any short positions in, any relevant securities of Melrose.

(f) Dealings in relevant securities of Melrose

During the disclosure period, save as disclosed below in this paragraph 4(f): (i) none of Melrose, any member of the Melrose Group, any of the Melrose Directors, any of such directors’ close relatives or any related trusts, nor any other person acting in concert with Melrose, nor any person with whom Melrose or any person acting in concert with Melrose has an arrangement, had dealings in any relevant securities of Melrose; and (ii) none of Melrose or any person acting in concert with Melrose has borrowed or lent any relevant securities in Melrose (including for these purposes any financial collateral arrangements), save for any borrowed shares which have either been on-lent or sold.
Melrose Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Date</th>
<th>Transaction</th>
<th>Number of Melrose Shares</th>
<th>Price (pence)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christopher Miller</td>
<td>31 May 2017</td>
<td>Acquisition</td>
<td>9,604,317 (1)</td>
<td>N/A</td>
</tr>
<tr>
<td>David Roper</td>
<td>31 May 2017</td>
<td>Acquisition</td>
<td>9,604,317 (1)</td>
<td>N/A</td>
</tr>
<tr>
<td>David Roper</td>
<td>27 June 2017</td>
<td>Sale</td>
<td>4,000,000</td>
<td>252.77</td>
</tr>
<tr>
<td>Simon Peckham</td>
<td>31 May 2017</td>
<td>Acquisition</td>
<td>9,255,069 (1)</td>
<td>N/A</td>
</tr>
<tr>
<td>Geoffrey Martin</td>
<td>31 May 2017</td>
<td>Acquisition</td>
<td>9,255,069 (1)</td>
<td>N/A</td>
</tr>
<tr>
<td>Geoffrey Martin</td>
<td>2 June 2017</td>
<td>Sale</td>
<td>6,000,000</td>
<td>237</td>
</tr>
<tr>
<td>Justin Dowley</td>
<td>19 May 2017</td>
<td>Purchase</td>
<td>8,318</td>
<td>237.6</td>
</tr>
<tr>
<td>Justin Dowley</td>
<td>11 October 2017</td>
<td>Purchase</td>
<td>6,673</td>
<td>222.2</td>
</tr>
</tbody>
</table>

(1) Melrose Shares acquired as a result of the crystallisation of the 2012 Incentive Plan.

Royal Bank of Canada

<table>
<thead>
<tr>
<th>Starting date</th>
<th>Ending date</th>
<th>Shares purchased</th>
<th>Shares disposed</th>
<th>Net transactions</th>
<th>Highest price</th>
<th>Lowest price</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 January 2018 . . 12 January 2018</td>
<td>58,291</td>
<td>21,091</td>
<td>37,200</td>
<td>£2.281</td>
<td>£2.218</td>
<td></td>
</tr>
<tr>
<td>12 December 2017 . . 11 January 2018</td>
<td>51,994</td>
<td>51,994</td>
<td>0</td>
<td>£2.2034481</td>
<td>£2.064</td>
<td></td>
</tr>
<tr>
<td>12 November 2017 . . 11 December 2017</td>
<td>121,439</td>
<td>145,659</td>
<td>(24,220)</td>
<td>£2.179</td>
<td>£1.967435</td>
<td></td>
</tr>
<tr>
<td>12 October 2017 . . 11 November 2017</td>
<td>131,563</td>
<td>76,651</td>
<td>54,912</td>
<td>£2.2599222</td>
<td>£2.121</td>
<td></td>
</tr>
<tr>
<td>12 July 2017 . . 11 October 2017</td>
<td>390,117</td>
<td>450,276</td>
<td>(60,159)</td>
<td>£2.3925686</td>
<td>£1.999</td>
<td></td>
</tr>
<tr>
<td>12 April 2017 . . 11 July 2017</td>
<td>624,955</td>
<td>536,412</td>
<td>88,543</td>
<td>£2.599</td>
<td>£2.2197334</td>
<td></td>
</tr>
<tr>
<td>12 January 2017 . . 11 April 2017</td>
<td>687,946</td>
<td>747,022</td>
<td>(59,076)</td>
<td>£2.487</td>
<td>£1.965</td>
<td></td>
</tr>
<tr>
<td><strong>Total . .</strong></td>
<td><strong>4,081,064</strong></td>
<td><strong>4,058,210</strong></td>
<td><strong>37,200</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2017 Incentive Options

On 31 May 2017, the Melrose Board granted the following options to subscribe for 2017 Incentive Shares (the “2017 Incentive Options”) to the executive Melrose Directors as set out below:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of 2017 Incentive Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Christopher Miller</td>
<td>2,583</td>
</tr>
<tr>
<td>David Roper</td>
<td>2,583</td>
</tr>
<tr>
<td>Simon Peckham</td>
<td>2,833</td>
</tr>
<tr>
<td>Geoffrey Martin</td>
<td>2,833</td>
</tr>
</tbody>
</table>

Upon its exercise, each 2017 Incentive Option entitles its holder to subscribe for one 2017 Incentive Share at a nominal value of £1 per share. On 29 June 2017, all of the 2017 Incentive Options set out above were exercised by the relevant Melrose Directors who, pursuant to such exercise, each subscribed for the 2017 Incentive Shares on such date as set out against their name in paragraph 4(e) above at a subscription price of £1.00 for each 2017 Incentive Option exercised.

The 2017 Incentive Shares issued and to be issued pursuant to the 2017 Incentive Plan entitle participants to 7.5 per cent. of shareholder value created during the performance period (from 31 May 2017 to, but excluding, 31 May 2020), in accordance with the formula set out in the Articles. Increase in value is measured against the level of deemed initial invested capital as at 31 May 2017 increased for every capital raise and decreased for every shareholder return with each amount grown by RPI + 2% per annum to (but excluding) 31 May 2020. In this way, the participants only receive a share of returns over and above that index-adjusted level. Where Melrose Shares are issued in connection with an acquisition directly to one or more sellers, the cost of those shares will be measured using the average share price for the 10 business days prior to and including the business day immediately preceding the date of announcement of such acquisition. The number of Melrose Shares to which holders of 2017 Incentive Shares may be entitled, in aggregate, on a future crystallisation is subject to a cap equivalent to 5 per cent. of the total number of Melrose Shares in issue on 31 May 2017, plus 5 per cent. of any new Melrose Shares issued or created prior to 31 May 2020. The Remuneration Committee has discretion in circumstances where the crystallisation calculation for the 2017 Incentive Shares would produce an anomalous result.
5. Material contracts of Melrose

The following contracts have been entered into by Melrose otherwise than in the ordinary course of business since 12 January 2016 (the date two years prior to the start of the Offer Period) and are or may be material to Melrose.

(a) Existing Facilities Agreement

The Existing Facilities Agreement was entered into on 6 July 2016 to assist with the acquisition of Nortek. It consists of a US$350 million term loan facility and a US$900 million revolving credit facility. As with previous facilities, this facility has two financial covenants. There is a net debt to underlying EBITDA (calculated on a consolidated basis with customary adjustments) covenant and an interest cover covenant, both of which are tested half yearly, each June and December. The first of these covenants is set at a maximum of 3.5x leverage for each of the half yearly measurement dates for the remainder of the term, provided that if any acquisition (other than the acquisition of Nortek) would result in this ratio, calculated on a pro forma basis, being 2.5x or higher, then Melrose PLC may elect the covenant to be set at a maximum of 3.75x for the immediate three test dates following such election. The interest cover covenant is set at a minimum of 4.0x throughout the life of the facility.

The revolving credit facilities under the Existing Facilities Agreement can be used (when required) by the Melrose Group to finance short-term working capital requirements. The Melrose Group’s businesses display no significant seasonality in their borrowing requirements. Melrose PLC draws down under these revolving credit facilities and on lends to subsidiaries as required. Overseas subsidiaries can directly avail of overdraft facilities in their jurisdictions as required. The Existing Facilities Agreement matures on in July 2021 but will be repaid and cancelled on the Effective Date or up to 14 calendar days after the Effective Date with a portion of the proceeds of the Facilities.

In addition, there are a number of uncommitted overdraft, guarantee and borrowing facilities made available to the Melrose Group. These uncommitted facilities have been lightly used.

(b) New Facilities Agreement

On 17 January 2018, Melrose PLC entered into a senior term and revolving credit facilities agreement with, among others, certain of its subsidiaries as original borrowers and/or original guarantors, Lloyds Bank plc and Royal Bank of Canada as original lenders (the “Lenders”), Lloyds Bank plc and Royal Bank of Canada as mandated lead arrangers and bookrunners and Lloyds Bank plc as agent (the “New Facilities Agreement”).

The New Facilities Agreement provides for term facilities and revolving credit facilities in an aggregate principal amount of up to £2,600,000,000, $2,000,000,000 and €500,000,000, under which certain members of the Melrose Group may borrow upon the satisfaction of certain conditions (the “Facilities”). The proceeds of borrowings under the Facilities may be used to finance the cash consideration payable to GKN Shareholders pursuant to the Acquisition, to refinance indebtedness under the Existing Facilities Agreement and existing indebtedness of the GKN Group, to pay fees and expenses relating to the Acquisition and the refinancing of indebtedness and for general corporate purposes. The loans under the Facilities will be available on a customary “certain funds” basis.

Interest Rates and Fees

Loans under the Facilities will bear interest at a rate of LIBOR or EURIBOR, as appropriate, plus a margin ranging from 0.75% to 2.25%. The margin for each loan will be subject to adjustment based on group leverage. Under the terms of the New Facilities Agreement a ticking fee is payable at a rate of (a) 20% per annum of the applicable margin on the undrawn amount of a lender’s available commitments under the Facilities minus any commitments of that lender under the Existing Facilities Agreement from (and excluding) the date falling one month after the date of the New Facilities Agreement to (and excluding) the earlier of the date of first borrowing under the New Facilities Agreement and the date falling six months after the date of the New Facilities Agreement and (b) 30% per annum of the applicable margin on the undrawn amount of a lender’s available commitments under the Facilities minus any commitments of that lender under the Existing Facilities Agreement from (and including) the date falling six months after the date of the New Facilities Agreement (unless the first borrowing has occurred prior to such date) to (and excluding) the date of first borrowing under the New Facilities Agreement. In addition, a commitment fee is payable at a rate of 35% per annum of the applicable margin on the undrawn amount of a lender’s available commitments under the Facilities from (and including) the date of first borrowing under the New Facilities Agreement until the end of the relevant availability period.
Maturity

The maturity of the Facilities ranges from, in respect of the term facility, the earlier of (i) 3 years and 6 months after the date of the New Facilities Agreement and (ii) 3 years after the date of the first borrowing thereunder and, in respect of the revolving credit facilities, 5 years after the date of the New Facilities Agreement.

Prepayments

The Facilities may be voluntarily prepaid or cancelled by the Melrose Group without penalty or premium. The New Facilities Agreement permits each lender to require the mandatory prepayment of all amounts owing to that lender upon a change of control of Melrose PLC.

Guarantees

Loans under the New Facilities Agreement will be guaranteed on a senior basis by Melrose PLC and certain of its subsidiaries. In addition, it is a requirement under the New Facilities Agreement that certain material members of the GKN Group provide guarantees in favour of the Lenders following completion of the Acquisition, subject to certain limitations (including in respect of financial assistance laws). The Facilities will be unsecured.

Certain Covenants and Events of Default

The New Facilities Agreement contains certain operating covenants which will restrict the ability of the Melrose Group and the GKN Group to, among other things:

• create security over assets;
• sell or transfer assets;
• make acquisitions;
• make loans;
• give guarantees;
• merge or consolidate; and
• incur additional indebtedness.

The New Facilities Agreement contains a net debt to underlying EBITDA (calculated on a consolidated basis with customary adjustments) covenant and an interest cover covenant, both of which are tested half yearly, each June and December. The first of these covenants is set at a maximum of 3.5x leverage for each of the half yearly measurement dates for the term of the Facilities. The interest cover covenant is set at a minimum of 4.0x throughout the life of the Facilities. The New Facilities Agreement also contains certain customary representations and warranties, affirmative covenants and events of default.

Under the terms of the New Facilities Agreement, Melrose PLC has agreed that it will not amend or waive any Condition without the consent of the lenders if to do so would be materially prejudicial to the interests of the lenders under the New Facilities Agreement, save as required by the UKLA, the London Stock Exchange, the Panel or the Court. Without the consent of the lenders, Melrose may reduce the minimum threshold for acceptances in Condition (a) to not less than 50% of the ordinary shares in the capital of GKN plus one share.

(c) Fee Letter

On 17 January 2018, Melrose PLC entered into a fee letter with Lloyds Bank plc as agent for the finance parties under the New Facilities Agreement (the “Fee Letter”). Under the terms of the Fee Letter, Melrose PLC has agreed to pay arrangement fees in respect of the Facilities in an aggregate amount of £26,500,000, $25,000,000 and €6,250,000. Melrose PLC paid 5% of such fees on the date of the New Facilities Agreement. A further 5% is payable on the later of the later of the date of completion of primary syndication of the Facilities and the date falling 3 months after the date of the New Facilities Agreement. The remaining 90% is payable on the date of first borrowing under the New Facilities Agreement (and only if such date occurs).

(d) Syndication Letter

On 17 January 2018, Melrose PLC entered into a syndication letter with Lloyds Bank plc and Royal Bank of Canada as arrangers of the Facilities (the “Syndication Letter”). Under the terms of the Syndication Letter, Melrose PLC has agreed to provide reasonable assistance to the arrangers in relation to the primary syndication of the Facilities. The arrangers may (a) increase the applicable margin under the Facilities by up to 0.25% per
annum and/or (b) increase the arrangement fee payable under the Fee Letter by up to 0.25% per annum, in each case after consultation with Melrose PLC, if the arrangers determine (in good faith), having regard to the then prevailing conditions in the domestic and/or international financial markets, that such changes are desirable to enhance the prospects of successfully syndicating the Facilities and it is unlikely that a successful syndication will be achieved if the changes proposed are not made.

(e) Nortek Merger Agreement

On 6 July 2016, Melrose and Nortek, among others, entered into a merger agreement which set out the terms and conditions for the tender offer to acquire all of outstanding shares of common stock of Nortek at a price of US$86.00 per share. The acquisition completed on 31 August 2016.

6. Bases of calculation and sources of information

In this Offer Document, unless otherwise stated or the context otherwise requires, the bases and sources used are as described in Part 7 of this Offer Document.

7. Other Information

(a) Save as disclosed in this Offer Document, there is no agreement, arrangement or understanding by which any securities acquired in pursuance of the Offer will be transferred to any other person, but Melrose reserves the right to transfer any such shares to any member of the Melrose Group, including to direct that a portion of the GKN Shares to be transferred to it pursuant to acceptances of the Offer be transferred directly to a wholly owned subsidiary of Melrose nominated by Melrose.

(b) Save as disclosed in this Offer Document, no agreement, arrangement or understanding of whatever nature, whether formal or informal (including indemnity or option arrangements), relating to relevant securities which may be an inducement to deal or refrain from dealing exists between Melrose or any concert party of Melrose and any other person.

(c) Save as disclosed in this Offer Document, there is no agreement, arrangement or understanding (including any compensation arrangements) between Melrose or any person acting in concert with it and any of the directors, recent directors, shareholders or recent shareholders of GKN or any person interested or recently interested in GKN Shares having any connection with or dependence on or which is conditional upon the outcome of the Offer.

(d) The emoluments of the Melrose Directors will not be affected by the Offer, completion of the Acquisition or any other associated transaction.

(e) Each of Rothschild, RBC Europe Limited and Investec has given and not withdrawn its written consent to the inclusion of the references to its name in the form and context in which they are included in this Offer Document. Each of Deloitte LLP and the Financial Advisers has given and not withdrawn its written consent to the inclusion of its report on the Melrose Profit Estimate in the form and context in which it is included in this Offer Document.

(f) Save as disclosed in this Offer Document, the implementation of the Offer is not expected to have a significant effect on the earnings, assets or liabilities of Melrose.

(g) The aggregate fees and expenses expected to be incurred by Melrose in connection with the Offer are estimated to amount to between £22 million and £139.5 million excluding applicable VAT and similar taxes. Set out below are the estimates of fees and expenses expected to be incurred (each excluding applicable VAT and similar taxes) in relation to:

(i) financing arrangements: between £6 million and £69 million (depending on whether the Acquisition successfully completes);

(ii) financial and corporate broking advice: between £0 and £50.5 million (depending on whether the Acquisition successfully completes);

(iii) legal advice: £9 million (legal fees are estimated as they are charged by reference to hourly rates and amounts included here reflect the time incurred up to the Latest Practicable Date and an estimate of the further time required, and the residual amount of legal work required, among other things, in connection with antitrust and regulatory filings is uncertain);

(iv) accounting advice: £2 million;
(v) public relations advice: between £1 million and £5 million (depending on whether the Acquisition successfully completes);

(vi) other professional services: £1 million; and

(vii) other costs and expenses: £3 million.

In addition, stamp duty of 0.5% on the purchase price of the GKN Shares acquired under the Offer will be payable by Melrose.

8. **Documents available for inspection**

Copies of the documents listed below in this paragraph 8 are (an in relation to the Melrose Circular, will be) available for inspection on Melrose’s website at www.melroseplc.net until the end of the Offer (including any related competition reference period):

(a) this Offer Document and the Form of Acceptance;

(b) the Prospectus Equivalent Document;

(c) the Articles;

(d) after it is posted, the Melrose Circular;

(e) the written consent letters from each of the Financial Advisers, Investec and Deloitte LLP referred to in paragraph 7(e) above;

(f) each of Deloitte LLP’s and the Financial Advisers’ reports on the Melrose Profit Estimate;

(g) the New Facilities Agreement, the Fee Letter and the Syndication Letter; and

(h) a full list of any dealings aggregated in paragraphs 4(d) and 4(f) above.

Please note, however, that certain information on Melrose’s website may not be accessible to persons in the United States and any other Restricted Jurisdiction. For the avoidance of doubt, the contents of the Melrose website are not incorporated into, and do not form part of, this Offer Document, save for the information specifically incorporated by reference pursuant to Part 5 of this Offer Document.
PART 5: FINANCIAL AND RATINGS INFORMATION RELATING TO MELROSE AND GKN

1. Financial and ratings information relating to Melrose

The following table sets out the financial information in respect of Melrose, as required by Rule 24.3(a) and 24.3(b) of the City Code. The documents referred to below are incorporated by reference into this Offer Document pursuant to Rule 24.15 of the City Code:

<table>
<thead>
<tr>
<th>Document</th>
<th>Website where document is available for inspection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Melrose’s Annual Report and Accounts for the financial year ended 31 December 2016: Melrose Group’s audited consolidated accounts for the financial year ended 31 December 2016, pages 93 to 146</td>
<td><a href="http://www.melroseplc.net/investors/reports/">http://www.melroseplc.net/investors/reports/</a> Click on the link entitled “2016 Annual Report”</td>
</tr>
<tr>
<td>Melrose’s Annual Report and Accounts for the financial year ended 31 December 2015: Melrose Group’s audited consolidated accounts for the financial year ended 31 December 2015, pages 90 to 143</td>
<td><a href="http://www.melroseplc.net/investors/reports/">http://www.melroseplc.net/investors/reports/</a> Click on the link entitled “2015 Annual Report”</td>
</tr>
<tr>
<td>Melrose’s interim results announcement for the six months ended 30 June 2017: Melrose Group’s unaudited historical consolidated financial statements for the six months ended 30 June 2017, pages 20 to 35</td>
<td><a href="http://www.melroseplc.net/investors/reports/">http://www.melroseplc.net/investors/reports/</a> Click on the link entitled “2017 Interim Statement”</td>
</tr>
</tbody>
</table>

No rating agency has publicly recorded any current credit rating or outlook for Melrose.

2. Financial and ratings information relating to GKN

The following table sets out the financial information in respect of GKN, as required by Rule 24.3(e) of the City Code. The documents referred to below are incorporated by reference into this Offer Document pursuant to Rule 24.15 of the City Code:

<table>
<thead>
<tr>
<th>Document</th>
<th>Website where document is available for inspection</th>
</tr>
</thead>
</table>

Standard & Poors has publicly recorded a current credit rating of BBB- for GKN. Moody’s has publicly recorded a current credit rating of Baa3 for GKN. Fitch has publicly recorded a current credit rating of BBB– for GKN.

3. Request for hard copies

Subject to certain restrictions relating to persons in the United States and any other Restricted Jurisdiction, any Eligible GKN Shareholder, persons with information rights and any person receiving this Offer Document may request a hard copy of the above information incorporated into this Offer Document by reference by contacting the Receiving Agent at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing BN99 6DA or by telephone between 8.30 a.m. and 5.30 p.m. Monday to Friday (excluding English and Welsh public holidays) on 0333 207 6524 (or from outside the United Kingdom on +44 121 415 0909). Calls from outside the UK will be charged at the applicable international rate. Please note that calls may be monitored or recorded. Hard copies of such information will not be sent unless requested from Melrose in accordance with the instructions above. If requested, copies will be provided, free of charge, within two Business Days of request.
4. No incorporation of website information

Save as expressly referred to herein, neither the content of Melrose’s or GKN’s website nor the content of any website accessible from hyperlinks on Melrose’s or GKN’s website, is incorporated by reference into, or forms part of, this Offer Document.
1. General

(a) Today, Melrose published a trading update, which is set out in paragraph 10 of Part 1 of this Offer Document. The statement below included in the trading update constitutes a “profit estimate” for the purposes of Rule 28 of the City Code.

“Nortek trading has been transformed more comprehensively and faster than envisaged at the time of the acquisition; underlying operating profits at constant currency are up approximately 50% compared to last year of $241.0 million and approximately 65% up on the full year prior to acquisition of $220.1 million”.

1 Underlying operating profit excludes items which are non-trading or non-recurring, or any item released to the Income Statement that was previously a fair value item booked on acquisition including acquisition and disposal costs, restructuring and transformation charges, which include the losses incurred within closed businesses in the year of closure, and amortisation of intangible assets acquired in business combinations.

2 Adjusted for constant currency at the 2016 average exchange rates for the comparison to 2016 and at the 2015 average exchange rates for the comparison to 2015. The principal exchange rate is GBP:USD and the average rates applied to calculate growth in underlying operating profit on a constant currency basis are 1:1.3554 for 2016 and 1:1.5284 for 2015. The average GBP:USD exchange rate for 2017 is 1.2888.

(b) As required by Rule 28.1(a) of the City Code, Deloitte LLP, Melrose’s reporting accountants, and the Financial Advisers have each prepared a report in respect of the Melrose Profit Estimate. Paragraphs 3 and 4 of this Part 6 contain Deloitte LLP’s and the Financial Advisers’ reports on the Melrose Profit Estimate.

2. Basis of preparation and principal assumptions

The Melrose Profit Estimate is based on:
- the unaudited interim results of Melrose for the 6 months ended 30 June 2017; and
- the unaudited management accounts of Melrose for the 6 months ended 31 December 2017.

The Melrose Profit Estimate has been prepared on a basis consistent with the current accounting policies of Melrose. Given that the period to which the Melrose Profit Estimate relates has been completed, there are no other principal assumptions underpinning the Melrose Profit Estimate.
3. Deloitte LLP report on the Melrose Profit Estimate

Deloitte LLP
Athene Place
66 Shoe Lane
London
EC4A 3BQ

The Board of Directors
on behalf of Melrose Industries PLC
11th Floor
The Colmore Building
20 Colmore Circus Queensway
Birmingham
B4 6AT

N M Rothschild & Sons Limited
New Court
St Swithin’s Lane
London
EC4N 8AL

RBC Europe Limited
Riverbank House
2 Swan Lane
London
EC4R 3BF

1 February 2018
Dear Sirs

Melrose Industries PLC

We report on the profit estimate of Melrose Industries PLC (“Melrose”) and its subsidiaries (together the “Group”) for the year ended 31 December 2017 (the “Melrose Profit Estimate”). The Melrose Profit Estimate, and the basis on which it is prepared, are set out in Part 6 on page 91 of the offer document (the “Offer Document”) issued by Melrose dated 1 February 2018.

Responsibilities

It is the responsibility of the directors of Melrose (the “Directors”) to prepare the Melrose Profit Estimate in accordance with the requirements of Rule 28 of the City Code on Takeovers and Mergers (the “City Code”). In preparing the Melrose Profit Estimate, the Directors are responsible for correcting errors that they have identified which may have arisen in unaudited financial results and unaudited management accounts used as the basis of preparation for the Melrose Profit Estimate.

It is our responsibility to form an opinion as required by Rule 28.1(a) of the City Code as to the proper compilation of the Melrose Profit Estimate and to report that opinion to you.

This report is given solely for the purposes of complying with Rule 28.1(a)(i) of the City Code and for no other purpose. Therefore, to the fullest extent permitted by law we do not assume any other responsibility to any person for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Rule 23.2 of the City Code, consenting to its inclusion in the Offer Document.
Basis of Preparation of the Melrose Profit Estimate

The Melrose Profit Estimate has been prepared on the basis stated in Part 6 of this Offer Document and is based on:

- the unaudited interim results of Melrose for the 6 months ended 30 June 2017; and
- the unaudited management accounts of Melrose for the 6 months ended 31 December 2017.

The Melrose Profit Estimate is required to be prepared on a basis consistent with the current accounting policies of Melrose.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included evaluating the basis on which the historical financial information for the year to 31 December 2017 has been prepared and considering whether the Melrose Profit Estimate has been accurately computed using that information and is consistent with the accounting policies of the Group.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Melrose Profit Estimate has been properly compiled on the basis stated.

However, the Melrose Profit Estimate has not been audited. The actual results reported may be affected by required revisions to accounting estimates due to changes in circumstances or the impact of unforeseen events and we can express no opinion as to whether the actual results achieved will correspond to those shown in the Melrose Profit Estimate and differences may be material.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices. We have not consented to the inclusion of this report and our opinion in any registration statement filed with the SEC under the US Securities Act of 1933 (either directly or by incorporation by reference) or in any offering document enabling an offering of securities in the United States (whether under Rule 144A or otherwise). We therefore accept no responsibility to, and deny any liability to, any person using this report and opinion in connection with any offering of securities inside the United States of America or who makes a claim on the basis they had acted in reliance on the protections afforded by United States of America law and regulation.

Opinion

In our opinion, the Melrose Profit Estimate has been properly compiled on the basis stated and the basis of accounting used is consistent with the accounting policies of the Group.

Yours faithfully

Deloitte LLP

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom affiliate of Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NWE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.
4. **Rothschild and RBC Europe Limited report on Deloitte LLP’s Report on the Melrose Profit Estimate**

The Directors  
Melrose Industries PLC  
11th Floor  
The Colmore Building  
20 Colmore Circus  
Queensway  
Birmingham  
West Midlands  
B4 6AT  
1 February 2018  
Dear Sirs,

We refer to Deloitte’s Report on the Melrose Profit Estimate, the bases of belief thereof and the notes thereto (together, the “Melrose Profit Estimate”), for which the Directors of Melrose are solely responsible under Rule 28 of the City Code on Takeovers and Mergers.

We have discussed the Melrose Profit Estimate (including the assumptions and sources of information referred to therein), with the Directors of Melrose and those officers and employees of Melrose who prepared the unaudited financial results and unaudited management accounts for the year ended 31 December 2017. The Melrose Profit Estimate is subject to uncertainty as described in the announcement made by Melrose that included the Melrose Profit Estimate and our work did not involve an independent examination or verification of any of the financial or other information underlying the Melrose Profit Estimate.

We have relied upon the accuracy and completeness of all the financial and other information provided to us by, or on behalf of, Melrose, or otherwise discussed with or reviewed by us, and we have assumed such accuracy and completeness for the purposes of providing this letter. We have also reviewed the work carried out by Deloitte and have discussed with them the opinion set out in their letter of 1 February 2018 addressed to the Directors of Melrose and ourselves.

We do not express any opinion as to the achievability of the Melrose Profit Estimate identified by the Directors of Melrose.

This letter is provided pursuant to our respective engagement letters with Melrose solely to the Directors of Melrose in connection with Rule 28.1(a)(ii) of the Code and for no other purpose. We accept no responsibility to Melrose or its shareholders or any person other than the Directors of Melrose in respect of the contents of, or any matter arising out of or in connection with, this letter. No person other than the Directors of Melrose can rely on the contents of this letter, and to the fullest extent permitted by law, we exclude all liability (whether in contract, tort or otherwise) to any other person in respect of this letter, its results, or the work undertaken in connection with this letter, or any of the results that can be derived from this letter or any written or oral information provided in connection with this letter, and any such liability is expressly disclaimed except to the extent that such liability cannot be excluded by law.

On the basis of the foregoing, we consider that the Melrose Profit Estimate, for which the Directors of Melrose are solely responsible, has been prepared with due care and consideration.

Yours truly,

N M Rothschild & Sons Limited  
RBC Europe Limited
PART 7: SOURCES OF INFORMATION AND BASES OF CALCULATION

In the section entitled “Letter to GKN Shareholders from the Chairman of Melrose” of this Offer Document:

(a) the value of the shares that a GKN Shareholder will receive under the Offer of 337.3 pence per GKN Share held is calculated by multiplying the number of Melrose Shares per GKN share held, being 1.49, by the Closing Price of a Melrose Share on 31 January 2018 (being the Latest Practicable Date) of 226.4 pence;

(b) the total value that a GKN Shareholder will receive under the Offer of 418.3 pence per GKN Share held is calculated by adding the value of the shares received per GKN Share, being 337.3 pence to the value of cash received per GKN Share, being 81 pence;

(c) the 10 year average price of a GKN Share is based on share prices between 4 January 2008 and 5 January 2018 (being the last Business Day before the approach made by Melrose to the GKN Board in connection with the Offer) adjusted for the effects of the rights issue in July 2009 on share prices prior to that date;

(d) the number of issued GKN Shares is based on 1,717,572,609 shares in issue (excluding treasury shares) plus 26,654,634 of total options as provided by GKN subject to Rule 10, Note 3 of the City Code;

(e) the value created by the rise in the GKN share price is based on the increase in the Closing Price of a GKN Share between 5 January 2018, being 326.3 pence, and 31 January 2018 (being the Latest Practicable Date), being 422.8 pence. The value is calculated by multiplying the difference of 96.5 pence by the number of issued GKN shares;

(f) the number of issued Melrose Shares is based on 1,941,200,503 shares in issue, as announced by Melrose on 18 January 2018;

(g) the value of the combined group of over £10 billion is calculated by multiplying the total number of New Melrose Shares issued as a result of the Offer (being the number of issued GKN shares multiplied by 1.49) and adding to this the number of issued Melrose Shares. This is subsequently multiplied by the Closing Price of a Melrose Share on 31 January 2018 (being the Latest Practicable Date), of 226.4 pence;

(h) history of GKN extracted from “GKN: The Making of a Business, 1759 to 2009” by Andrew Lorenz;

(i) the pre-acquisition leverage of 10.3x EBITDA in respect of the McKechnie/Dynacast acquisition is calculated from the financial information included in the acquisition prospectus from 2005 (McKechnie net debt and EBITDA being as at July 2004 and Dynacast net debt and EBITDA being as at December 2004, in both cases being the latest reported information prior to the acquisition). The post-acquisition leverage of 2.9x EBITDA is calculated using Melrose reported net debt at June 2005 and EBITDA per the prospectus, as set out above;

(j) the return on shareholders’ investment of 3.0x in respect of the McKechnie/Dynacast acquisition is calculated based on initial equity outlay of £244 million and total cash return of £734 million;

(k) the pre-acquisition leverage of 3.7x EBITDA in respect of the FKI acquisition is calculated from the financial information included in the Melrose annual report 2008 (which states acquisition debt) and the acquisition prospectus from 2008 (from which it is possible to calculate EBITDA as at March 2007, being the latest reported information prior to the acquisition). The post-acquisition leverage of 2.7x EBITDA is stated in the Melrose annual report 2008;

(l) the return on shareholders’ investment of 2.9x in respect of the FKI acquisition is calculated based on initial equity outlay of £499 million and total cash return of £1,431 million;

(m) the return on shareholders’ investment of 2.3x in respect of the Elster acquisition is calculated based on initial equity outlay of £1,168 million and total cash return of £2,643 million;

(n) the pre-acquisition leverage of 5.1x EBITDA and post-acquisition of 2.5x EBITDA in respect of the Nortek acquisition is set out in the Melrose investor presentation dated 6 July 2016 and is based on EBITDA as at December 2015;

(o) £1.00 of original investment in Melrose at the time of the first acquisition plus additional investment in subsequent capital raisings of £11.85 gives a net return of £17.65 after accounting for capital returns of £13.24, ordinary dividends of £2.05 and the market value of shares held of £14.21, based on the Closing Price of a Melrose Share on 5 January 2018 (being the last Business Day before the approach made by Melrose to the GKN Board in connection with the Acquisition);

(p) £1.00 of original investment in GKN in May 2005 (the time of Melrose’s first acquisition) plus additional investment in subsequent capital raisings of £0.42 gives a net return of £3.34 after accounting for ordinary
dividends of £0.68 and the market value of shares held of £3.09, based on the Closing Price of a GKN Share on 5 January 2018 (being the last Business Day before the approach made by Melrose to the GKN Board in connection with the Acquisition);

(q) TSR source data from Datastream, from October 2003 (date of Melrose formation) to close of business on 5 January 2018;

(r) GKN’s top-end group trading margin target based on the published target range of 8% - 10% first stated in its Annual Report for the financial year ended 31 December 2007 and repeated up until its Interim Results for the period ended 30 June 2017;

(s) GKN consensus comprises all analyst notes available to Melrose since 13 October 2017 (date of GKN’s trading statement) as at 12 January 2018 (date that Melrose’s approach was made public) and includes divisional and group level estimates from the following analysts: Barclays (16 October 2017), Berenberg (16 October 2017), Deutsche Bank (16 October 2017), J P Morgan Cazenove (group level only, 16 October 2017), UBS (16 October 2017), Peel Hunt (17 October 2017), Citi (18 October 2017), Liberum (23 October 2017), Jefferies (9 November 2017) and Bank of America Merrill Lynch (16 November 2017). Estimates from the following analysts have been excluded from the consensus as they adjust estimated trading profit for the impairment charge in the Aerospace business: Bank of America Merrill Lynch (17 November 2017), Deutsche Bank (17 November 2017), J P Morgan Cazenove (6 December 2017), Investec (18 December 2017) and UBS (10 January 2018). Estimates from Investec (6 November 2017) have been excluded from the consensus as it is a connected adviser to Melrose;

(t) GKN’s divisional target ranges of 11% - 13% for Aerospace, 8 - 10% for Driveline and 9 - 11% for Powder Metallurgy first stated in the 2011 full-year results presentation and repeated up until the 2015 first half results presentation.

The minimum Aerospace sales full-year 2017 estimates per the consensus are £3,493 million, the maximum Aerospace sales full-year 2017 estimates are £3,668 million and the arithmetic average is £3,601 million.

The minimum Driveline sales full-year 2017 estimates per the consensus are £4,882 million, the maximum Driveline sales full-year 2017 estimates are £5,212 million and the arithmetic average is £5,087 million.

The minimum Powder Metallurgy sales full-year 2017 estimates per the consensus are £1,089 million, the maximum Powder Metallurgy sales full-year 2017 estimates are £1,175 million and the arithmetic average is £1,139 million.

The minimum Other division trading profit full-year 2017 estimate per the consensus is £4 million, the maximum is £18 million and the arithmetic average is £12 million.

The minimum central costs full-year 2017 estimate per the consensus is £25 million, the maximum is £33 million and the arithmetic average is £29 million.

In accordance with Rule 28.8(c) of the City Code, the consensus estimates are not shown with the agreement or the approval of GKN;

(u) The Melrose Board having reviewed and analysed the potential benefits of the Acquisition, based on their previous experience of improving performance of industrial companies, expects to re-energise and re-purpose GKN’s operations to enable them to exceed GKN’s own top-end group trading margin target of 10 per cent., under Melrose management.

The Melrose Board expects to deliver this improvement over the typical Melrose ownership timeframe of three to five years (which is flexible).

The Melrose Board believes that it would be possible to achieve this level of performance given the following:

1) Melrose has a proven track record of improving the performance of companies it has owned with underlying margins increasing by 30% to 70% from their original level under Melrose ownership;

2) GKN’s trading profit margins historically have under-performed its targets;

   (i) the Melrose Board believes it will be able to deliver the performance that GKN originally had set out in its strategy as outlined in its full-year 2012 results presentation, and target divisional trading margins as per its 2011 annual report;
(ii) in particular, trading profit margin in the Driveline division only marginally exceeded the 8% lower-end target margin in 2014 (8.1%) and 2015 (8.2%) and was below this in all other years since 2011; and

(iii) the profitability of the Aerospace division has deteriorated over the last three years, to below the lower end of the target margin range of 11% - 13% (full-year 2015: 10.9%, full-year 2016: 9.9%, full-year 2017 consensus: 8.5%);

3) there is a gap in the performance of GKN compared to its potential as demonstrated by relevant peer performance which Melrose would seek to narrow. This gap can be illustrated as follows:

(i) Aerospace: full-year 2016 divisional trading profit margin for GKN was 9.9% and consensus full-year 2017 is 8.5% before adjustments for the inventory write off between £80 million and £130 million. This compares to the full-year 2016 average operating margin of a set of close peers (MTU Aero Engines and Spirit AeroSystems) of approximately 13%;

(ii) Driveline: the divisional trading profit margin in 2016 was 7.7% (before restatement for the inclusion of Off-Highway Powertrain). However, if removing £435 million revenue of the China JV (as per the 2016 GKN Annual Report) and the corresponding trading profit of £76.5 million from the 2016 full-year management revenues of £4,216 million and £323 million trading profit, the rest of the Driveline business would have achieved management revenues of £3,781 million and trading profit of £246.5 million, which implies trading profit margin of approximately 6.5%. This compares to the full-year 2016 average operating margin of a peer set (American Axle & Manufacturing, BorgWarner, Dana (Light Vehicle Division) and Nexteer Automotive) of approximately 10%;

4) limited disclosure in GKN’s public accounts shows that costs outside of materials have increased as a percentage of sales from 43% in 2012 to 49% in 2016, which suggests accumulated operating inefficiencies over the recent years; and

5) GKN’s annual report discloses that the full-year 2016 corporate and unallocated costs were £21 million, which Melrose intends to review and assess.

Melrose is not able to provide an estimate of any non-recurring integration costs that may be necessary to achieve its expected improvement of GKN’s performance. It is anticipated that any integration costs will be incurred over the course of the Melrose ownership period.

Aside from the integration costs, no material dis-synergies are expected in connection with the Acquisition. The Melrose existing businesses do not overlap with GKN.

Given that Melrose does not have access to GKN’s internal information, the Melrose Board have not been able to prepare any detailed integration plan besides the high level action points that have already been stated.

This statement of trading profit margin improvement relates to future actions and circumstances which by their nature involve risks, uncertainties and contingencies. As a consequence, the expected performance referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. In making this statement, Melrose took into account historical group trading profit margins as achieved by GKN.

This statement is not intended as a profit forecast or a Quantified Financial Benefit Statement for the purposes of Rule 28 of the City Code and should not be interpreted as such;

(v) Trading profit at top-end divisional targets has been derived as the arithmetical sum of applying top-end divisional target margins to respective consensus divisional revenues, adding consensus trading profit for the Other division and deducting consensus central costs;

(w) The market capitalisation of GKN prior to the approach is calculated by multiplying the Closing Price of a GKN Share as at 5 January 2018 (being the last Business Day before the approach made by Melrose to the GKN Board in connection with the Acquisition) by the number of issued GKN shares;

(x) The immediate cash payment of £1.4 billion is calculated by multiplying the value of cash that a GKN Shareholder will receive under the Offer per GKN share, being 81 pence, by the number of issued GKN Shares;

(y) The £2.5 billion of value of investment in Melrose is calculated by multiplying the Melrose market capitalisation on 31 January 2018 (being the Latest Practicable Date) by the percentage stake in Melrose to be owned by GKN Shareholders, being 57%. The 57% is calculated by dividing the number of New
Melrose Shares to be issued to GKN Shareholders (being 1.49 multiplied by the number of issued GKN Shares) by the total of the number of issued Melrose Shares plus the number of New Melrose Shares to be issued to GKN Shareholders; and

(z) the premium calculation to the price per GKN Share used in this Offer Document has been calculated by reference to the Closing Price on 5 January 2018 (being the last Business Day before the approach made by Melrose to the GKN Board in connection with the Acquisition) of 326.3 pence in respect of a GKN Share.

In this Offer Document:

(a) the number of issued GKN Shares is based on 1,717,572,609 shares in issue (excluding treasury shares) plus 26,654,634 of total options as provided by GKN subject to Rule 10, Note 3 of the City Code;

(b) the number of issued Melrose Shares is based on 1,941,200,503 shares in issue, as announced by Melrose on 18 January 2018;

(c) the premiums calculations to the price per GKN Share used in this Offer Document have been calculated by reference to the Closing Price on 11 January 2018 (being the last Business Day before the commencement of the Offer Period) of 332.7 pence, to the Closing Price on 5 January 2018 (being the last Business Day before the approach made by Melrose to the GKN Board in connection with the Acquisition) of 326.3 pence in respect of a GKN Share;

(d) the total number of New Melrose Shares that may be issued pursuant to the terms of the Acquisition is calculated by multiplying number of GKN Shares in issue by the exchange ratio of 1.49 of a New Melrose Share in exchange for each GKN Share;

(e) the total amount of cash that may be received by GKN Shareholders pursuant to the terms of the Acquisition is calculated by multiplying the value of cash that a GKN Shareholder will receive under the Offer per GKN Share, being 81 pence, by the number of issued GKN Shares;

(f) the maximum percentage of the ordinary share capital of Melrose that will be owned by former GKN Shareholders of 57% is calculated by dividing by dividing the number of New Melrose Shares to be issued to GKN Shareholders (being 1.49 multiplied by the number of issued GKN Shares) by the total of the number of issued Melrose Shares plus the number of New Melrose Shares to be issued to GKN Shareholders;

(g) unless otherwise stated, all prices quoted for Melrose Shares and GKN Shares have been derived from the daily Official List;

(h) GKN’s top-end group trading margin target based on the published target range of 8% - 10% first stated in its Annual Report for the financial year ended 31 December 2007 and repeated up until its Interim Results for the period ended 30 June 2017;

(i) GKN consensus comprises all analyst notes available to Melrose since 13 October 2017 (being the date of GKN’s trading statement) as at 12 January 2018 (date that Melrose’s approach was made public) and includes group level estimates from the following analysts: Barclays (16 October 2017), Berenberg (16 October 2017), Deutsche Bank (16 October 2017), J P Morgan Cazenove (16 October 2017), UBS (16 October 2017), Peel Hunt (17 October 2017), Citi (18 October 2017), Liberum (23 October 2017), Jefferies (9 November 2017) and Bank of America Merrill Lynch (16 November 2017). Estimates from the following analysts have been excluded from the consensus as they adjust estimated trading profit for the impairment charge in the Aerospace business: Bank of America Merrill Lynch (17 November 2017), Deutsche Bank (17 November 2017), J P Morgan Cazenove (6 December 2017), Investec (18 December 2017) and UBS (10 January 2018). Estimates from Investec (6 November 2017) have been excluded from the consensus as it is a connected adviser to Melrose. The minimum GKN Group trading full-year 2017 estimate per the consensus is £776 million, the maximum GKN Group trading profit full-year 2017 estimate is £792 million and the arithmetic average is £784 million. In accordance with Rule 28.8(c) of the City Code, the consensus estimates are not shown with the agreement or the approval of GKN;

(j) information relating to GKN’s sales and employees by region, percentages of group revenue by division and segment operating profit percentages for 2016 have been taken from its Annual Report for the financial year ended 31 December 2016 and the restated financials as reported in the interim H1 2017 results;

(k) information describing the businesses of each of Melrose’s divisions has been taken from its Annual Report for the financial year ended 31 December 2016; and
(l) unless otherwise stated:

(i) historical financial information relating to Melrose has been extracted or derived (without material adjustment) from the audited financial statements of Melrose contained in Melrose’s Annual Report and Accounts for the financial year ended 31 December 2016 or from Melrose’s management accounts; and

(ii) historical financial information relating to GKN has been extracted or derived (without material adjustment) from the audited financial statements of GKN contained in GKN’s Annual Report and Accounts for the financial year ended 31 December 2016.

Certain figures included in this Offer Document have been subject to rounding adjustments.
PART 8: DEFINITIONS

The following definitions apply throughout this Offer Document unless the context otherwise requires:

2012 Incentive Plan . . . . the former incentive plan of Melrose, which crystallised on 31 May 2017

2017 Incentive Options . . has the meaning given to it in paragraph 4(f) of Part 4 of this Offer Document

2017 Incentive Plan . . . . the current incentive plan of Melrose, as approved by shareholders of Melrose on 11 May 2017

2017 Incentive Shares . . . the series of 2017 Incentive Shares of £1 each of Melrose having the rights and restrictions attaching to them set out in the Articles

Acceptance Condition . . . the acceptance condition to the Offer, as set out in paragraph (a) of Section A of Part 2 of this Offer Document

Acquisition . . . . . . . . . . . . . . . the acquisition of the entire issued and to be issued share capital of GKN by Melrose, to be implemented by way of the Offer as described in this Offer Document (or by way of the Scheme, under certain circumstances described in this Offer Document)

Announcement . . . . . . . . . . . . . . the announcement made by Melrose on 17 January 2018 in relation to the Offer in accordance with Rule 2.7 of the City Code

Articles . . . . . . . . . . . . . the articles of association of Melrose;

associated undertaking . . has the meaning given to it by paragraph 19 of Schedule 6 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, other than paragraph 19(1)(b) of Schedule 6 to those regulations which shall be excluded for this purpose

Authorisations . . . . . . . . . . . . . . for the purpose of the relevant Conditions, means authorisations, orders, grants, recognitions, determinations, confirmations, consents, licences, clearances, permissions, exemptions and approvals

AWV . . . . . . . . . . . . . . . . the German Foreign Trade Ordinance

Base Consideration . . . . . the base consideration due to relevant Eligible GKN Shareholders following the Effective Date of 1.49 New Melrose Shares and 81 pence in cash for each GKN Share held

Basic Offer TTE Instruction . . . . a Transfer to Escrow instruction (as described in the CREST Manual) in relation to GKN Shares in uncertificated form meeting the requirements set out in paragraph 6(b)(ii) of Part 1 of this Offer Document

BMW{i . . . . . . . . . . . . . . the German Federal Ministry of Economics and Energy

Brush or Brush Group . . . the Brush business which comprises Brush Holdings Limited together with its direct and indirect subsidiaries and subsidiary undertakings

Business Day . . . . . . . . . . a day, other than a public holiday, Saturday or Sunday, when banks are open in London for general banking business

certificated or certificated form . . . . . . . . . . . . . . . in relation to a share or other security, a share or other security title to which is recorded in the relevant register of the share or other security as being held in certificated form (that is, not in CREST)

CFIUS . . . . . . . . . . . . . . the Committee on Foreign Investment in the United States

City Code . . . . . . . . . . . . . . . . the City Code on Takeovers and Mergers as issued from time to time by or on behalf of the Panel

Closing Date . . . . . . . . . . . . . . . the date on which the Offer is closed for further acceptance (by Melrose in its sole discretion)

Closing Price . . . . . . . . . . . . . . the closing middle market quotations of a share derived from the daily official list of the London Stock Exchange
CMA Phase 2 Reference . a reference of the Offer to the chair of the Competition and Markets Authority (being a UK statutory body established under the Enterprise and Regulatory Reform Act 2013) for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013

Companies Act . the Companies Act 2006, as amended, modified or re-enacted from time to time

Conditions . the conditions to the implementation of the Offer set out in Part 2 of this Offer Document

Court . the High Court of Justice in England and Wales

Court Meeting . means, should the Acquisition be implemented by way of the Scheme, the meeting of the GKN Shareholders to be convened by order of the Court pursuant to section 896 of the Companies Act for the purpose of considering and, if thought fit, approving the Scheme (with or without amendment) and any adjournment, postponement or reconvenution thereof

CREST . the electronic transfer and settlement system for the paperless settlement of trades in listed securities and the holding of uncertificated securities in accordance with the CREST Regulations operated by Euroclear

CREST Manual . the manual issued by Euroclear for further information on the CREST procedure

CREST participant . a person who is, in relation to CREST, a system participant (as defined in the Regulations)

CREST payment . has the meaning given in the CREST Manual issued by Euroclear

CREST Regulations . the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), as amended

CREST sponsor . a person who is, in relation to CREST, a sponsoring system participant (as defined in the Regulations)

CREST sponsored member . a CREST member admitted to CREST as a sponsored member under the sponsorship of a CREST sponsor

DDTC . the US State Department Directorate of Defense Trade Controls

Dealing Disclosure . an announcement pursuant to Rule 8 of the City Code containing details of dealings in interests in relevant securities of a party to an offer

Defence and Ministerial Conditions and Ministerial Disclosure . has the meaning given to it in paragraph 3 of Part 1 of this Offer Document

Disclosed . the information fairly disclosed by, or on behalf of GKN: (i) in the Annual Report and Accounts of the GKN Group for the financial year ended 31 December 2016; or (ii) in any other public announcement made by GKN in accordance with the Market Abuse Regulations, the Listing Rules and the Disclosure Guidance and Transparency Rules prior to the Announcement

Disclosure Guidance and Transparency Rules . the rules and regulations made by the FCA under Part VI of FSMA, referred to in section 73A(2) of the same and contained in the FCA’s publication of the same name (as amended from time to time)

DSS . the Defense Security Service, a branch of the United States Department of Defense

EBITDA . earnings before interest, tax, depreciation and amortisation

Effective Date . the date on which:

(a) the Offer becomes or is declared wholly unconditional; or

(b) if Melrose elects to implement the Acquisition by way of a Scheme, the date on which the Scheme becomes effective in accordance with its terms
Electronic Acceptance . . . the inputting and settling of a TTE instruction which constitutes or is deemed to constitute an acceptance of the Offer on the terms set out in this Offer Document (including with respect to an election (if any) under the Mix and Match Facility)

Eligible GKN Shareholders GKN Shareholders, other than Restricted GKN Shareholders

Eligible US Holders . . . . qualified institutional buyers (as defined in Rule 144A under the US Securities Act) or accredited investors (as defined in Rule 501(a) under the US Securities Act)

Enlarged Group . . . . . the enlarged group following completion of the Acquisition, comprising the Melrose Group and the GKN Group

ESA instruction . . . . an Escrow Account Adjustment Input (AESN), transaction type “ESA” (as defined in the CREST manual)

Escrow Agent . . . . . Equiniti Limited in its capacity as escrow agent (as described in the CREST Manual issued by Euroclear)

EU or European Union . . an economic and political union of 28 member states which are located primarily in Europe

EUMR . . . . . . . . . . . . the EU Merger Regulation (No 139/2004)

Euroclear . . . . Euroclear UK & Ireland Limited, the operator of CREST

Existing Facilities Agreement . . the $1,250 million senior term and revolving credit facilities agreement dated 6 July 2016 entered into between Melrose PLC, among others, as initial borrower, the parties named therein as original lenders and Lloyds Bank plc as agent

Existing Melrose Shares . . the Melrose Shares in issue at the Latest Practicable Date, being 1,941,200,503 Melrose Shares and any further Melrose Shares issued prior to 8.00 a.m. on the Effective Date (if any)

Facilities . . . . . . has the meaning given to it in paragraph 5(b) of Part 4 of this Offer Document

FCA . . . . . . . . . . . . . . . . the UK Financial Conduct Authority

FCA Handbook . . . . the handbook of rules made by the FCA as amended from time to time

Fee Letter . . . . . . has the meaning given to it in paragraph 5(c) of Part 4 of this Offer Document

Financial Advisers . . . . . Rothschild and RBC Europe Limited

First Closing Date . . . . . 9 March 2018, being the first closing date of the Offer

Form of Acceptance . . . the form of acceptance and authority sent to Eligible GKN Shareholders accompanying the Offer Document or any other documents for use in connection with accepting the Offer

FSMA . . . . . . . . . . . . . . the Financial Services and Markets Act 2000, as amended, modified or re-enacted from time to time

GKN . . . . . . . . . . . . . . . GKN plc, incorporated in England and Wales with registered number 04191106

GKN Board . . . . . . . . . the GKN Directors collectively

GKN Directors . . . . . . the directors of GKN as at the date of this Offer Document or, where the context so requires, the directors of GKN from time to time

GKN General Meeting . . should the Acquisition be implemented by way of the Scheme, the general meeting of GKN Shareholders (and any adjournment thereof) to be convened for the purpose of considering and, if thought fit, approving the shareholder resolutions necessary to enable GKN to implement the Scheme

GKN Group . . . . . . . . . GKN and its subsidiaries and subsidiary undertakings from time to time and a “member of the GKN Group” shall be construed accordingly
GKN Share Schemes . . . . the employee share schemes of GKN as described in its latest annual report and accounts

GKN Shareholders . . . . . the holders of GKN Shares

GKN Shares . . . . . . . . . . the shares of 10 pence each in the capital of GKN and includes:

(a) the existing unconditionally allotted or issued and fully paid (or credited as fully paid) ordinary shares of 10 pence each in the capital of GKN;

(b) any further ordinary shares of 10 pence each in the capital of GKN which are unconditionally allotted or issued and fully paid (or credited as fully paid) before the date on which the Offer closes (or such earlier date or dates as Melrose may, subject to the City Code, determine); and

(c) any GKN Shares held as treasury shares that cease to be held as treasury shares before the date on which the Offer closes (or such earlier date or dates as Melrose may, subject to the City Code, determine) but excludes any shares held as treasury shares on such date as Melrose may determine before the Offer closes (which may be a different date(s) to the date referred to in (b) and (c) above), and “GKN Share” means any one of them

HMRC . . . . . . . . . . . . . HM Revenue & Customs

HVAC . . . . . . . . . . . . . heating, ventilation and air conditioning

IFRS . . . . . . . . . . . . . International Financial Reporting Standards, as issued by the International Accounting Standards Board and endorsed by the EU

Investec . . . . . . . . . . . . Investec Bank plc

ITAR . . . . . . . . . . . . . the US International Traffic in Arms Regulations (22 Code of Federal Regulations 120-130)

Latest Practicable Date . . 31 January 2018, being the last Business Day prior to the publication of this Offer Document

Listing Rules . . . . . . . the rules and regulations made by the UKLA under Part VI of FSMA and contained in the UKLA’s publication of the same name (as amended from time to time)

London Stock Exchange . . London Stock Exchange plc

Market Abuse Regulations the Market Abuse Regulation (2014/596/EU)

Melrose . . . . . . . . . . . . Melrose Industries PLC, incorporated in England and Wales with registered number 9800044

Melrose Board . . . . . . the Melrose Directors collectively

Melrose Circular . . . . . the circular to be sent by Melrose to Melrose Shareholders summarising the background to the reasons for the Acquisition, which includes a notice convening the Melrose General Meeting

Melrose Directors . . . . . the directors of Melrose as at the date of this Offer Document or, where the context so requires, the directors of Melrose from time to time

Melrose General Meeting . . a meeting of the Melrose Shareholders (and any adjournment thereof) at which the Melrose Shareholder Resolutions will be considered, and, if thought fit, approved

Melrose Group . . . . . . . Melrose and its subsidiaries and subsidiary undertakings from time to time and “member of the Melrose Group” shall be construed accordingly

Melrose Profit Estimate . . has the meaning given in paragraph 1(a) of Part 6 of this Offer Document

Melrose Shareholder Resolutions . . . . . . . . . . the shareholder resolutions of Melrose recommended by the Melrose Board as necessary to implement the Acquisition, including to approve, effect and
implement the Acquisition and to grant authority to the Melrose Directors to
allot the New Melrose Shares and any amendment(s) thereof.

Melrose Shareholders . . . . . holders of Melrose Shares
Melrose Shares . . . . . . the ordinary shares of 28/7 pence each in the capital of Melrose from time to
time
member account ID . . . . . the identification code or number attached to any member account in CREST
Mix and Match Election . . any election by a GKN Shareholder in connection with the Mix and Match
Facility
Mix and Match Facility . . the facility under which Eligible GKN Shareholders are entitled to elect to vary
the proportions in which they receive New Melrose Shares and in which they
receive cash in respect of their holdings of GKN Shares to the extent that other
such Eligible GKN Shareholders make offsetting elections

Mix and Match TTE
Instruction . . . . . . a Transfer to Escrow instruction (as described in the CREST Manual) in
relation to GKN Shares in uncertificated form meeting the requirements set out
in paragraph 6(b)(iii) of Part 1 of this Offer Document
New Facilities Agreement . has the meaning given to it in paragraph 5(b) of Part 4 of this Offer Document
New Melrose Shares . . the new Melrose Shares proposed to be issued to Eligible GKN Shareholders
pursuant to the terms of the Offer
Nortek . . . . . . . . . . . . Nortek, Inc.
Offer . . . . . . . . . . . . . the offer made by Melrose to acquire the entire issued and to be issued share
capital of GKN on the terms and subject to the conditions set out in this Offer
Document and the Form of Acceptance (and, where the context admits, any
subsequent revision, variation, extension or renewal of such offer including any
election or alternative available in connection with it)
Offer Document . . . . this offer document
Offer Period . . . . . the period commencing on 12 January 2018 and ending on: (a) the earlier of
the date on which the Offer has become or has been declared unconditional as to
acceptances and/or the date on which the Offer lapses or is withdrawn (or
such other date as the Panel may decide) other than where such lapsing or
withdrawal is a result of Melrose electing to implement the Acquisition by way of
a Scheme; or (b) if applicable, the earlier of the date on which the Scheme
becomes effective and/or the date on which the Scheme lapses or is withdrawn
(or such other date as the Panel and/or the Court may decide)

Official List . . . . . . . the official list maintained by the UKLA
Opening Position Disclosure . . . . . . . . . an announcement pursuant to Rule 8 of the City Code containing details of
interests or short position in, or rights to subscribe for, any relevant securities of
a party to an offer
Overseas Shareholders . . the GKN Shareholders who are resident in, ordinarily resident in, or citizens
of, jurisdictions outside the United Kingdom
Panel . . . . . . . . . . . . . . . the Panel on Takeovers and Mergers
participant ID . . . . . . the identification code or membership number used in CREST to identify a
CREST member or other CREST participant
PRA . . . . . . . . . . . . . . . . the Prudential Regulation Authority
Prospectus Equivalent Document . . . . . . the equivalent document published by Melrose in respect of the New Melrose
Shares to be issued to GKN Shareholders in connection with the Offer and
which is regarded by the UKLA as being equivalent to that of a prospectus
prepared in accordance with the Prospectus Rules
Prospectus Rules . . . . . . . the prospectus rules made by the FCA under section 73A FSMA

RBC Europe Limited . . . . RBC Europe Limited (trading as RBC Capital Markets), Riverbank House, 2 Swan Lane, London EC4R 3BF, financial adviser to Melrose

Receiving Agent . . . . . . . Equiniti Limited, in its capacity as receiving agent for the purpose of the Offer

Regulation . . . . . . . . . . . Council Regulation (EC) 139/2004 (as amended)

Regulatory Information Service . . . . . . . one of the regulatory information services authorised by the FCA to release, process and disseminate regulatory information from listed companies

Restricted ESA instruction has the meaning given to it in paragraph 8(e) of Section C of Part 2 of this Offer Document

Restricted Escrow Transfer has the meaning given to it in paragraph 8(e) of Section C of Part 2 of this Offer Document

Restricted GKN Shareholder . . . . those GKN Shareholders who are located in a Restricted Jurisdiction, except for Eligible US Holders or such other GKN Shareholders that Melrose, in its sole judgment, shall have determined to be eligible to participate in the Offer

Restricted Jurisdiction . . . . any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if information concerning the Offer is sent or made available to GKN Shareholders in that jurisdiction, including the United States and any state or jurisdiction in the United States

Rothschild . . . . . . . . . . . N M Rothschild & Sons Limited

Scheme . . . . . . . . . . . . . should the Acquisition be implemented by way of a scheme of arrangement under Part 26 of the Companies Act, such scheme of arrangement between GKN and the GKN Shareholders to implement the Acquisition with or subject to any modification, addition or condition approved or imposed by the Court

Scheme Document . . . . . . should the Acquisition be implemented by way of the Scheme, the document to be despatched to GKN Shareholders, including the particulars required by section 897 of the Companies Act, including any supplementary scheme document

Scheme Order . . . . . . . . . should the Acquisition be implemented by means of the Scheme, the order of the Court sanctioning the Scheme under section 899 of the Companies Act

SEC . . . . . . . . . . . . . . . . the US Securities and Exchange Commission

Significant Interest . . . . . in relation to an undertaking, a direct or indirect interest in 20 per cent. or more of the total voting rights conferred by the equity share capital (as defined in the Companies Act) of such undertaking

Syndication Letter . . . . . has the meaning given to it in paragraph 5(d) of Part 4 of this Offer Document

Third Party . . . . . . . . . . . has the meaning given to it in paragraph (k) of Section A of Part 2 of this Offer Document

TTE instruction . . . . . . . a Transfer to Escrow instruction (as described in the CREST Manual) in relation to GKN Shares in uncertificated form meeting the requirements set out in paragraphs 6(b)(ii) or 6(b)(iii) of Part 1 of this Offer Document, or paragraph 6(e) or 8(e) of Section C of Part 2 of this Offer Document (as applicable), and relating to an acceptance of the Offer

UK or United Kingdom . . . the United Kingdom of Great Britain and Northern Ireland

UKLA . . . . . . . . . . . . . . . the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA

uncertificated or in uncertificated form . . . . . . . a share or other security title to which is recorded in the relevant register of the share or security as being held in uncertificated form, in CREST, and title to which, by virtue of the Regulations may be transferred by means of CREST
US or United States . . . . . . the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia


US Person . . . . . . . . . . . . a natural person resident or located in, or a legal person organised under the laws of, the United States

US Securities Act . . . . . . the US Securities Act of 1933, as amended and the rules and regulations promulgated thereunder

Wider GKN Group . . . . GKN and its subsidiaries, subsidiary undertakings, associated undertakings and any other undertaking in which GKN and/or such undertakings (aggregating their interests) have a Significant Interest

Wider Melrose Group . . . Melrose and its subsidiaries, subsidiary undertakings, associated undertakings and any other undertaking in which Melrose and/or such undertakings (aggregating their interests) have a Significant Interest

All times referred to are London time, unless otherwise stated.

All references to “GBP”, “pence”, “sterling” or “£” are to the lawful currency of the United Kingdom.

All references to statutory provision or law or to any order or regulation shall be construed as a reference to that provision, law, order or regulation as extended, modified, replaced or re-enacted from time to time and all statutory instruments, regulations and orders from time to time made thereunder or deriving validity therefrom.

All references to “relevant securities” are to that term as it is defined in the City Code.

All references to “subsidiary”, “subsidiary undertaking” and “undertaking” have the respective meanings given to them in the Companies Act.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

The ejusdem generis principle of construction shall not apply to the terms and conditions of the Offer and/or the Form of Acceptance. Accordingly general words shall not be given a restrictive meaning by reason of their being preceded or followed by words indicating a particular class of acts, matters or things or by examples falling within the general words.