

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately from a stockbroker, bank manager, solicitor, accountant or other independent financial or legal adviser authorised under the Financial Services and Markets Act 2000, if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.

13 April 2018

GKN plc
PO BOX 55
Ipsley House
Ipsley Church Lane
Redditch
Worcestershire B98 0TL

Dear Participant

GKN Executive Share Plans – Change of Control – ACTION REQUIRED

As you know, on 17 January 2018, Melrose Industries plc (“**Melrose**”) announced the terms of a cash and share offer to acquire the entire issued and to be issued share capital of GKN plc (“**GKN**”), terms of which were contained in an Original Offer Document on 1 February 2018. On 13 March 2018, Melrose then announced increased terms of such offer, and published further terms in an Increased and Final Offer Document (the “**Offer**”). The Offer remains open for acceptance by GKN Shareholders.

On 29 March 2018, Melrose declared its offer to be unconditional as to acceptances. There are further conditions that must be met or waived before the Offer becomes wholly unconditional. If this happens, Melrose can acquire the GKN Shares in respect of which its Offer has been accepted. Melrose currently expects that this will occur on 19 April 2018 (although the relevant date may be earlier or later than this). On the date on which the Offer becomes or is declared wholly unconditional (the “**Unconditional Date**”), control of GKN will pass to Melrose (the “**Acquisition**”).

Further information on the Offer is set out in the Original Offer Document dated 1 February 2018 as amended and/or supplemented by the Increased and Final Offer Document dated 13 March 2018 (together, the “**Offer Document**”) and the prospectus equivalent document dated 13 March 2018 (the “**Prospectus Equivalent Document**”). A copy of the Offer Document and Prospectus Equivalent Document is available on the GKN website at <https://www.gkn.com/en/investors/offer-for-gkn-plc/>. You are advised to read the Offer Document and Prospectus Equivalent Document and may request hard copies by contacting Equiniti Limited at Corporate Actions, Aspect House, Spencer Road, Lancing, BN99 6DA or on 0333 207 6524 (or from outside the United Kingdom on +44 121 415 0909).

Why are we writing to you?

Participants in the Sustainable Earnings Plan (the SEP), the Share Incentive and Retention Plan (the SIRP), and the Deferred Bonus Plan (the DBP)

If you are a participant in one or more of the above plans, we are writing to let you know that, under the rules of the relevant plan, any award you hold under that plan will vest and any option you hold under that plan will become exercisable on the Unconditional Date.

This letter also includes, at Appendix A, the proposal that is being made to you by Melrose under Rule 15 of the City Code on Takeovers and Mergers (the “**Melrose Proposal**”).

The GKN Remuneration Committee has determined the extent to which your award/option will vest/become exercisable, taking into account:

-) the terms and conditions of the relevant plan rules.

-) if applicable, the extent to which any performance conditions have been satisfied; and
-) if applicable, the application of any time pro rating reduction (reflecting the shortened vesting period).

You should be aware that the figures below assume that the Unconditional Date will be 19 April 2018 but that this date may change. If this occurs, the percentages set out below may change accordingly. (Note that you may not be a participant in all of the below plans, but as the timeline for this process is short all plans are included below. You can see which plans you participate in on the Executive Reward Portal).

Award	Extent to which award vests
SEP 2016 <i>(SEP 2016 Rules)</i>	Vests as to: Performance condition: 100%. Time pro rating: 77%, reflecting the period beginning with the start of the performance period to the Unconditional Date. The same performance outturn and pro ration will apply to Core and Sustainability awards. Any awards granted in the form of options will be exercisable for one month from the Unconditional Date. If you do not exercise your options during this period, they will lapse at the end of this period.
SEP 2017 <i>(SEP 2017 Rules)</i>	Vests as to: Performance condition: 70.6%. Time pro rating: 43%, reflecting the period beginning with the start of the performance period to the Unconditional Date. All awards over GKN Shares will be settled by payment of a cash amount that is equal in value to the market value on the Unconditional Date of the GKN Shares (not New Melrose Shares) that you would have otherwise received. You will not therefore have a right to receive GKN Shares and will not be able to either “sell all” GKN Shares for cash or participate in the Melrose Proposal.
SEP 2018 <i>(SEP 2017 Rules)</i>	Vests as to: Performance Condition: 100%. Time pro rating: 10%, reflecting the period beginning with the start of the performance period to the Unconditional Date. All awards over GKN Shares will be settled by payment of a cash amount that is equal in value to the market value on the Unconditional Date of the GKN Shares (not New Melrose Shares) that you would have otherwise received. You will not therefore have a right to receive GKN Shares and will not be able to either “sell all” GKN Shares for cash or participate in the Melrose Proposal.
SIRP Restricted <i>(SIRP 2015 Rules)</i>	Vests in full.
DBP (2017 and 2018)	Vests in full.

If the Acquisition does not happen for any reason, your awards/options will continue as normal, subject to the rules of the relevant plan.

Please be aware that if your award/option was originally granted over cash rather than GKN Shares, you will receive cash on vesting/exercise and not GKN Shares.

Participants in the 2004 GKN Executive Share Option Scheme (the ESOS)

If you currently hold outstanding options under the ESOS, your options are currently exercisable. However, if you wish to exercise them, you must do so within one month of the Unconditional Date.

If the Acquisition does not happen for any reason, your options will continue as normal, subject to the rules of the ESOS.

This letter also includes, at Appendix A, the Melrose Proposal.

Participants in the GKN all-employee share plans

If you participate in the GKN Plc 2017 Sharesave Plan and/or the GKN Plc 2017 Share Incentive Plan, you are being written to separately about the effect of the Acquisition on your subsisting awards/options under that plan or those plans. Please read those letters carefully.

Can I accept the Melrose Proposal?

Appendix A contains the Melrose Proposal.

The Melrose Proposal is available to you if you are to receive GKN Shares and do not reside in the USA or another Restricted Jurisdiction (as defined in the Offer Document).

Please note that if you choose not to accept the Offer, you should be aware that if Melrose holds 75% or more of the GKN Shares in issue, Melrose has stated that it intends to make an application to the London Stock Exchange for the cancellation of the trading of GKN Shares on its main market for listed securities and the UK Listing Authority will be requested to cancel the listing of GKN Shares on the Official List (“**de-listing**”). It is anticipated that the de-listing will take effect no earlier than 20 Business Days following the later of the Unconditional Date or, provided Melrose has, by virtue of its shareholdings and acceptances of the Offer, acquired GKN Shares carrying 75% or more of the voting rights of GKN, the date on which Melrose has made an announcement of that fact. Melrose has stated that as soon as possible after the de-listing, it intends that GKN will be re-registered as a private limited company.

Delisting and the re-registration of GKN as a private limited company will significantly reduce the liquidity and marketability of any GKN Shares not acquired by Melrose. You should also be aware that if Melrose acquires 90% of the value of the GKN Shares to which the Offer relates and 90% or more of the voting rights carried by those shares, it will be entitled to compulsorily acquire all outstanding issued GKN Shares on the terms of the Offer even if the Offer/Melrose Proposal has not been accepted in respect of them.

If you are entitled to receive cash only in respect of any award/option that you hold (either because your award/option was originally granted over cash, or because your award/option was granted under the SEP 2017 or SEP 2018 and therefore will be settled in cash), you will not be eligible to accept the Melrose Proposal.

Usually, GKN offers to arrange the sale for cash of any GKN Shares that I receive in connection with any awards that vest or options that are exercised – will you still do that?

If you reside in the USA or any other Restricted Jurisdiction (as defined in the Offer Document)

Yes, if you are to receive GKN Shares pursuant to vesting/exercise of your awards/options and provided you submit your instructions on the GKN Executive Reward Portal by **12 p.m. (UK time) on 16 April 2018**. ALL of your GKN Shares will then be sold on your behalf and the proceeds returned to you in cash, subject to any necessary deductions to cover the relevant tax and social security withholding.

GKN shares sold will have the value of GKN shares on the vesting date, not the value of the Melrose offer.

Please note that this option does **not** form part of the Melrose Proposal and is **not** part of the Offer. It is being made available by GKN separately.

*If you do **not** reside in the USA or another Restricted Jurisdiction (as defined in the Offer Document)*

No. However, if you wish to accept the Melrose Proposal (for which, see Appendix A) then, subject to paragraph 6 of the Melrose Proposal, GKN will offer you **two** choices:

- i. you can retain your New Melrose Shares. The trustee will transfer these and the relevant cash proceeds to you as soon as reasonably practicable following receipt; or
- ii. you can sell all of your New Melrose Shares for cash (in addition to the 81 pence you receive as a result of the Offer). This will be paid to you as soon as reasonably practicable after receipt.

In order to exercise either of these choices, please log onto the GKN Executive Reward Portal to direct the trustee of the GKN Employee Benefit Trust accordingly. If you hold an award, please do so by **12 pm (UK time) on 16 April 2018.**

What do I need to do?

If you are receiving cash only in respect of any award/option that you hold (either because your award/option was originally granted over cash, or because your award/option was granted under the SEP 2017 or SEP 2018 and will therefore be settled in cash), there is nothing further you need to do. Your cash will be paid to you as soon as reasonably practicable following the Unconditional Date through payroll subject to any necessary deductions for income tax and social security contributions. You are **not** eligible to either accept the Melrose Proposal or to sell all of your GKN Shares for cash.

If you hold an option and wish to exercise it, please do so in the normal way through the GKN Executive Reward Portal.

In the case of all other awards, or if you wish to exercise your option and would like to know what your next steps are in respect of your GKN Shares, please refer to the Melrose Proposal at Appendix A. If you wish to accept the Melrose Proposal and then, through GKN, either retain the New Melrose Shares that are subject to that proposal, or sell all New Melrose Shares which you would receive under the Melrose Proposal for cash, you will be able to do so on the GKN Executive Reward Portal. Please be aware that depending on your country of residence, you may not be able to participate in the Melrose Proposal or any of the subsequent choices.

If you do not wish to accept the Melrose Proposal (or, if you reside in the USA or any other Restricted Jurisdiction (as defined in the Offer Document), if you do not wish to sell all of your GKN Shares for cash), your GKN Shares will be transferred to you. Sufficient GKN Shares to cover any liability to income tax or social security liability that arises as a result of your award vesting and/or, if relevant, your options being exercised will be sold on your behalf (this may mean that the Offer is accepted in respect of some of your GKN Shares and the resulting New Melrose Shares sold to raise sufficient cash).

If you want to see details of your awards please log on to the GKN Executive Reward Portal. If you have any queries that relate to your award/option please contact exec.reward@gkn.com

Please note that no legal, tax or financial advice on the merits of the Acquisition or its effect on your awards/options or your choices can be provided.

You are strongly advised to seek your own independent financial and/or tax advice regarding your personal circumstances and the effect of the Acquisition in relation to your awards/options.

Nothing in this pack constitutes financial, tax or legal advice to any holder of shares, share awards or share options in GKN.

If there is a conflict between the information in this letter and appendices and the rules of a relevant share plan or any relevant legislation, the rules and the legislation will prevail.

Some definitions are set out in Appendix B to this letter.

A copy of this letter and the Melrose Proposal can be found at both <https://www.gkn.com/en/investors/offer-for-gkn-plc/> and <https://www.melroseplc.net/investors/proposed-acquisition-of-gkn-plc/>

Important notes to the Melrose Proposal

The GKN Board, which has been so advised by Gleacher Shacklock LLP and UBS Limited as to the financial terms of the Melrose Proposal, consider the terms of the proposal set out in Appendix A to this letter to be fair and reasonable in the context of the Offer. In providing its advice to the GKN Board, Gleacher Shacklock LLP and UBS Limited have taken into account the commercial assessments of the directors of GKN.

The GKN Board recommends that if you are only entitled to receive shares subject to an award or exercise your options on or after the Unconditional Date, you accept the Melrose Proposal. If you are able to exercise options or receive shares subject to an award before the Unconditional Date, the GKN Board recommends that you accept the Melrose Proposal only in the event that the Offer is declared wholly unconditional by Melrose. If you hold options, you should consider your own personal circumstances, including your tax position, when deciding your preferred timing for exercising your options.

Yours faithfully



Jos Sclater
Group Finance Director
For and on behalf of GKN plc

Appendix A
The Melrose Proposal

IMPORTANT: This Appendix contains a proposal from Melrose. This proposal has not been made by GKN. Please be aware that you may not be able to accept this proposal if you reside in a “Restricted Jurisdiction” (as defined in the Offer Document)

2. Melrose proposes that all persons who hold:
 - i. an option should exercise their option with effect from the Unconditional Date and then accept the Offer in respect of the vested GKN Shares subject to that option; and
 - ii. an award that is to vest on the Unconditional Date, accept the Offer in respect of the relevant vested GKN Shares.
3. If you exercise your options, or your award vests on the Unconditional Date and you receive GKN Shares, your GKN Shares will be held by the trustee of the GKN Employee Benefit Trust as your nominee.
4. Subject to paragraph 6, in order to accept the Offer, please log onto the GKN Executive Reward Portal to direct the trustee of the GKN Employee Benefit Trust to exercise your option and/or accept the Offer (as applicable). If you do not hold an option, but your award is due to vest on the Unconditional Date, please provide your instructions by **12 pm (UK time) on 16 April 2018**.
5. The terms of the Acquisition are set out in full in the Offer Document. However, in summary, should you accept the Offer, you will be entitled to receive:

81 pence in cash; and 1.69 New Melrose Shares per GKN Share you own
6. Regardless of whether you accept the Offer, the trustee will, before either: (i) accepting the Offer on your behalf in respect of your GKN Shares; or (ii) transferring your GKN Shares to you (as applicable), arrange the sale of sufficient GKN Shares to satisfy any liability to income tax or social security contributions arising as a result of the vesting and/or exercise of your awards/options. Please note that this may require them to accept the Offer in respect of some of your GKN Shares and to then sell the resulting New Melrose Shares on your behalf.
7. If you did not accept the Offer, the trustee will transfer your GKN Shares to you as soon as reasonably practicable following the Unconditional Date.

What if I have questions?

If you have questions on the proposal in this Appendix A, please speak to Equiniti Limited at Corporate Actions, Aspect House, Spencer Road, Lancing, BN99 6DA or on 0333 207 6524 (or from outside the United Kingdom on +44 121 415 0909). Lines are open from 8.30 a.m. to 5.30 p.m. Monday to Friday (excluding English and Welsh public holidays). Equiniti Limited cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice.

Appendix B

A brief explanation of some definitions

“**GKN**” means GKN plc;

“**GKN Board**” means the board of directors of GKN;

“**GKN Group**” means GKN and its subsidiaries and subsidiary undertakings from time to time;

“**GKN Shareholders**” means holders of GKN Shares;

“**GKN Shares**” means ordinary shares of 10p each in the capital of GKN;

“**HMRC**” means HM Revenue and Customs;

“**Melrose**” means Melrose Industries plc;

“**Melrose Group**” means Melrose and its subsidiaries and subsidiary undertakings from time to time;

“**New Melrose Shares**” means the new ordinary shares of 48/7 pence each in the capital of Melrose from time to time proposed to be issued to Eligible GKN Shareholders (as defined in the Offer Document) pursuant to the terms of the Offer; and

“**Offer Document**” means the Original Offer Document dated 1 February 2018 as amended and/or supplemented by the Increased and Final Offer Document dated 13 March 2018.

This letter has been prepared for the purposes of complying with English law and the information disclosed herein may not be the same as that which would have been disclosed if this Letter had been prepared in accordance with the laws and regulations of any jurisdiction outside of the United Kingdom. The distribution of this document (in whole or in part) in jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

UBS Limited, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting exclusively for GKN and no one else in connection with the Acquisition and will not be responsible to anyone other than GKN for providing the protections afforded to clients of UBS Limited, or for providing advice in connection with the Acquisition or any matter referred to herein.

UBS Limited has given and not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which they are included.

Gleacher Shacklock LLP, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for GKN and for no one else in connection with the Acquisition and will not be responsible to anyone other than GKN for providing the protections afforded to its clients or for providing advice in connection with the Acquisition or the proposals described in this document. Neither Gleacher Shacklock LLP nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Gleacher Shacklock LLP in connection with the Acquisition or the proposals described in this document.

Gleacher Shacklock LLP has given and not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which they are included.

This document does not constitute, and may not be used for the purposes of, an offer to sell or an invitation or the solicitation of an offer to subscribe for or buy, any securities by any person in any jurisdiction (a) in which such offer or invitation is not authorised, (b) in which the person making such offer or invitation is not qualified to do so, or (c) in which, or to any person to whom, it is unlawful to make such offer, solicitation or invitation or where the making of such offer, solicitation or invitation would impose any unfulfilled registration, qualification, publication or approval requirements on GKN, Melrose or any of their respective directors, officers, agents, affiliates and advisers. No action has been taken nor will be taken in any jurisdiction by any such person that would permit a public offering of any securities in any jurisdiction where action for that purpose is required, nor has any such action been taken with respect to the possession or distribution of this document other than in any jurisdiction where action for that purpose is required. Neither GKN nor Melrose nor their respective directors, officers, agents, affiliates or advisers accept any responsibility for any violation of any of these restrictions by any other person.

The GKN Directors, whose names are set out in the paragraph 3 of Appendix III of the Defence Document dated 15 February 2018, accept responsibility for the information contained in this letter (including, without limitation, all information in respect of GKN which had been incorporated by reference in this document), except for that information for which the Melrose Directors accept responsibility. To the best of the knowledge and belief of the GKN Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this letter for which it is responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Melrose Directors, whose names are set out in paragraph 2(a) of Part 4 of the Original Offer Document dated 1 February 2018, accept responsibility for the information contained in this letter relating to the Melrose Proposal and to the Melrose Group (including, without limitation, all information in respect of the Melrose Group which has been incorporated by reference in this document) and the Melrose Directors, their close relatives, related trusts and other connected persons and persons acting in concert with Melrose. 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), the information contained in this letter for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

All acceptances in respect of the Melrose Proposal will be irrevocable.

Awards under the SEP 2016 are governed by the rules of the GKN Sustainable Earnings Plan 2012 as last amended on 16 February 2016.

Awards under the SEP 2017 and 2018 are governed by the rules of the GKN Sustainable Earnings Plan 2012 as amended on 4 May 2017.

Awards under the SIRP are governed by the GKN Share Incentive and Retention Plan as amended from time to time.

Awards under the DBP are governed by the GKN Deferred Bonus Plan as amended from time to time.

Awards under the ESOS are governed by the GKN Executive Share Option Scheme 2004 as amended from time to time.

If there is any inconsistency between those rules and this letter, those rules and the applicable legislation will prevail.

Accidental omission to despatch this letter to, or failure to receive the same by, any person to whom the Melrose Proposal is made or should be made, shall not invalidate the Melrose Proposal in any way.

The proposals set out in this letter and any acceptance of any or all of them shall be governed by and construed in accordance with English law.