

LEI: 213800RGNXXZY2M7TR85

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN WHOLE OR IN PART IN, INTO OR FROM THE UNITED STATES OR ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OR REGULATIONS OF THAT JURISDICTION

FOR IMMEDIATE RELEASE

14 February 2018

Melrose Industries PLC (“Melrose”)

Statement regarding GKN plc (“GKN”) Project Boost

The Board of Melrose notes the publication earlier today of Project Boost. Melrose will be writing to GKN shareholders in due course with its detailed response. In the meantime, Melrose has the following comments:

- Today’s announcement is a stark admission of GKN’s underperformance over many years and a validation of the Melrose diagnosis. Hidden away is also an acknowledgement that GKN’s group trading profit margin for 2017 of 7.4% is below consensus forecast
- The fundamental transformation in culture and approach needed to improve GKN is only possible with a change of control, new leadership and fresh thinking
- GKN is targeting the prospect of a cash payment of up to £2.5 billion to shareholders ‘over the next three years’, funded mostly by a sale of Powder Metallurgy. Under the Melrose offer, GKN shareholders will receive an immediate £1.4 billion in cash and further cash payments in the medium term once Powder Metallurgy has been improved and sold and as the full value of Nortek is realised
- Melrose’s offer has already added approximately £1.2 billion of value to GKN shareholders. Without our offer the GKN share price would likely be considerably lower than it is today

Christopher Miller, Chairman of Melrose, said today:

“GKN is on record at the beginning of January stating that they had been working on Project Boost for a number of months. In our view this is too little, too late, in most cases a ‘me too’ espousal of our proposal and a promise of a hasty sale of a division which we believe is capable of significant further value-add under Melrose.

Today’s document is effectively a ‘jam tomorrow’ and ‘trust me’ plea from a management team with a limited track record of delivering value for shareholders. We agree that a substantial culture change is required to unlock GKN’s potential but we believe that only Melrose can provide it.

Melrose is offering GKN shareholders £1.4 billion in cash up-front and a majority stake in a UK manufacturing powerhouse worth £10 billion today, driven by a management team that has an unrivalled track record of over delivering on its promises.

We invite GKN shareholders to join us.”

Enquiries:

Montfort Communications:	+44 (0) 20 3514 0897
Nick Miles, Charlotte McMullen	+44 (0) 7973 130 669 / +44 (0) 7921 881 800
Rothschild (Financial Adviser to Melrose):	
Ravi Gupta, Yuri Shakhmin	+44 (0) 20 7280 5000
RBC Europe Limited (Financial Adviser to Melrose):	
Mark Preston, Chris Squire	+44 (0) 20 7653 4000
Investec (Corporate Broker to Melrose):	
Keith Anderson, Carlton Nelson	+44 (0) 20 7597 5970
Melrose	
Geoffrey Martin (Finance Director)	+44 (0) 20 7647 4500

Sources of information and bases of calculation

1. 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.

The minimum group sales and trading profit margin full-year 2017 estimates per the consensus are £9,883m and 7.6% respectively, the maximum group sales and trading profit margin full-year 2017 estimates are £10,241m and 8.0% respectively and the arithmetic averages are £10,113m and 7.7% respectively.

In accordance with Rule 28.8(c) of the Code, the consensus estimates are not shown with the agreement or the approval of GKN.

GKN trading profit margin for the full-year 2017 as announced by GKN on 14 February 2018 of 7.4%.

2. GKN value uplift of approximately £1.2 billion is based on the difference between the closing GKN share price of 398.0 pence on 13 February 2018 and the closing GKN share price of 326.3 pence on 5 January 2018 (being the last business day prior to the approach made by Melrose to the GKN Board in connection with the Acquisition), using basic shares outstanding (excluding shares held in Treasury) of 1,717,608,829 as announced by GKN on 13 February 2018.
3. The value of the combined group of £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 Melrose share price of 212.1 pence on 13 February 2018.

Important notice

N M Rothschild & Sons Limited ("Rothschild"), which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for Melrose and for no one else in connection with the subject matter of this announcement and will not be responsible to anyone other than Melrose for providing the protections afforded to its clients or for providing advice in connection with the subject matter of this announcement.

RBC Europe 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 Melrose and for no one else in connection with the subject matter of this announcement and will not be responsible to anyone other than Melrose for providing the protections afforded to its clients or for providing advice in connection with the subject matter of this announcement.

Investec Bank plc ("Investec"), 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 Melrose and no one else in connection with the subject matter of this announcement and will not be responsible to anyone other than Melrose for providing the protections afforded to its clients or for providing advice in connection with the subject matter of this announcement.

Rule 26.1 disclosure

In accordance with Rule 26.1 of the Code, a copy of this announcement will be available at www.melroseplc.net by no later than 12 noon (London time) on the business day following this announcement.

The content of the website referred to in this announcement is not incorporated into and does not form part of this announcement.

Important notice for US shareholders

This Announcement does not constitute an offer of securities for sale in the United States. Securities may not be offered or sold in the United States absent registration or an exemption from registration. Melrose does not intend to make a public offering of securities in the United States, but if undertaken any such public offering would need to be made by means of a prospectus that would contain detailed information about the company and management, as well as financial statements.