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FOR IMMEDIATE RELEASE

23 March 2018

Melrose Industries PLC (“Melrose”)

Accept the Melrose Offer

The deadline for acceptances of the Final Offer is 1.00 p.m. on Thursday 29 March 2018.

Set out below is a letter from Christopher Miller, Chairman of Melrose, to be sent to GKN plc (“GKN”) Shareholders.

Dear Shareholder,

We are nearing the date by which you must decide whom you can trust to transform GKN’s fortunes and create the better, stronger, more valuable business that we believe it can be.

Based on Melrose’s last closing share price of 221.7 pence per share, our Final Offer values GKN at 462 pence per share comprising:

- 81 pence in cash;
- 1.69 Melrose shares; and
- Final GKN dividend of 6.2 pence

Consistency of strategy

- Melrose, since our first approach, has maintained a clear plan to unlock GKN’s potential through significant investment and margin improvement, brought about by a fundamental change in culture
- GKN’s numerous conflicting strategies have wavered from a self-improvement plan, to a separation of the businesses, to a demerger, to a proposed hasty fire-sale of 73% of the Group; GKN has even suggested recently that the remaining Aerospace business itself should be broken up and partially sold

Operational improvement before sale

- Melrose’s strategy continues to be to improve all of the businesses in GKN, only realising their value once they have reached full potential
- GKN’s plans include rushed sales of Driveline, at an £800 million discount to GKN’s own valuation, and Powder Metallurgy prior to any value enhancement

Certainty of execution

- Melrose’s offer gives GKN shareholders certainty of execution with 462 pence per share in value today plus 60% of the upside in a £10 billion engineering and manufacturing powerhouse. Our offer is significantly above the highest price that GKN has traded in the past 10 years

- GKN's proposals carry considerable execution risk including a highly conditional sale of Driveline, with its related income tax liability, an uncertain sale of Powder Metallurgy, and overburdening Aerospace with up to £3 billion of volatile gross pension liabilities

Delivery of value

- Melrose's principal objectives include more than doubling shareholders' investment over its ownership period. This often starts to be reflected in our share price early on because the stock market has confidence in our ability to deliver on our promises
- GKN's share price risks languishing in the absence of our Offer and the stark reality of an uncertain future for GKN Aerospace led by an unknown management team

Exceptional track record

- Melrose has an exceptional track record of value creation, improving operating margins substantially in the businesses under our ownership by between 30% and 70%. Since 2005 we have achieved a total shareholder return of over 3,000%, making us the third best performer in the FTSE 350 index. Shareholders who invested £1 with us in 2005, would now have approximately £18
- GKN in contrast has a record of missed margin targets. Since 2005 it has ranked in 227th place in the FTSE 350 index in terms of total shareholder return

We are now entering the final few days of the offer timeline. The facts speak for themselves: we have the best team to re-energise and repurpose GKN, change the culture and help your company live up to its full potential, creating real value for you.

We invite you to join the management team with the proven track record of improving businesses and more than doubling shareholders' investment. Only the Melrose team can transform GKN into the manufacturing powerhouse that it could and should be.

We urge you to accept our offer.

Yours sincerely

Christopher Miller

A form of acceptance is enclosed with this letter. Shareholders who have already completed a form of acceptance do not need to take any further action.

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, Nathalie Ferretti	+44 (0) 20 7280 5000
RBC Europe Limited (Financial Adviser to Melrose):	
Mark Preston, Chris Squire, Alexander Thomas	+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 and Bases

In this Announcement:

1. the current implied offer value per GKN Share of 462 pence per GKN Share is calculated by multiplying the number of Melrose Shares to be received per GKN Share held, being 1.69, by the closing price of a Melrose share on 22 March 2018 of 221.7 pence and adding the 81 pence per GKN share to be received in cash and the final dividend of 6.2 pence payable to GKN Shareholders on the register on 6 April 2018;
2. unless otherwise stated, all prices quoted for Melrose Shares and GKN Shares have been derived from the Daily Official List;
3. the approximately 73% of the group sales expected to be sold in the 12 – 18 months is calculated based on 2017 reported sales of Driveline of £5,597 million, Powder metallurgy £1,173 million and non-core Aerospace segments of £836 million, representing a total of 73% of the Group's reported 2017 sales of £10,409 million;
4. the reference to GKN's plans to retain only the aero-engines business is based on the statement made by Jos Sclater in the article entitled "GKN eyes aero-engine future if it escapes hostile Melrose bid" published by the Financial Times on 20 March 2018;
5. the approximately £800 million valuation gap between the valuation at which GKN has proposed to sell Driveline to Dana of 7.5x EBITDA and the valuation that GKN itself assigned to the Driveline business of 8.9x EBITDA in its Response Circular dated 15 February is calculated by multiplying Driveline EBITDA of £588 million as set out on p. 10 of GKN's presentation released on 9 March 2018 by the difference between 8.9x and 7.5x;
6. the percentage of the ordinary share capital of Melrose that will be owned by former GKN Shareholders of 60% is calculated by dividing the number of New Melrose Shares to be issued to GKN Shareholders (being 1.69 multiplied by the number of issued GKN Shares) by the sum of the total of the number of issued Melrose Shares plus the number of New Melrose Shares to be issued to GKN Shareholders;
7. 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 1.69) and adding to this the number of issued Melrose Shares. This is subsequently multiplied by the Closing Price of a Melrose Share on 22 March 2018 (being the Latest Practicable Date), of 221.7 pence;

8. the maximum price of a GKN Share over the last 10 years is 414.9 pence (24 February 2014), 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;
9. the up to £3,030 million (or up to £3.0 billion) of gross pension liabilities that will remain with the GKN group following the proposed sale of Dana is calculated by taking GKN's reported full-year 2017 total gross pension liabilities of £4,405 million and subtracting the amount of gross pension liabilities that GKN has confirmed will transfer to Dana, being £1,375 million, leaving £3,030 million of total gross pension liabilities in the remaining group as shown on slide 21 of GKN's presentation on 9 March 2018;
10. total shareholder return of over 3,000% for Melrose, 231% for GKN and 230% for the FTSE 350 are calculated as at close of business on 5 January 2018, the last business day prior to the approach. Data sourced from Datastream; and
11. shareholders who invested £1 in 2005, would now have approximately £18 assuming participation in all equity issuances, based on 5 January 2018 share price.

Important Notices

Capitalised terms used in this announcement but not defined have the meanings given to them in the Final Offer Document.

Financial Advisers

N M Rothschild & Sons Limited, 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, 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.

Notice to Overseas Shareholders

The release, publication or distribution of this announcement, the Original Offer Document, the First Form of Acceptance, the Original Prospectus Equivalent Document, the Final Offer Document, the Second Form of Acceptance or the New 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 a Form of Acceptance may be affected by the laws of the relevant jurisdictions in which they are located.

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 announcement, the Original Offer Document, the First Form of Acceptance, the Original Prospectus Equivalent Document, the Final Offer Document, the Second Form of Acceptance or the New 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 16 of Part 1 of the Final Offer Document and 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 the Original Offer Document and inform themselves of, and observe, any applicable legal or regulatory requirements.

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 the date of this announcement.

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

