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**FOR IMMEDIATE RELEASE**

28 March 2018

**Melrose Industries PLC (“Melrose”)**

**Accept the Melrose Offer by 1.00 p.m. on Thursday 29 March 2018**

GKN plc (“GKN”) shareholders are only hours away from the time by which they must decide whom they trust to transform GKN’s fortunes and create the better, stronger, more valuable business that it could and should be.

Yesterday’s announcement by GKN offered nothing but further repetition of its incoherent defence strategy. As reiterated in Melrose’s announcement earlier this week, the Melrose offer is clearly superior both in value and in deliverability.

**Since Melrose’s approach GKN’s defence has been panicked and fraught with contradictions:**

- Despite repeated assurances that it was not looking to hastily break up the business, weeks later the GKN Board announced a sale of Driveline and the expected sale of Powder Metallurgy
- Despite initially insisting that GKN shareholders must retain 100% of the GKN Group so the Board could rectify its own underperformance, the Board saw fit within weeks to sign away 52.75% of its largest business, Driveline, to Dana shareholders at an approximately £900 million discount to GKN’s own valuation
- Despite promising to “improve, grow and develop” the businesses, the GKN Board now appears to intend selling up to 90% of the entire company

**Melrose’s offer provides an immediate value of 465 pence per share plus 60% of the upside of both GKN and Melrose:**

- Certainty from cash proceeds:
  - immediate £1.4 billion on completion; plus
  - value to be realised from the disposal of Nortek, which would equate to approximately £2.6 billion assuming proceeds equal to Melrose’s latest market capitalisation
- Melrose’s objectives for shareholders include at least doubling shareholders’ investment
  - this would create additional value of at least £6.6 billion or approximately 225 pence per GKN share
- Melrose’s Final Offer would be declared wholly unconditional on 19 April 2018. In contrast GKN’s proposals carry considerable execution risk including a highly conditional sale of Driveline (possibly as late as the end of the year) 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

**As a result of Melrose’s approach, GKN’s valuation has risen by approximately £1.8 billion:**

- Melrose’s offer represents a significant premium of 43% to the GKN share price of 326 pence before the approach
- Melrose’s share price would need to increase by only 10% in order to match the optimistic estimate of the GKN sum-of-the-parts value set by its Board
- Where would GKN’s share price have been without Melrose’s approach and where would it fall to if Melrose’s offer did not proceed?

The below is an extract of a one-year share price graph from a Telegraph article published on 26 March 2018

[http://www.rns-pdf.londonstockexchange.com/rns/2253J\\_1-2018-3-28.pdf](http://www.rns-pdf.londonstockexchange.com/rns/2253J_1-2018-3-28.pdf)

**Melrose's proposal will be delivered by an experienced, responsible team with a proven long-term track record of improving businesses – shareholders have a choice which team to back**

**Christopher Miller, Chairman of Melrose, said today:**

*"Since we made our approach, GKN has repeatedly changed its strategy and contradicted itself. We believe this lack of candour and strategic vision indicates more than simply a management team in denial about its own abilities. We believe shareholders need to question the validity of the GKN Board's promises to increase shareholder value and meet its targets.*

*Having put in place a plan to jettison most of the Group's earnings we do not believe it is credible to attach any value to those targets. It was only in January that GKN's share price was 326 pence.*

*On the other hand Melrose has repeatedly over-delivered on its promises and is offering GKN shareholders an immediate and certain value in addition to a 60% majority of the considerable upside."*

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

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**Sources and Bases**

In this Announcement:

1. the approximately £900 million valuation gap between the current implied valuation at which GKN has proposed to sell Driveline to Dana of £4.33 billion (being the equity value of \$3.36 billion based on the Dana share price of \$25.2 and new shares issued of 133.4 million, the cash component of \$1.77 billion and pension deficit of \$1.0 billion, then dividing the sum by the GBP:USD rate of 1.415 as at 27 March 2018) and the valuation of £5.23 billion that GKN itself assigned to the Driveline business (calculated by multiplying Driveline EBITDA of £588 million by the 8.9x EV/EBITDA multiple assigned by GKN to the Driveline business as set out on p. 10 of GKN's presentation released on 9 March 2018 and p. 21 of GKN's Response Circular dated 15 February 2018 respectively);
2. the approximately 90% of the group sales expected to be sold is calculated by reference to GKN's plans to retain only the Aero Engines business (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). The 2017 reported sales of Aero Engines of £1,074 million (as identified as the "Grow" segment in Aerospace as set out on p. 10 of GKN's announcement released on 14 February 2018), represents 10% of the Group's reported 2017 sales of £10,409 million, thereby implying that 90% of the group sales will be sold;

Extract from "GKN eyes aero-engine future if it escapes hostile Melrose bid" article published by the Financial Times on 20 March 2018 below:

"Mr Sclater said GKN's management was not just focused on the immediate break-up of the business announced in its defence. Should GKN remain independent, it intended to build a coherent aerospace supplier that would deliver more value to shareholders.

This might mean breaking off the aerospace structures unit — which makes wing and fuselage components for civil and military customers — from the unit that makes engine components and is a supplier to Pratt & Whitney, General Electric, Safran and Rolls-Royce.

This was "definitely a possibility at some point," Mr Sclater said. "What we want to grow is the engines business. We might be a consolidator on one end and consolidated on the other if we had a perfect world."

3. the current implied offer value per GKN Share of 465 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 27 March 2018 of 223.7 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;
4. unless otherwise stated, all prices quoted for Melrose Shares and GKN Shares have been derived from the Daily Official List;
5. 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;
6. the maximum number of issued GKN Shares of 1,744,227,243 is based on 1,718,593,403 shares in issue (excluding treasury shares) as announced by GKN on 27 March 2018 plus 25,633,840 of total options as provided by GKN subject to Rule 10, Note 3 of the City Code, and adjusted for share issuances since the latest information provided;
7. the number of issued Melrose Shares is based on 1,941,200,503 shares in issue, as announced by Melrose on 5 March 2018;
8. 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;
9. the approximately £2.6 billion to be received from sale of Nortek is calculated by multiplying the Melrose market capitalisation on 27 March 2018 (being the Latest Practicable Date) by the percentage stake in Melrose to be owned by GKN Shareholders, being 60%;

10. the equity value of approximately £6.6 billion 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 27 March 2018 of 223.7 pence, then multiplying by the maximum number of issued GKN Shares;
11. the approximately 225 pence is calculated by multiplying the £6.6 billion of additional equity value by the percentage stake in Melrose to be owned by GKN Shareholders, being 60%, and dividing by the maximum number of issued GKN Shares;
12. the 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;
13. the GKN value uplift of nearly £1.8 billion is based on the difference between the latest closing GKN share price of 430.3 pence on 27 March 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 1,718,593,403 as announced by GKN on 27 March 2018;
14. the calculation of the 43% premium to the price per GKN Share 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;
15. the 10% required increase in the Melrose share price is calculated as the implied share price increase needed for the offer to be higher than the sum-of-the part estimate value as per page 23 of GKN's second defence document, released on 12th March 2018.

### **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](http://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.