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Melrose Industries PLC

Section 1: Intention to demerge Automotive and Powder Metallurgy

Section 2: 2022 Interim Results – six months ended 30 June 2022

8 September 2022

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Key messages

The revenue and profit numbers included in this presentation are shown in round millions. Unless otherwise stated, growth metrics are at constant currency and adjusted for disposed businesses, material in size to a division, to ensure a like-for-like basis

Key messages

Intention to demerge Automotive and Powder Metallurgy:	*Establishing two independent UK quoted PLCs, an Automotive Group[1] ('DemergerCo') and Melrose with Aerospace, to give each their best positioning to deliver superior returns to shareholders, including from transformative acquisitions*
2022 interim results:	*Melrose is trading in line with expectations for the full year. First half results are at the higher end of expectations, helping to de-risk the second half performance required to achieve full year expectations*

Justin Dowley, Chairman of Melrose Industries PLC, today said:

"Since acquiring GKN in 2018 we have reinvigorated each business to achieve their potential. The proposed Demerger now gives each an exciting opportunity to individually grow shareholder value through organic growth and acquisition in both platforms. Meanwhile, we remain on track to meet our full year 2022 expectations with full inflation recovery and providing good momentum for the intended Demerger in the new year."

1. Comprises the Automotive, Powder Metallurgy and Hydrogen group of businesses

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Section 1: Intention to demerge the Automotive Group[1]

- Strategic rationale and timeline
- Shape of the two groups on demerger – six key points

1. Comprises the Automotive, Powder Metallurgy and Hydrogen group of businesses

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Intention to demerge the Automotive Group[1]

Strategic rationale and timeline

1. Comprises the Automotive, Powder Metallurgy and Hydrogen group of businesses

Strategic rationale and timeline

Why

- To separate the Melrose portfolio into:
  - An Automotive Group[1], retaining senior Melrose guidance and support; and
  - The Melrose Group continuing its “Buy, Improve, Sell” strategy, currently owning Aerospace
- This allows each Melrose shareholder to:
  - Enjoy enhanced value creation within the Melrose Group, from pursuing potential M&A in aerospace or its broader industrial “Buy, Improve, Sell” strategy
  - Benefit from new M&A value creation opportunities for the Automotive Group[1], exploring consolidation within the automotive sector
  - Benefit from greater flexibility, for each Group to pursue their own further independent growth strategies backed by their own balance sheets
  - Retain the upside from continued end market recovery and announced improvement plans to reach the stated operating margin targets

Why now

- Automotive and Powder Metallurgy complete their required restructuring this year to hit their stated operating margin targets on a market recovery, and have substantially de-risked balance sheets
- There are existing opportunities for M&A in both the Automotive Group[1] and Melrose
- The appropriately conservative nature of Melrose’s capital structure today allows each Group to operate with a capital structure suitable for its growth strategies and cost of capital

Proposed timeline: formal launch of demerger Q1 2023; obtain shareholder approval Q2 2023; complete demerger process Q2/Q3 2023

1. Comprises the Automotive, Powder Metallurgy and Hydrogen group of businesses

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Intention to demerge the Automotive Group[1]

Shape of the two groups on demerger – six key points

1. Comprises the Automotive, Powder Metallurgy and Hydrogen group of businesses

Shape of the two groups on demerger: Six key points

- **Six key points (quantitative in nature and based on consensus[1] views for 2022)**

1. The relative size of each Group
2. The potential market recovery remaining
3. Current margin targets, significant upside
   a. Melrose (Aerospace)
   b. Automotive Group[2] (DemergerCo)
4. Potential profit recovery remaining
5. Cash generation dynamics transformed
6. UK pension schemes fully funded

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1. This is not an internal Melrose forecast, it is a company compiled consensus from all 14 external analysts that cover Melrose, adjusting for the disposal of Ergotron where appropriate
2. Comprises the Automotive, Powder Metallurgy and Hydrogen group of businesses

Key point 1: Relative size of each group

1. Consensus[1] views for 2022 (pre-central costs)

Melrose Group today: Adjusted results[2]

£m	Consensus[1] 2022
Revenue	7,635
EBITDA[3] (pre-central costs)	919
EBITDA[3] margin %	12.0%
Operating profit (pre-central costs)	491
Operating margin %	6.4%
Melrose central costs	*(57)*
Operating profit (post-central costs)	*434*

Melrose (Aerospace)

c.1/3

Melrose (Aerospace) pre-central costs £m	Consensus[1] 2022
Revenue	2,776
EBITDA[3] (pre-central costs)	327
EBITDA[3] margin %	11.8%
Operating profit (pre-central costs)	183
Operating margin %	6.6%

Automotive Group[4] (DemergerCo)

c.2/3

Automotive Group[4] (DemergerCo) pre-central costs £m	Consensus[1] 2022
Revenue	4,859
EBITDA[3] (pre-central costs)	592
EBITDA[3] margin %	12.2%
Operating profit (pre-central costs)	308
Operating margin %	6.3%

The split of the Melrose Group today (pre-central costs) using 2022 consensus[1] is approximately one-third Aerospace, two-thirds Automotive Group[4]

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2. Described in the glossary to the 2022 Interim Financial Statements and considered by the Board to be a key measure of performance
3. Consensus[1] operating profit before depreciation and amortisation from subsidiaries and equity accounted investments (depreciation and amortisation calculated as 2x H1 2022)
4. Comprises the Automotive, Powder Metallurgy and Hydrogen group of businesses

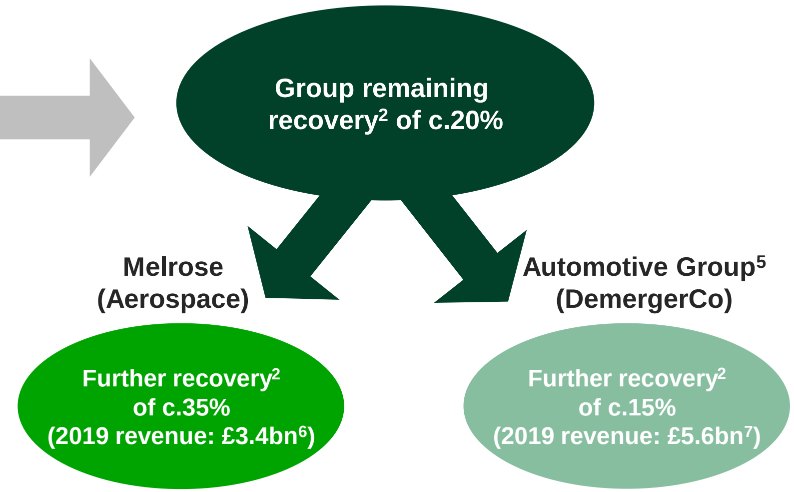
Key point 2: Potential market recovery remaining

2. Further market recovery potential beyond 2022 consensus[1] (back to 2019 levels[2])

Melrose Group today: Adjusted results[3]

£m	Consensus[1] 2022
Revenue	**7,635**
EBITDA[4] (pre-central costs)	919
EBITDA[4] margin %	12.0%
Operating profit (pre-central costs)	491
Operating margin %	6.4%
Melrose central costs	*(57)*
Operating profit (post-central costs)	*434*

Further market recovery potential beyond 2022 consensus[1] (back to 2019 levels[2])



The pace of recovery in Aerospace continues to speed up with sales in the second quarter being 12% higher than the first quarter; with further recovery potential beyond 2022 consensus[1] of c.35% back to 2019 levels[2]

The Automotive Group[5] having initially recovered quickly from the pandemic, has seen trading constrained by supply chain disruption, with further recovery potential beyond 2022 consensus[1] of c.15% back to 2019 levels[2]

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2. Recovery to 2019 revenue volume levels calculated on a like-for-like basis
3. Described in the glossary to the 2022 Interim Financial Statements and considered by the Board to be a key measure of performance
4. Consensus[1] operating profit before depreciation and amortisation from subsidiaries and equity accounted investments (depreciation and amortisation calculated as 2x H1 2022)
5. Comprises the Automotive, Powder Metallurgy and Hydrogen group of businesses
6. As shown on slide 9 of the GKN Aerospace Investor Day presentation, dated 8 June 2022, adjusting for divestments and both completed and announced site closures
7. Excluding the uplift in revenue from current year inflation headwinds being fully recovered

Key point 3a: Current margin targets in Melrose (Aerospace) – significant upside

3a. Aerospace on track to meet recently upgraded operating margin target

Melrose (Aerospace)
Adjusted results[1] pre-central costs

£m	Consensus[2] 2022
Revenue	2,776
EBITDA[3] (pre-central costs)	327
EBITDA[3] margin %	**11.8%**
Operating profit (pre-central costs)	183
Operating margin %	**6.6%**

Melrose (Aerospace)

Implied target EBITDA margin

18%+

Announced target operating margin

14%+

Achieving the Aerospace target operating margin of 14%+ on market recovery, implies a target EBITDA margin of 18%+

Required restructuring projects to achieve target margins in Aerospace on a market recovery materially complete in 2023

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2. This is not an internal Melrose forecast, it is a company compiled consensus from all 14 external analysts that cover Melrose, adjusting for the disposal of Ergotron where appropriate
3. Consensus[2] operating profit before depreciation and amortisation from subsidiaries and equity accounted investments (depreciation and amortisation calculated as 2x H1 2022)

Key point 3b: Current margin targets in the Automotive Group[1] (DemergerCo) – significant upside

3b. The Automotive Group[1] on track to meet operating margin targets

Automotive Group[1] (DemergerCo)
Adjusted results[2] pre-central costs

£m	Consensus[3] 2022
Revenue	4,859
EBITDA[4] (pre-central costs)	592
EBITDA[4] margin %	**12.2%**
Operating profit (pre-central costs)	308
Operating margin %	**6.3%**

Automotive Group[1] (DemergerCo)

Implied target EBITDA margins

16%+
Auto 15%+; PM 20%

Announced target operating margins

11%+
Auto 10%+; PM 14%

- Achieving the Automotive Group[1] target operating margin of 11%+ (GKN Automotive 10%+; GKN Powder Metallurgy 14%) on market recovery, implies a target EBITDA margin of 16%+
- Required restructuring projects to achieve target margin in the Automotive Group[1], on a market recovery, complete this year

1. Comprises the Automotive, Powder Metallurgy and Hydrogen group of businesses
2. Described in the glossary to the 2022 Interim Financial Statements and considered by the Board to be a key measure of performance
3. This is not an internal Melrose forecast, it is a company compiled consensus from all 14 external analysts that cover Melrose, adjusting for the disposal of Ergotron where appropriate
4. Consensus[3] operating profit before depreciation and amortisation from subsidiaries and equity accounted investments (depreciation and amortisation calculated as 2x H1 2022)

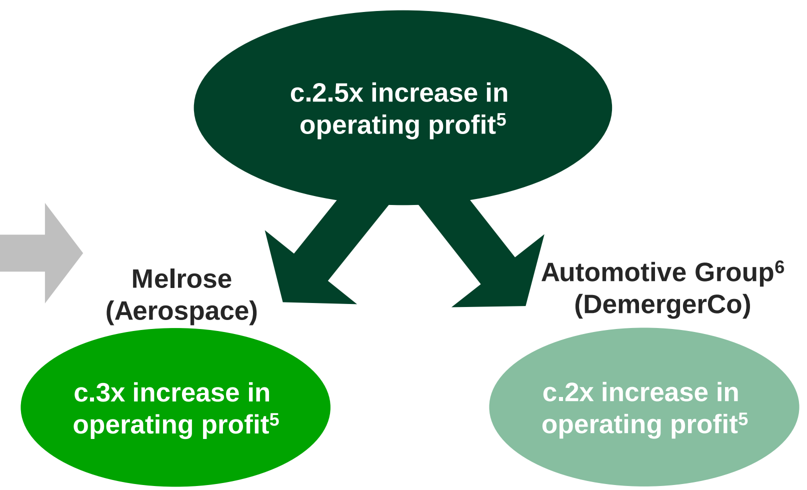
Key point 4: Potential profit recovery remaining

4. Potential profit recovery remaining beyond 2022 consensus[1] (if recovering to 2019 revenue[2])

Melrose Group today: Adjusted results[3]

£m	Consensus[1] 2022
Revenue	7,635
EBITDA[4] (pre-central costs)	919
EBITDA[4] margin %	12.0%
Operating profit (pre-central costs)	**491**
Operating margin %	6.4%
Melrose central costs	*(57)*
Operating profit (post-central costs)	*434*

Further profit recovery potential (if recovering from 2022 consensus[1] to 2019 revenue[2])



- Both Groups show substantial profit potential uplift if recovering from 2022 consensus[1] to 2019 revenue[2]; Aerospace c.3x; Automotive Group[6] c.2x
- Restructuring projects required complete in the Automotive Group[6] this year and materially complete in Aerospace next year

1. This is not an internal Melrose forecast, it is a company compiled consensus from all 14 external analysts that cover Melrose, adjusting for the disposal of Ergotron where appropriate
2. Recovery to 2019 revenue volume levels calculated on a like-for-like basis
3. Described in the glossary to the 2022 Interim Financial Statements and considered by the Board to be a key measure of performance
4. Consensus[1] operating profit before depreciation and amortisation from subsidiaries and equity accounted investments (depreciation and amortisation calculated as 2x H1 2022)
5. Represents mathematical uplift to 2022 full year consensus[1] adjusted operating profit when target operating margins are achieved on pre-COVID-19 sales volumes
6. Comprises the Automotive, Powder Metallurgy and Hydrogen group of businesses

Key point 5: Cash generation dynamics transformed

5. All GKN businesses have self-funded their restructuring projects from operational cash generation

Cash generation since acquisition (pre-interest and tax)[1]

£1.2bn[1] **GKN businesses**

All GKN businesses cash generative in Melrose ownership

Melrose (Aerospace)	Automotive Group[2] (DemergerCo)
£0.4bn	£0.8bn

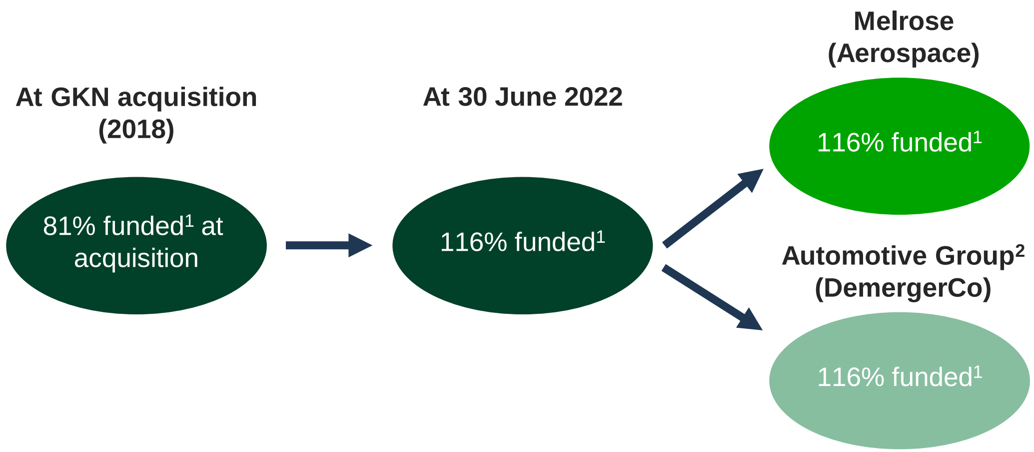
The capital structure for DemergerCo is intended to be similarly conservative to that employed by Melrose currently

- All GKN businesses have been cash positive on a stand alone basis with their cash generation qualities transformed since acquisition
- Since acquisition, the GKN businesses have generated £1.2 billion[1] of surplus cash after £0.7 billion of restructuring and £0.5 billion of pension contributions
- Expected further lifetime cash inflow of c.£18.5 billion on 19 Aerospace engine contracts (NPV[3] of c.£5 billion)

1. £1.2 billion of cash generated in the GKN businesses, post-restructuring, post-pension contributions and pre-interest and tax
2. Comprises the Automotive, Powder Metallurgy and Hydrogen group of businesses
3. Using a foreign exchange rate of USD:GBP of 1.30:1 and calculated using the midpoint between a debt related discount rate of 5% (NPV c.£7 billion) and a GKN Aerospace pretax weighted average cost of capital discount rate of 10% consistent with data in the Melrose Industries PLC 2021 Annual Report (NPV c.£3.5 billion)

Key point 6: UK pension schemes now fully funded

6. GKN UK pension schemes in surplus; commitment delivered ahead of schedule



- GKN UK pension schemes[3] funding level transformed into an accounting surplus of £292 million; split broadly two thirds Aerospace, one third Automotive Group[2]
- Both new Groups are 116% funded on an accounting basis at 30 June 2022 and are legally aligned to the businesses
- Ongoing funding of £15 million per annum into both Aerospace and Automotive Group[2] schemes

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1. IFRS accounting funding level
2. Comprises the Automotive, Powder Metallurgy and Hydrogen group of businesses
3. Excludes GKN UK Post Retirement Medical Scheme

Summary: Shape of the two groups on demerger

	Melrose (Aerospace)	Automotive Group[1] (DemergerCo)
1 Relative size of the new groups	c.1/3	c.2/3
2 Significant market recovery[2] remaining	c.35%	c.15%
3 Significant margin upside	Operating margin 6.6% → 14%+	Operating margin 6.3% → 11%+
	EBITDA margin 11.8%[3] → 18%+	EBITDA margin 12.2%[3] → 16%+
4 Further profit recovery[4] potential remaining	c.3x increase in operating profit	c.2x increase in operating profit
5 All GKN businesses cash generative since acquisition[5]	£0.4bn cash generated	£0.8bn cash generated
6 GKN UK pension schemes fully funded	116% funded[6]	116% funded[6]

1. Comprises the Automotive, Powder Metallurgy and Hydrogen group of businesses
2. Recovery to 2019 revenue volume levels calculated on a like-for-like basis
3. Consensus[7] operating profit before depreciation and amortisation from subsidiaries and equity accounted investments (depreciation and amortisation calculated as 2x H1 2022)
4. Represents mathematical uplift to 2022 full year consensus[7] adjusted operating profit when target operating margins are achieved on pre-COVID-19 sales volumes
5. Cash generated post-restructuring, post-pension contributions and pre-interest and tax
6. IFRS accounting funding level
7. This is not an internal Melrose forecast, it is a company compiled consensus from all 14 external analysts that cover Melrose, adjusting for the disposal of Ergotron where appropriate

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Section 2: Interim results

- Melrose Group highlights and cash generation
- Business update

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Interim results

Melrose Group highlights and cash generation

Interim results: Melrose Group highlights

Continuing operations	Adjusted[1] results 2022 £m	Adjusted[1] results 2021[2] £m	Statutory results 2022 £m	Statutory results 2021[2] £m
Revenue	**3,878**	3,719	**3,594**	3,431
Operating profit/(loss)	**171**	196	**(317)**	(156)
Profit/(loss) before tax	**128**	114	**(358)**	(275)
Diluted earnings per share	**2.2p**	1.8p	**(6.3)p**	(3.4)p
Net debt[1, 3]	**1,294**	950	**n/a**	n/a
Leverage[1, 3]	**1.8x**	1.3x	**n/a**	n/a

First Half Trading Highlights for the Melrose Group

- Melrose is trading in line with expectations for the full year
- First half results are at the higher end of expectations, helping to de-risk the second half performance required to achieve full year expectations
- The Group recorded an adjusted[1] earnings per share of 2.2 pence, 22% higher than the same period last year. The statutory loss per share in the Period was 6.3 pence per share (2021: 3.4 pence per share)
- Group net debt[1] at 30 June 2022 was £1,294 million (31 December 2021: £950 million; equivalent to £1,017 million at like-for-like exchange rates)
- The Group selectively increased its investment in working capital in the Period, to support expected growth and address constrained supply chains. In addition, prior to the Period end, the Group completed £119 million of the £500 million programme to buy back Melrose shares
- Group leverage[1] at 30 June 2022 was 1.8x, or 1.6x if excluding the early buy back of shares before the Period end and prior to Ergotron proceeds being received in July
- An interim dividend of 0.825 pence per share (2021: 0.75 pence per share) is declared, 10% up on the previous period
- The disposal of Ergotron completed post the half year, on 6 July, for total proceeds of £519 million

1. Described in the glossary to the 2022 Interim Financial Statements and considered by the Board to be a key measure of performance
2. Results for the period ended 30 June 2021 have been restated for discontinued operations
3. Comparatives for Balance Sheet measures are at 31 December 2021

Interim results: Melrose Group cash generation in the first half

Free cash flow[1]

Cash flow £m	Group H1 2022
Adjusted EBITDA[2]	349
Lease obligation payments	(24)
Positive non-cash impact from loss-making contracts	(17)
Movement in working capital	(195)
Adjusted operating cash flow (pre-capex)	113
Net capital expenditure[1]	(79)
Net interest and tax paid	(95)
Defined benefit pension contributions – ongoing contributions	(11)
Trading net other	(24)
Dividend income from equity accounted investments	29
Cash flows from operations discontinued in the Period	16
Adjusted free cash flow[1]	**(51)**
Restructuring	(53)
Free cash flow[1]	**(104)**

Reconciliation of opening to closing net debt[1]

Reconciliation of net debt[1] £m	Group H1 2022
Net debt[1] brought forward	(950)
Adverse foreign exchange movement	(67)
Net debt[1] at 30 June 2022 foreign exchange rates	**(1,017)**
Net cash flow from acquisition and disposal related activities	(10)
Free cash flow[1] in the Period	(104)
Dividends paid to shareholders	(44)
Buy back of own shares	(119)
Net debt[1] at 30 June 2022	**(1,294)**

- Net debt[1] of £1,294 million at closing exchange rates of US $1.22 and €1.16
- Working capital increased by £195 million in the first half due to selectively funding growth, supply chain inefficiencies and normal seasonal impacts
- With Sterling weakening, particularly against the US Dollar, at current exchange rates this adds £100 million to £150 million to net debt[1] since the beginning of the year. This does not materially impact the bank leverage calculation which is calculated using like-for-like exchange rates

1. Described in the glossary to the 2022 Interim Financial Statements and considered by the Board to be a key measure of performance
2. Calculated excluding EBITDA from equity accounted investments

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Interim results

Business update: well positioned for strong profit growth

Business update: H1 2022 versus H1 2021

Adjusted[1] results

Continuing operations £m	H1 2022 Revenue	H1 2022 Operating profit/(loss)	H1 2022 Operating margin	H1 2021 Revenue	H1 2021 Operating profit/(loss)	H1 2021 Operating margin
Aerospace	1,366	67	4.9%	1,219	41	3.4%
Automotive	1,997	78	3.9%	1,965	121	6.2%
Powder Metallurgy	515	54	10.5%	535	64	12.0%
Other Industrial[2]	-	(6)	-	-	(4)	-
Central	-	(22)	-	-	(26)	-
Total	**3,878**	**171**	**4.4%**	**3,719**	**196**	**5.3%**

H1 results reflect positive Aerospace momentum, a challenging automotive market and underlying business improvement

Aerospace

- Revenue up 11% as civil market recovers; encouraging momentum with Q1 up 6% and Q2 up 17%
- Adjusted operating profit up 65% and margins increased by 150bps to 4.9%

Automotive

- Revenue boosted by pricing and material surcharges; volumes down 3% due to continued supply chain issues for OEMs
- Margins down 230bps due to volume and timing of inflation recovery within 2022; progress expected in H2

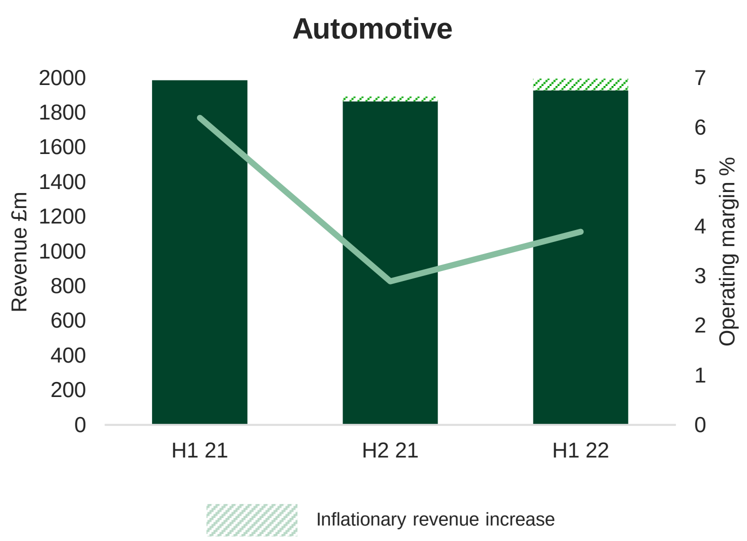
Powder Metallurgy

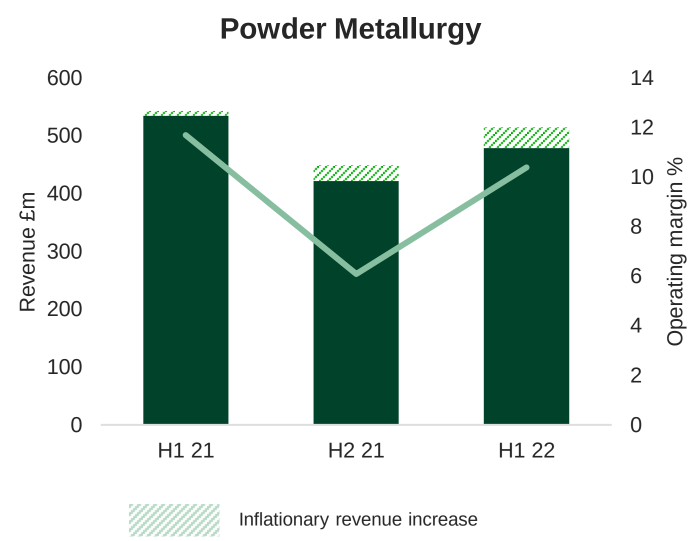
- Revenue boosted by pricing and material pass through; volumes down 9% due to supply chain constraints and exiting low margin business
- Margins down 150bps due to lower volumes; successfully offset inflation fully year to date

Positive momentum from H2 2021 with active management of inflation impacts and supply chain issues; on track for full year

1. Described in the glossary to the 2022 Interim Financial Statements and considered by the Board to be a key measure of performance
2. Other Industrial comprises GKN Hydrogen (investment phase)

Positive momentum from H2 2021





- Automotive volumes 9% higher than H2 2021; sales inflated by higher pass through (primarily raw materials)
- Operating margins 100bps higher than H2 2021
- £30 million H1 inflation recovery lag expected to be delivered in H2 2022 (equivalent to additional 150bps on H1 margin)

- Powder Metallurgy volumes 12% higher than H2 2021; sales uplifted by material pass through and early price increases
- Operating margins 430bps higher than H2 2021
- Above expected drop through from higher volumes due to pricing action, productivity and mix

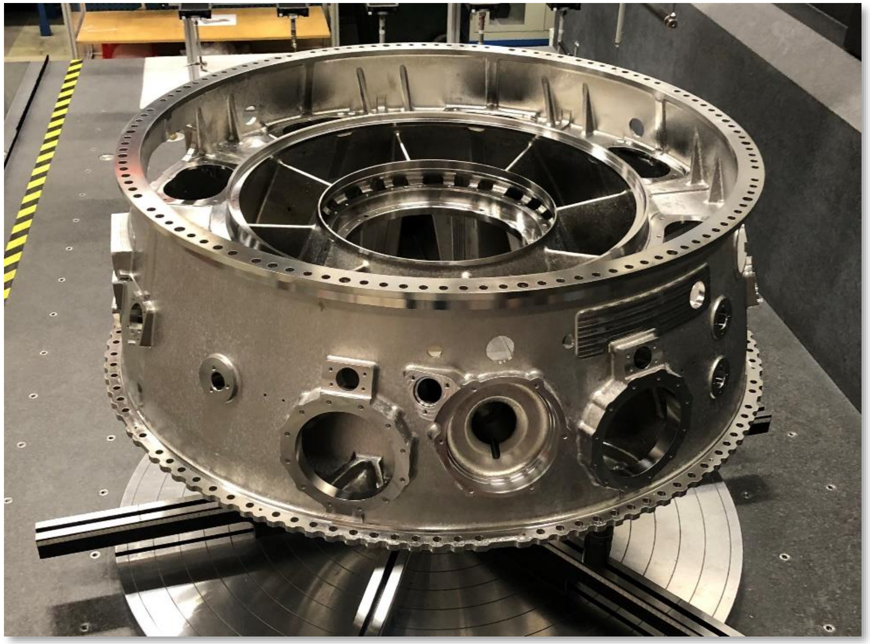
Improvement actions position businesses to continue upward margin trajectory as supply constraints ease

Active management in challenging markets

	Aerospace	Automotive	Powder Metallurgy
Offsetting inflation	▪ Fully offset YTD; initiatives underway to mitigate future risk	▪ Partially offset YTD; with unrecovered £30 million in H1 due to time lag; will be fully offset by year end	▪ Fully offset YTD; raw material price surcharge mechanisms in place
Managing supply chain	▪ Industry impacted by wider challenges especially in the engines market; GKN deliveries under control	▪ Semi-conductors and China lockdown constrained H1; supply chain issues starting to ease	▪ Semi-conductors constrained automotive market in H1; supply chain issues starting to ease
Accelerating restructuring	▪ All required projects to hit 14%+ operating margin target now largely underway; accelerating completion to end of 2023	▪ All required projects to hit 10%+ operating margin target complete by end of 2022	▪ All required projects to hit 14% operating margin target complete by end of 2022

Selectively invested c.£200 million in working capital in H1 to support upcoming growth, mitigate supply chain issues and deliver plant rationalisation

Continued investment for future growth with promising opportunities in sustainable aviation, electric vehicles, additive manufacturing and hydrogen

GKN Aerospace

35% of Melrose[1]

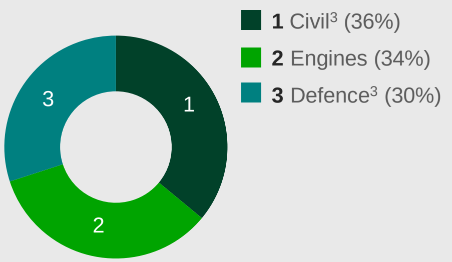
1. Based on adjusted H1 2022 revenue for all continuing businesses

Aerospace: overview

£m	Adjusted[1] results H1 2022	Growth vs H1 2021
Revenue	1,366	11%
EBITDA	139	22%
EBITDA margin %	10.2%	1.0ppts
Operating profit	67	65%
Operating margin %	4.9%	1.5ppts

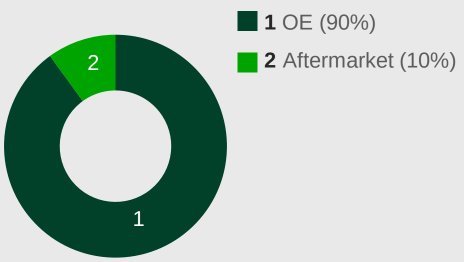
- Industry continues to be impacted by post COVID-19 issues; but market recovery gaining pace
- Sales growth of 11% versus H1 2021 – up 6% in Q1 and 17% in Q2
- 65% increase in operating profit; margins up 150bps
- Excellent Engines performance; Civil ramping-up to meet higher OEM build rates; Defence demand positive, but requires most operational improvement
- All required major restructuring projects underway to reach 14%+ operating margin target on market recovery

Revenue by business



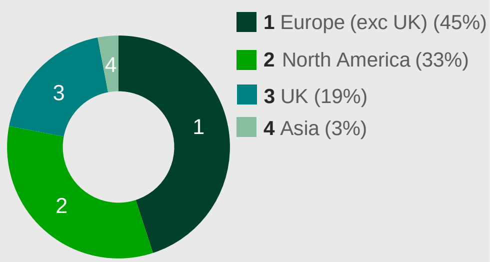
Balanced portfolio, well positioned for narrowbody recovery and business jet growth

Revenue by source



Predominantly OE driven, with structural growth from engines RRSP contracts and attractive aftermarket

Revenue by region[2]



Providing vital technology to an enviable portfolio of global customers

Buy
Improve
Sell

1. Described in the glossary to the 2022 Interim Financial Statements and considered by the Board to be a key measure of performance
2. According to manufacturing country of origin
3. Civil and Defence relates to the airframes and components businesses

Aerospace: highlights

Market recovery well underway and GKN gaining momentum

- Civil market anticipated to continue to improve throughout 2022; narrowbody ramping-up and winning opportunities in business jets
- Engine OEMs facing supply chain challenges; however, GKN engine deliveries largely on track
- Repositioning the business to focus on higher margin “design to build” positions and growth in attractive aftermarket and repair

Business improvement actions underway, accelerating restructuring

- Operational improvements in quality and delivery – customer quality improved by 34% versus H1 2021[1] and further gains to come
- Material and labour shortages, inflation and energy cost increases are being successfully offset; work underway to mitigate future risk
- Footprint rationalisation on track – major projects in Nordics, Netherlands and US to be substantially complete by the end of 2023

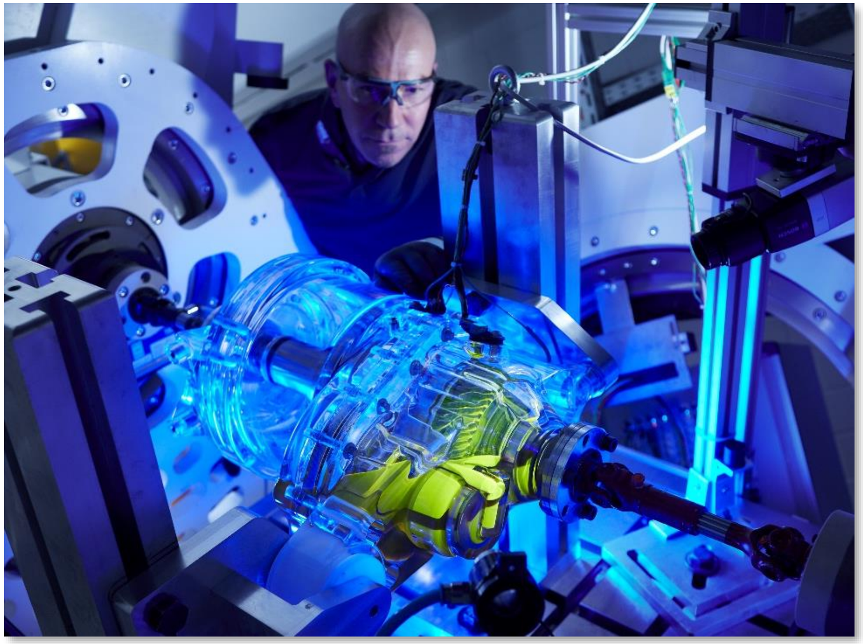
Ongoing investments in technology to drive sustainable future of flight

- Strong progress on core technology including additive manufacturing, fan blade repair, composites and Wing of Tomorrow design
- Development work ongoing on next generation engines including CFM RISE and P&W GTF
- Major contributor to next generation aircraft including electric, hydrogen and eVTOL platforms (e.g. Eviation Alice and Vertical)

Well positioned for sustained profit growth and excellent cash generation

- Expecting growth[2] of ~7% blended CAGR to 2030, faster rebound to 2025 (>10% CAGR)
- Clear path to 14%+ target operating margin on a full market recovery
- Engines RRSPs and aftermarket set to generate good margins and very strong cash flows as flying hours increase; expected lifetime cash inflow of c.£18.5 billion on 19 engine contracts (NPV[3] of c.£5 billion)

1. As measured by reported customer ‘escapes’
2. Growth rates based on Cirium, Teal and US Congressional Budget Office applied to GKN portfolio
3. Using a foreign exchange rate of USD:GBP of 1.30:1 and calculated using the midpoint between a debt related discount rate of 5% (NPV c.£7 billion) and a GKN Aerospace pretax weighted average cost of capital discount rate of 10% consistent with data in the Melrose Industries PLC 2021 Annual Report (NPV c.£3.5 billion)



GKN Automotive

52% of Melrose[1]

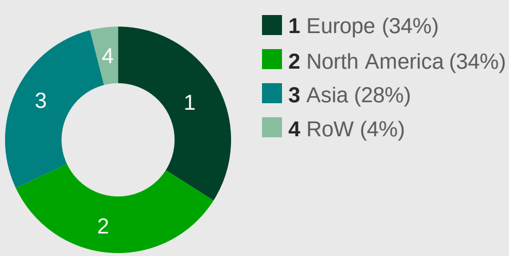
1. Based on adjusted H1 2022 revenue for all continuing businesses

Automotive: overview

£m	Adjusted[1] results H1 2022	Growth vs H1 2021	Growth vs H2 2021
Revenue	1,997	(3%)[2]	9%[2]
EBITDA[3]	190	(22%)	6%
EBITDA[3] margin %	9.5%	-2.6ppts	-0.2ppts
Operating profit	78	(37%)	43%
Operating margin %	3.9%	-2.3ppts	1.0ppts

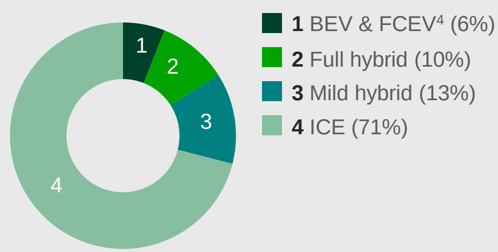
- Semi-conductor shortages continued to result in schedule volatility and supply disruption
- Volumes down 3% versus H1 2021, up 9% versus H2 2021
- Inflation impacts being managed, further £30 million H1 headwind to be recovered in H2 (equivalent to additional 150bps on H1 margin)
- Cost base restructured significantly with more benefits to flow through
- Gaining momentum in electrification with core sideshaft product and eDrive solutions – £2.6 billion new wins in H1 with record share in EVs

Revenue by destination



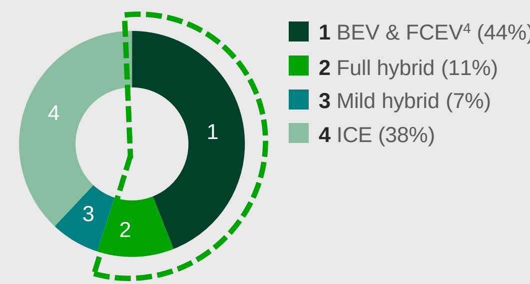
A truly global presence with a long established position in China

Revenue by vehicle type



A trusted partner for 90% of global OEMs, content on 50% of vehicles sold

Life of programme business wins



Pure electric wins over 40% (versus 35% in 2021); 55% including full hybrid (versus 50% in 2021)

Melrose
Buy
Improve
Sell

1. Described in the glossary to the 2022 Interim Financial Statements and considered by the Board to be a key measure of performance
2. Underlying volumes; revenue adjusted for pricing and material surcharge mechanisms used to recover inflationary pressures
3. Including depreciation and amortisation from equity accounted investments
4. Battery Electric Vehicles & Fuel Cell Electric Vehicles

Automotive: highlights

Strong underlying demand continues to be constrained by industry supply issues

- Sales continue to be constrained by ongoing supply chain shortages; significant level of pent-up demand remains
- Demand volatile in H1 with OEM changes at short notice; customer cancellations ‘in-month’ reducing going into H2
- Strong bookings with £2.6 billion of lifetime revenue new business wins in H1 – 19% higher than H1 2021

Well positioned to capture incremental electrification growth

- Substantial market share gains in core Driveline products on electric vehicles and hybrids – promising future mix
- Next generation high voltage inverter developed – offers increased efficiency, performance and sustainability
- Increasing proportion of new business wins in EVs – including eDrive components and systems

Actively managing inflation impacts and demand fluctuations with operational agility

- Addressing issues from raw material, freight and labour shortfalls (e.g. Covid China lockdown)
- Decisive actions being taken to offset inflation through further cost reductions, procurement initiatives and pricing recoveries
- Time lag effect means that financial performance will be second half weighted

Transforming the business with a clear path to 10%+ target operating margin

- Ongoing cost saving actions with new global indirect cost projects initiated and closure of Birmingham plant completed in H1
- Business well placed to achieve target operating margin once supply constraints ease

Driving a cleaner, more sustainable world

- Leading technology contributes to the electrification and decarbonisation of the industry
- Intensive efforts to make products lighter and more efficient to reduce environmental impact

Automotive: dual path electrification growth

GKN electric vehicle/hybrid portfolio

Core sideshafts

Above market growth from differentiated core products required for xEV[1]

- Increased torque and power requirements driving increased specifications plus increasing number of sideshafts per vehicle
- Higher technological differentiation, with premium content resulting in market share gains

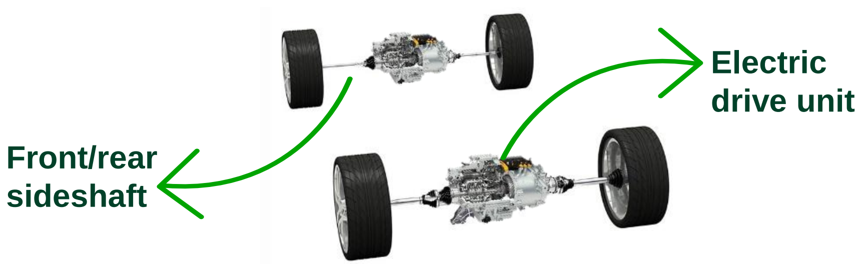
85% of new wins[2]

eDrive systems & components

Strong growth from new eDrive solutions required for xEV[1]

- Flexible approach to eDrive solutions; eDrive components sold separately or fully integrated eDrive systems
- Invested heavily in capabilities, including software and integration

15% of new wins[2]



Electrification increases content per vehicle underpinning growth above the market for vehicle production

1. xEV refers to vehicles with any degree of electrification
2. Represents share of new wins for BEV, FCEV and full hybrid vehicles, which comprise 55% of the total life of programme business wins in H1 2022

GKN Powder Metallurgy

13% of Melrose[1]

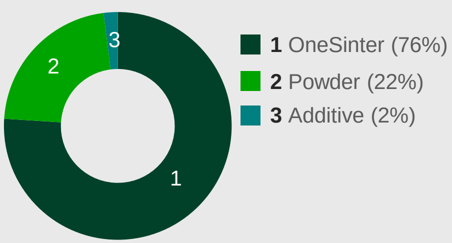
1. Based on adjusted H1 2022 revenue for all continuing businesses

Powder Metallurgy: overview

£m	Adjusted[1] results H1 2022	Growth vs H1 2021	Growth vs H2 2021
Revenue	515	(9%)[2]	12%[2]
EBITDA[3]	84	(11%)	45%
EBITDA[3] margin %	16.3%	-0.9ppts	3.6ppts
Operating profit	54	(14%)	94%
Operating margin %	10.5%	-1.5ppts	4.3ppts

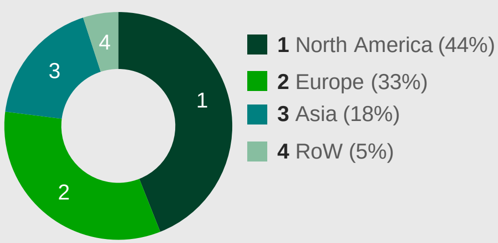
- Semi-conductor shortages continue to impact automotive demand; other sectors less impacted
- Volumes down 9% versus H1 2021, partially driven by exiting low margin US business; volumes up 12% versus H2 2021
- Inflation impacts successfully offset year to date by actions taken, confident of continued margin protection
- Restructuring actions well advanced, cost base addressed significantly with more benefits to come
- Exciting opportunities in electric vehicles – including new sintered components and structural growth in EV motor magnets

Revenue by segment



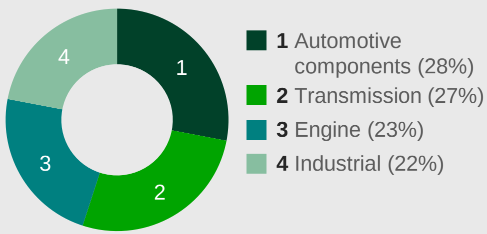
Competitive advantage from integrated powder production and sintering businesses

Revenue by destination



#1 global leader – well spread geographically

Revenue by market type



Good exposure to recovering automotive sector, increasingly powertrain agnostic, and general industrial market

Melrose
Buy
Improve
Sell

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2. Underlying volumes; revenue adjusted for pricing and material surcharge mechanisms used to recover inflationary pressures
3. Including depreciation and amortisation from equity accounted investments

Powder Metallurgy: highlights

Automotive market constrained by supply chain, focused growth initiatives gaining traction

- Revenue impacted by automotive supply chain issues; significant pent-up demand remains
- Continued market share gains in electrification and higher-margin precision components
- Strong sales growth in additive – up 42% versus H1 2021; new facility opened in Auburn Hills, US

Strong operational performance in challenging market

- Inflation impacts successfully offset year to date
- Productivity projects delivering benefit in H1, more to follow

Excellent momentum with winning new business opportunities in electric vehicles

- Capturing growth in core EV components where sintered parts provide higher strength and lower weight (e.g. e-Differentials)
- Good progress with capturing breakthrough structural growth in local-to-local e-Magnet production for EVs

Clear path to improve to 14% target operating margin

- Margin progression via restructuring, commercial strategy and productivity improvements
- Continued business mix shift towards higher margin, differentiated precision components, including in EVs
- Restructuring projects necessary to achieve target operating margin are largely complete, residual projects in process of being executed

Powder Metallurgy: exciting e-Magnets opportunity

Structural market growth

- Growth in electric vehicles is demanding new supply chains for specialist components
- Global e-Magnet market for EVs is estimated at €3 billion[1]; Europe and America growth expected to be ~25% CAGR[1]
- Currently 90% of global e-Magnet production is in China
- Increasing need for local-to-local high quality production to ensure stable, sustainable supply

GKN Powder Metallurgy uniquely positioned as world leading manufacturer of metal powders and sintered parts

	Powder manufacture	Sintering	Finished product
e-Magnets requirement	Specialist metal powders using range of raw materials	Net shape product and trend to more complex shapes	Reliable local supply, existing trusted OEM partnerships
GKN capability	#2 global producer of powder metals, #1 in America	#1 global producer of precision powder metal parts	Unrivalled automotive experience, established global local-to-local footprint

Significant new opportunity for profitable growth driven by structural demand in electric vehicles and need for more local supply chains

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1. Estimated market size and CAGR to 2030 based on external market forecast

Sustainability: decarbonising technology

Aerospace

Improving efficiency and sustainability of current aircraft:

Wing of Tomorrow

Additive manufacturing – intermediate compressor case

Developing next generation of alternative power aircraft:

Alice electric aircraft

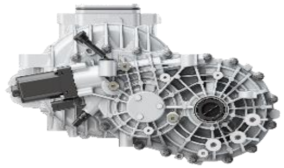
UAM electric

Automotive

Producing driveline solutions tailored to electric vehicles:

High efficiency, high torque, low NVH[1] sideshaft

Developing a range of eDrive systems for electric/hybrid vehicles:



2-in-1 eDrive system

3-in-1 eDrive system

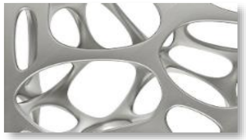
Powder Metallurgy

Focusing on supporting vehicle electrification:

e-Differentials

e-Magnets

Commercialising additive manufacturing (AM) across sectors:



Intricate metal powder AM

Plastic AM

Providing focus and investment to make our businesses more sustainable and valuable

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1. Noise, vibration & harshness

Demerger recap

	Melrose (Aerospace)	Automotive (DemergerCo)
Strong market positions	▪ Leading global tier one supplier on major civil and defence platforms ▪ Attractive engine contracts with excellent long-term cash flows	▪ #1 in Driveline with ICE, hybrid and EV technology leadership; supplies 90% of OEMs ▪ #1 in supply of precision powder metal parts and #2 in global powder metal production
Good underlying demand	▪ Civil market recovery well underway; positive mix with repair and aftermarket expansion ▪ Expected revenue CAGR of 7% to 2030; faster growth to 2025	▪ Significant pent-up demand after 18 months of semi-conductor shortages ▪ Electrification provides incremental growth in existing core products and new EV solutions
Margin expansion trajectory	▪ Clear path to recently announced target operating margin for Aerospace of 14%+ ▪ All required restructuring to achieve margin target will be substantially complete by the end of 2023	▪ On track to achieve target operating margins for Automotive of 10%+ and Powder Metallurgy of 14% ▪ Required restructuring to achieve operating margin targets will be complete this year
Proven cash generation	▪ Excellent cash flow dynamics, business has been cash positive since acquisition ▪ Secured aftermarket cash flow from engines RRSPs of £18.5 billion	▪ Strong cash flow dynamics with both businesses having been cash positive since acquisition ▪ Cash generation qualities transformed with rigorous working capital practices
Acquisition opportunities	▪ Continuing successful "Buy, Improve, Sell" strategy to create shareholder value ▪ Ability to proactively pursue opportunities in aerospace and beyond	▪ Independent access to capital to pursue value enhancing automotive M&A opportunities ▪ Consolidation opportunities within the automotive sector to be explored

Compelling equity story for both future businesses

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Appendices

Buy
Improve
Sell

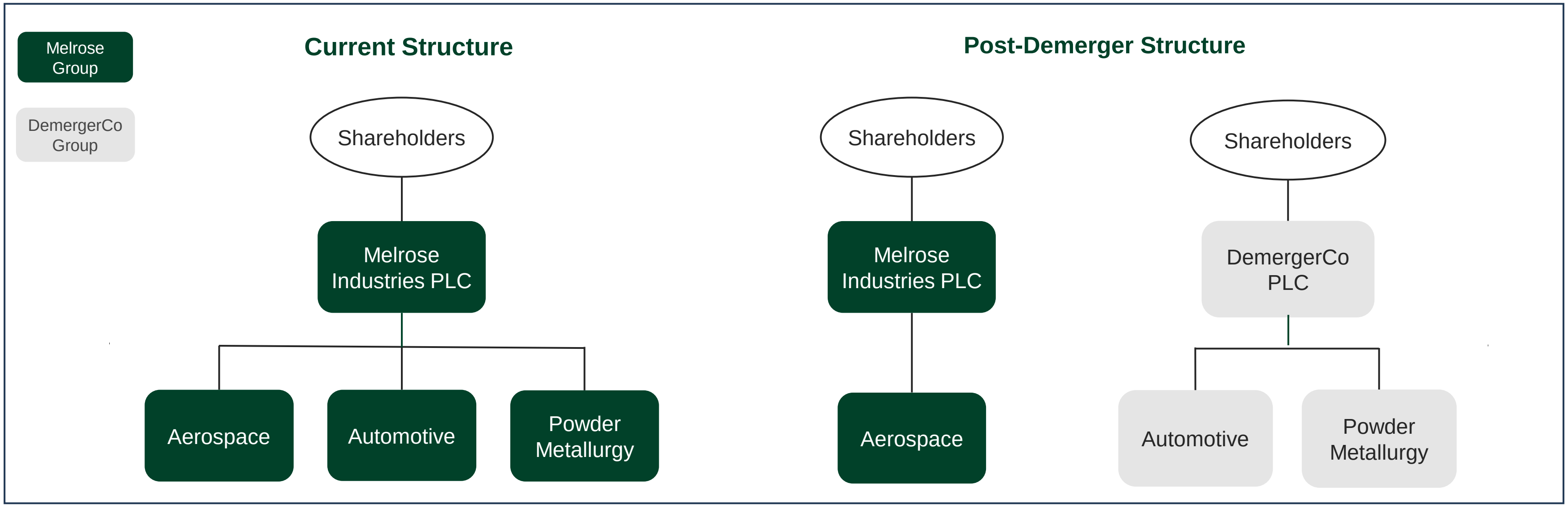
Intention to demerge the Automotive Group[1]

Structure

1. Comprises the Automotive, Powder Metallurgy and Hydrogen group of businesses

Structure

- GKN Automotive and GKN Powder Metallurgy[1] businesses intended to be separated from the Group into DemergerCo, an independent company headquartered in the UK with shares listed on the premium segment of the Official List and admitted to trading on the Main Market of the London Stock Exchange
- Proposed separation by way of a demerger of new ordinary shares in DemergerCo directly to Melrose shareholders
- Melrose will continue to own GKN Aerospace, will retain its London headquarters and UK listing and trusted “Buy, Improve, Sell” strategy for future acquisitions either in aerospace or in the wider international industrial arena



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1. Including GKN Hydrogen

Structure

DemergerCo board

- Led by an independent non-executive chairman with selected non-executive directors in line with UK Corporate Governance Code
- CEO and Finance Director of GKN Automotive will assume these roles on the DemergerCo board
- Melrose CEO and Finance Director will take up additional executive directorship roles on the DemergerCo board, whilst retaining their Melrose roles

Dividend policy

- DemergerCo expected to introduce a progressive annual dividend policy

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Interim results

Reconciliation between statutory and adjusted[1] results

Continuing operations £m	Total	Cash spent in H1 2022
Statutory operating loss	**(317)**	
Amortisation of intangible assets acquired in business combinations	223	-
Restructuring costs	82	53
Impairment of assets	20	-
Exchange movements not hedge accounted	154	-
Other	9	1
Adjustments to statutory operating loss	**488**	**54**
Adjusted[1] operating profit	**171**	

Continuing operations	£m
Statutory revenue	3,594
Share of equity accounted investments	284
Adjusted[1] revenue	**3,878**

Statutory results

- The IFRS measure of results includes certain items which are significant in size or volatility or by nature are non-trading or non-recurring, or are items released to the Income Statement that were previously a fair value item booked on an acquisition

Adjusted[1] results

- The Melrose Board considers the adjusted results to be an important measure to monitor how the businesses are performing because they achieve consistency and comparability when all businesses are held for the complete reporting periods

Restructuring costs £m	Income Statement charge	Cash spent in period
Aerospace	52	14
Automotive	19	26
Powder Metallurgy	10	12
Other Industrial	-	-
Corporate	1	1
Total	**82**	**53**

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Sell
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1. Described in the glossary to the 2022 Interim Financial Statements and considered by the Board to be a key measure of performance

Foreign exchange → forward looking

Exchange rates	HY 2022 USD	HY 2022 EUR	HY 2021 USD	HY 2021 EUR	FY 2021 USD	FY 2021 EUR
Average rates	1.30	1.19	1.39	1.15	1.38	1.16
Closing rates	1.22	1.16	1.38	1.16	1.35	1.19

Income Statement volatility – Translational impact

Impact on adjusted[1] operating profit of a 10% strengthening[2] of:

£m	USD	EUR	CNY	Other[3]
Movement in adjusted[1] operating profit	25	5	8	10
% impact on adjusted[1] operating profit	6%	1%	2%	2%

Balance Sheet volatility

Impact on debt of a 10% strengthening[2] of:

£m	USD	EUR
Increase in debt	83	40

- Transactional FX hedges taken out to provide appropriate short and medium-term cover:
  - Next 12 months: c.90% covered
  - 12 to 24 months: c.60% to 80% covered
- Group debt drawn in UK, US and Euro currencies to protect leverage, based on a mix of approximately 52% USD, 26% EUR and 22% GBP

1. Described in the glossary to the 2022 Interim Financial Statements and considered by the Board to be a key measure of performance
2. 10% strengthening against all currencies
3. Assuming all other currencies strengthen against Sterling by 10% at the same time

Some helpful data for 2022

Continuing operations	Income Statement	Cash Flow
Item	H1 2022 adjusted[1] results	H1 2022 adjusted[1] results
Adjusted[1] operating profit	£171 million	N/A
Central costs	£22 million (includes a divisional LTIP charge of £3 million)	(£19 million)
Free cash flow[1]	N/A	(£104 million)
Underlying effective tax rate	22%	N/A
Net finance costs: - Bank and loan related - Lease obligation related - Amortisation of debt arrangement costs - Pension interest	 (£31 million) (£6 million) (£5 million) (£2 million)	(£42 million)
Depreciation and amortisation: - Subsidiaries[2] - Equity accounted investments	 (£202 million) (£13 million)	 £202 million N/A
Capital expenditure	N/A	(£79 million)
Pension payments – ongoing contributions (global)	N/A	(£11 million)[3]
Restructuring costs	(£82 million)	(£53 million)
Non-controlling interest	£3 million	£nil
Number of shares in issue at 30 June 2022	4,260 million	N/A
Weighted average number of shares in period	4,366 million	N/A
Adjusted[1] EBITDA: - H1 2022 including equity accounted investments - For leverage covenant purposes (12 months)	 £386 million £702 million	 N/A N/A

Melrose Buy Improve Sell

1. Described in the glossary to the 2022 Interim Financial Statements and considered by the Board to be a key measure of performance
2. Includes £1 million of depreciation and amortisation within the Corporate segment
3. Full year ongoing pension contributions will include the £30 million annual contribution payable to the GKN UK pension schemes in H2