Buy
Improve
Sell

Melrose

Strictly private and confidential

Melrose Industries PLC

Half Year Results

Six months ended 30 June 2021

2 September 2021

Contents

The revenue and profit numbers included in this presentation are shown in round millions and unless otherwise stated growth metrics are at constant currency

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Highlights

Highlights

Continuing operations	Proforma[1] (post Return of Capital) 2021 £m	Adjusted[2] results 2021 £m	Adjusted[2] results 2020 £m	Statutory results 2021 £m	Statutory results 2020 £m
Revenue	**3,828**	**3,828**	3,624	**3,540**	3,386
Operating profit/(loss)	**223**	**223**	(11)	**(137)**	(618)
Profit/(loss) after tax	**109**	**109**	(80)	**(151)**	(585)
Diluted earnings per share	**2.5p**	**2.2p**	(1.7)p	**(3.1)p**	(12.1)p
Free cash flow[2]	**75**	**75**	29	**n/a**	n/a
Net debt[2]	**1,029**	**300**	3,399	**n/a**	n/a
Leverage[2]	**1.5x**	**0.5x**	3.4x	**n/a**	n/a

Group

- Melrose is trading ahead of expectations, with better profit margins, better earnings per share and significantly lower net debt[2]; building the Group's encouraging momentum
- The commitment, made on acquisition by Melrose, to improve significantly the funding of the GKN UK defined benefit pension schemes has been delivered ahead of schedule with the funding position of the schemes transformed for the better. The funding deficit of approximately £1 billion has currently reduced to approximately £150 million. Consequently the annual contribution halves to £30 million with no ongoing requirement to contribute from future disposal proceeds
- Net debt[2] at 30 June 2021 was significantly lower at £300 million; proforma net debt[2] at 30 June 2021 is £1,029 million after adjusting for the announced Return of Capital to be settled on 14 September 2021 (1.5x proforma leverage[2])
- Free cash flow[2] generation in the first half was £75 million; all the investment in restructuring costs, capital expenditure and sustainable technology has been self-funded from trading cash flows in the Period
- The Group recorded an adjusted[2] earnings per share of 2.2 pence. Adjusting for the accretion post the announced Return of Capital and share consolidation, the Proforma EPS[2] increases to 2.5 pence. The statutory loss per share was 3.1 pence
- The Nortek Air Management and Brush disposals both completed in the Period and Melrose has exchanged contracts for the sale of Nortek Control for $285 million, all of which are consistent with doubling shareholders' money, or more, on each acquisition

1. Proforma results are presented to give a meaningful measure of ongoing performance, adjusting for the announced Return of Capital and the associated share consolidation
2. Described in the glossary to the 2021 Interim Financial Statements, released on 2 September 2021

Highlights

- On 14 September Melrose is returning £729 million, 15 pence per share, to shareholders. In addition, the Melrose Balance Sheet has spare capacity for a significant further Capital Return next year
- An interim dividend of 0.75 pence per share (2020: nil) is declared

Businesses

- Melrose businesses own world-leading sustainable technology which provides customers with solutions to significantly reduce their impact on the environment
- All businesses improved their adjusted[1] operating margin in the Period compared to 2020 full year: Aerospace by +2.9 ppts; Automotive by +4.0 ppts; Powder Metallurgy by +6.9 ppts; and Ergotron by +0.8 ppts. Automotive and Powder Metallurgy are ahead of plan on their restructuring projects
- Aerospace is well positioned on many significant platforms; the civil aerospace business is now weighted more towards the faster narrowbody recovery and Defence demand remains strong. As previously indicated, significant restructuring is ongoing
- Automotive is well placed to benefit from the transition to electric vehicles. In the first half of this year over one third of new business bookings awarded were for pure electric platforms, over 50% if full hybrid platforms are included. Additionally, during the last 18 months Automotive has been awarded six major eDrive programmes for global and Chinese vehicle manufacturers. Automotive should grow at more than double the rate of light vehicle production over the long-term
- Powder Metallurgy is making clear market share gains, growing revenue at 43% in the first half, and with close to 70% of the business achieving more than 14% adjusted[1] operating margins

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

"We are continuing to see recovery in all our businesses with trading ahead of expectations. Encouragingly, our Aerospace business is now weighted towards the expected narrowbody recovery. Our Automotive and Powder Metallurgy businesses are poised for strong growth as soon as the well publicised chip shortage abates and the progression in margins is ahead of plan with more to come. As with all its promises, Melrose has delivered its acquisition funding commitment to GKN pensioners early. We have scope on our balance sheet to return more money to shareholders next year and we are excited by the upcoming possibilities."

1. Described in the glossary to the 2021 Interim Financial Statements, released on 2 September 2021

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Melrose key financial numbers

Melrose key financial numbers: ahead of expectations

1. H1 2021 Proforma[1] results: showing better profit margins, better earnings per share and significantly lower net debt[1]

EPS[1]
2.5p

Net debt[1]
£1,029m

Leverage[1]
1.5x

- Proforma EPS[1] of 2.5p, calculated using the number of shares in issue following the Return of Capital and associated 9 for 10 share consolidation. This is a measure of the run rate earnings
- Proforma net debt[1] of £1,029 million and proforma leverage[1] of 1.5x, including the £729 million Return of Capital (but excluding the Nortek Control proceeds)

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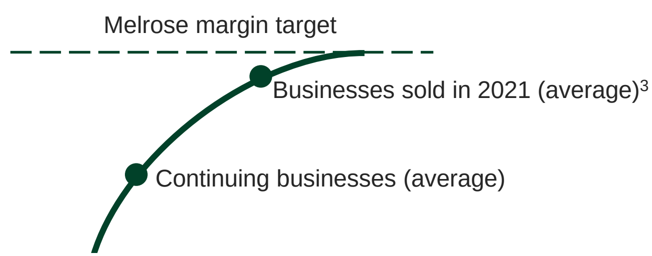
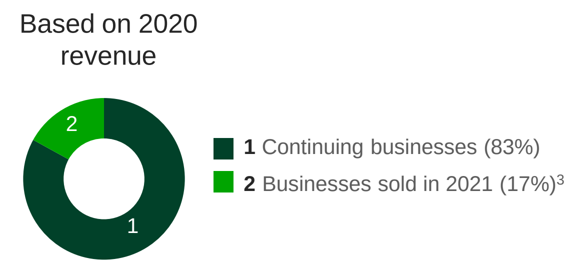
1. Described in the glossary to the 2021 Interim Financial Statements, released on 2 September 2021

Melrose key financial numbers: increasing momentum

2. Increasing momentum: significant upside potential in the continuing businesses





	Average upside[1] from H1 margins to margin targets	Average sales recovery to 2019 level	Resulting average profit potential uplift[2]
Continuing businesses	c.5 ppts	19%	c.2.5x

- Significant upside potential in the continuing businesses
- This keeps Melrose shareholders invested in high rates of return

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1. Represents H1 2021 operating margins versus announced target margins
2. Represents uplift in profit required to reach target operating margins on 2019 sales
3. Includes Nortek Control (contracts exchanged on 23 August 2021)

Melrose key financial numbers: good margin progression

3. Margin progression: Automotive & Powder Metallurgy ahead of plan and restructuring fully underway

	H1 2021 operating margins	Target operating margins	% of required projects already underway	
Aerospace	3.4%	10%[1]	c.50%	Half the required projects have started, the rest to commence in H2 this year
Automotive	6.2%	>10%	100%	All required projects fully underway, ahead of plan
Powder Metallurgy	11.2%	14%	100%[2]	All required projects fully underway, ahead of plan

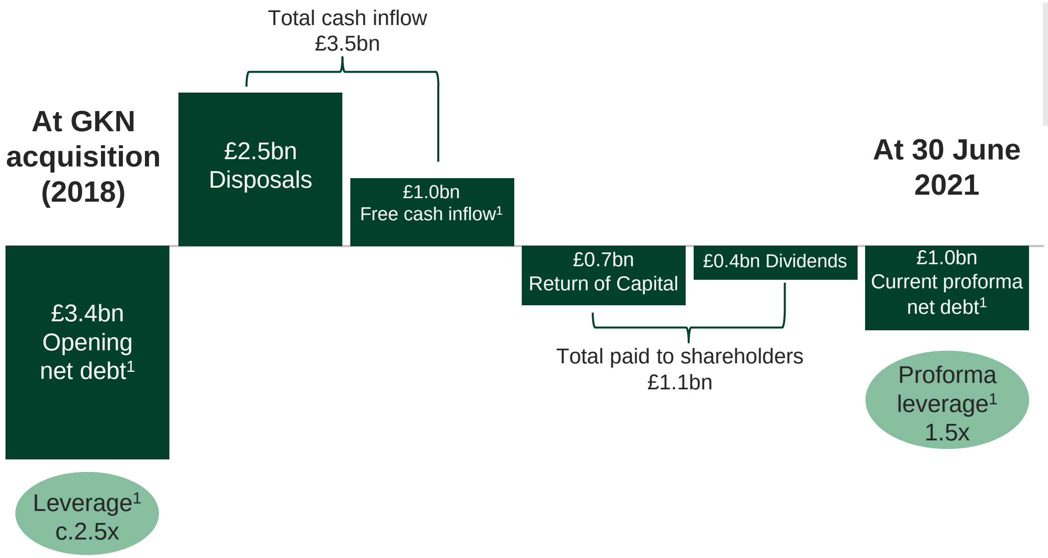
- All the required restructuring initiatives to achieve the target margins in Automotive and Powder Metallurgy are fully underway
- Half of the projects in Aerospace required to achieve the target margin are underway. The remaining c.50% of projects are identified, and due to commence in H2 2021

1. Assuming only a partial market recovery, 12% assuming a full market recovery to 2019 sales levels
2. Projects required to achieve operating margin target in Powder Metallurgy, excluding the investment in Hydrogen Storage Technology

Melrose key financial numbers: GKN & Nortek both highly cash generative

4. Strong cash generation since the GKN acquisition from all businesses

Total Melrose cash flows since GKN acquisition:



Total cash inflow	£3.5bn
Total paid to shareholders	(£1.1bn)
Total debt reduction	**£2.4bn**

- £3.5 billion total cash inflow since GKN acquisition:
  - £1.0 billion of free cash flow[1] from the business post all costs (see next slide)
  - £2.5 billion of disposal proceeds (excluding Nortek Control)
- Significant debt reduction and shareholder repayment made (see next slide)

1. Described in the glossary to the 2021 Interim Financial Statements, released on 2 September 2021

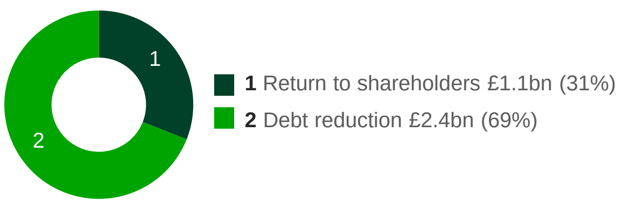
Melrose key financial numbers: GKN & Nortek both highly cash generative (continued)

4. Strong cash generation since the GKN acquisition from all businesses (continued)

Free cash inflow[1] since GKN acquisition → £1 billion:

- GKN has generated £1.7 billion of gross cash inflow since ownership (120% profit conversion to cash post capex) which has more than self funded its £0.5 billion of restructuring costs and £0.4 billion[3] of pension contributions, giving £0.8 billion of total net free cash inflow from GKN in Melrose ownership so far

Use of £3.5 billion total cash generation since GKN acquisition:



Total cash inflow

- Melrose has generated £3.5 billion of total cash inflow since the GKN acquisition, consisting of £1 billion of free cash inflow and £2.5 billion of proceeds from disposals (excluding Nortek Control)

Use of proceeds

- Currently debt reduction has been prioritised with £2.4 billion (69%) of the total cash inflow being used to lower debt and £1.1 billion (31%) returned to shareholders. There is room for a further Capital Return next year

1. Described in the glossary to the 2021 Interim Financial Statements, released on 2 September 2021
2. Nortek cash generation of £0.6 billion since GKN acquisition. During Melrose ownership Nortek has generated over £0.7 billion of cash after all costs
3. Includes £0.3 billion of contributions to GKN UK pension schemes and £0.1 billion to pension schemes in the rest of the world as at 30 June 2021

Melrose key financial numbers: Balance Sheet currently more conservative than normal

5. The Melrose Balance Sheet has spare capacity for a further significant Return of Capital next year

	Actual June 2021	Proforma[1] June 2021 (post Return of Capital)
Net debt[1]	£300m	£1,029m
	0.5x leverage[1]	**1.5x leverage[1]**

Current proforma[1] position → 1.5x

Melrose life time average → 2.0x – 2.5x

Potential size of Capital Return next year based on various leverage scenarios (uses H1 2021 x 2 profits)[2]

Leverage[1]	**£m**	**Pence per share[3]**
1.5x	180	4p
1.75x	380	9p
2.0x	580	13p
2.25x	780	18p
2.5x	980	23p

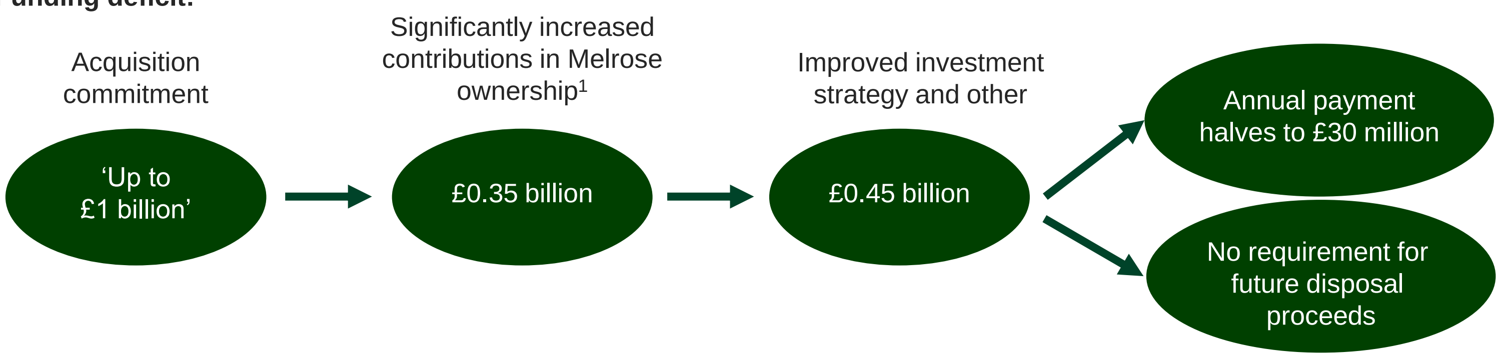
- Net debt[1] at 30 June 2021 significantly reduced to £300 million, leverage[1] of 0.5x EBITDA
- Proforma net debt[1] at 30 June 2021 is £1,029 million and Proforma leverage[1] at 30 June 2021 is 1.5x post announced Return of Capital
- The Melrose Balance Sheet is currently more conservative than the life time average of 2.0x to 2.5x leverage[1]

1. Described in the glossary to the 2021 Interim Financial Statements, released on 2 September 2021
2. Calculated using H1 adjusted EBITDA for leverage covenant purposes, for the continuing Group of £403 million
3. Calculated using the number of shares in issue following the Return of Capital and associated share consolidation (4,372 million)

Melrose key financial numbers: GKN pension commitment delivered ahead of schedule

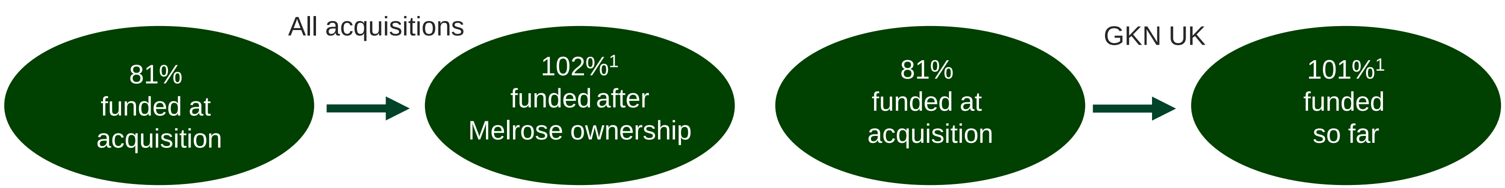
6. GKN UK defined benefit pension scheme commitment has been delivered ahead of schedule

Funding deficit:



- The Melrose pension commitment to GKN has been delivered ahead of time. The net funding deficit on acquisition was £938 million, this has been reduced to c.£150 million and the annual contribution now halves to £30 million with no ongoing requirement to contribute from future disposal proceeds

Accounting deficit:



- All UK pension schemes much better funded under Melrose ownership

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1. Including £64 million of contributions paid post 30 June 2021

Melrose key financial numbers: Nortek delivering good returns for shareholders

7. Nortek: 87% complete (following Nortek Control exchange of contracts)

Nortek shareholder returns[1]

2.2x
Return on equity[2]

21%
IRR[2]

- Nortek Air Management disposal for gross proceeds of £2.6 billion ($3.6 billion), 12.5x 2020 adjusted[3] EBITDA
- Nortek Control agreed to be sold for £0.2 billion in August 2021, just under 1x 2020 revenue
- At constant currency, Nortek is well on the way to doubling shareholders' initial equity, and achieving an IRR of >20%
- At actual exchange rates Return on Equity is approximately 2.0x

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1. Assumes Ergotron is at book value as at 30 June 2021
2. At constant currency and adjusting for the foreign exchange headwind since ownership of Nortek
3. Described in the glossary to the 2021 Interim Financial Statements, released on 2 September 2021

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The results

Trading ahead of expectations

Summary of results

Continuing operations	Proforma[1] (post Return of Capital) 2021 £m	Adjusted[2] results 2021 £m	Adjusted[2] results 2020 £m	Statutory results 2021 £m	Statutory results 2020 £m
Revenue	**3,828**	**3,828**	3,624	**3,540**	3,386
Operating profit/(loss)	**223**	**223**	(11)	**(137)**	(618)
Profit/(loss) after tax	**109**	**109**	(80)	**(151)**	(585)
Diluted earnings per share	**2.5p**	**2.2p**	(1.7)p	**(3.1)p**	(12.1)p
Free cash flow[2]	**75**	**75**	29	**n/a**	n/a
Net debt[2]	**1,029**	**300**	3,399	**n/a**	n/a
Leverage[2]	**1.5x**	**0.5x**	3.4x	**n/a**	n/a

- The Group is trading ahead of expectations, with better profit margins, better earnings per share and significantly lower net debt[2]
- Proforma net debt[2] of £1,029 million at 30 June 2021 and proforma leverage[2] of 1.5x after the Return of Capital

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1. Proforma results are presented to give a meaningful measure of ongoing performance, adjusting for the Return of Capital and the associated share consolidation
2. Described in the glossary to the 2021 Interim Financial Statements, released on 2 September 2021

Reconciliation between statutory and adjusted[1] results

Continuing operations £m	Total	Cash spent in 2021
Statutory operating loss	**(137)**	
Amortisation of intangible assets acquired in business combinations	226	-
Restructuring costs	85	92
Exchange movements not hedge accounted	44	-
Net release of fair value items	(9)	-
Other	14	-
Adjustments to statutory operating loss	**360**	**92**
Adjusted[1] operating profit	**223**	

Continuing operations	£m
Statutory revenue	3,540
Share of equity accounted investments	288
Adjusted[1] revenue	**3,828**

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	26	44
Automotive	52	34
Powder Metallurgy	3	11
Other Industrial	-	-
Corporate	4	3
Total	**85**	**92**

1. Described in the glossary to the 2021 Interim Financial Statements, released on 2 September 2021

Cash generation in the period: net debt significantly reduced

Free cash flow[2]

Cash flow from continuing operations £m	Group 2021
Adjusted[1] EBITDA	404
Lease obligation payments	(29)
Positive non-cash impact from loss-making contracts	(23)
Reduction in working capital	6
Adjusted operating cash flow (pre-capex)[2]	358
Net capital expenditure	(104)
Net interest and tax paid	(113)
Defined benefit pension contributions – ongoing contributions	(12)
Dividend income from equity accounted investments	26
Trading net other	12
Adjusted free cash flow[2]	167
Restructuring	(92)
Free cash flow[2]	**75**

Reconciliation of opening to closing net debt[2]

Reconciliation of net debt[2] £m	Group 2021
Net debt[2] brought forward	(2,847)
Net cash flow from acquisition and disposal related activities[3]	2,401
Free cash inflow in the Period	75
Discontinued operations	56
Payments to shareholders	(36)
Foreign exchange and other	51
Net debt[2] at 30 June 2021	**(300)**

Proforma net debt reconciliation £m	
Net debt[2] at 30 June 2021	(300)
Return of Capital (15 pence per share)	(729)
Proforma net debt at 30 June 2021	**(1,029)**

- Adjusted free cash flow[2] from continuing operations of £167 million, 43% higher than 2020 for these businesses, prior to £92 million of restructuring costs
- A further £56 million free cash flow[2] was generated from discontinued businesses in the Period
- Melrose continues to reduce net debt[2] whilst still investing in the businesses
- Net debt[2] of £300 million at closing exchange rates of US $1.38 and €1.16

1. Calculated excluding EBITDA from equity accounted investments
2. Described in the glossary to the 2021 Interim Financial Statements, released on 2 September 2021
3. Includes tax paid of £32 million following the extraction of Ergotron and Nortek Control from the Nortek tax group and specific pension contributions of £39 million paid prior to the disposals of Nortek Air Management and Brush

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Business update

Clear momentum to target margins

Melrose business portfolio

	Aerospace	Automotive	Powder Metallurgy
Strong market position	▪ Leading global tier one supplier ▪ Strong positions on major civil and defence platforms	▪ #1 in Driveline with technology leadership ▪ Supplies 90% of OEMs, 50% of global vehicles	▪ #1 in supply of precision powder metal parts ▪ #2 in powder metal production
Recovering markets	▪ Civil market recovering, led by narrowbody demand ▪ Defence demand remains strong	▪ Sales currently constrained by semi-conductor shortage ▪ Strong underlying consumer demand, especially for EVs	▪ Sales currently constrained by semi-conductor shortage ▪ Strong industrial demand and auto recovery expected
Margin expansion opportunity	▪ Around half of required restructuring underway ▪ Momentum for significant operational gains (quality, delivery, productivity)	▪ All restructuring projects underway ▪ Transformation opportunity greater than expected on acquisition	▪ All restructuring projects underway ▪ Focused in few remaining non-performing areas
Sustainable technology	▪ Improving existing fleet efficiency ▪ Developing next generation of greener aircraft	▪ Leading EV drive system technology ▪ Significant investment into full range of eDrive system capabilities	▪ Compact and safe hydrogen storage solutions ▪ Commercialising additive manufacturing

Plus Ergotron, a leading manufacturer of digital display mounting, furniture and mobility products

Business results: improved performance

Adjusted[1] results

Continuing operations £m	Revenue	Operating profit/(loss)	Operating margin	H1 2020 Revenue	H1 2020 Operating profit/(loss)	H1 2020 Operating margin
Aerospace	1,219	41	3.4%	1,580	54	3.4%
Automotive	1,965	121	6.2%	1,541	(64)	(4.2%)
Powder Metallurgy	535	60	11.2%	396	(3)	(0.8%)
Other Industrial	109	27	24.8%	107	22	20.6%
Central	-	(26)	-	-	(20)	-
Total	**3,828**	**223**	**5.8%**	**3,624**	**(11)**	**(0.3%)**

- Adjusted[1] revenue up 12%[2] on H1 2020
- Group adjusted[1] operating margin increases from (0.3%) to 5.8% highlighting continuing cost savings
- Aerospace revenue down 18%[2] due to ongoing COVID-19 impact; profitability retained
- Automotive and Powder Metallurgy good recovery tapered by supply shortages of semi-conductors; margins up strongly
- Further operational improvements and restructuring benefits to come through in H2 2021

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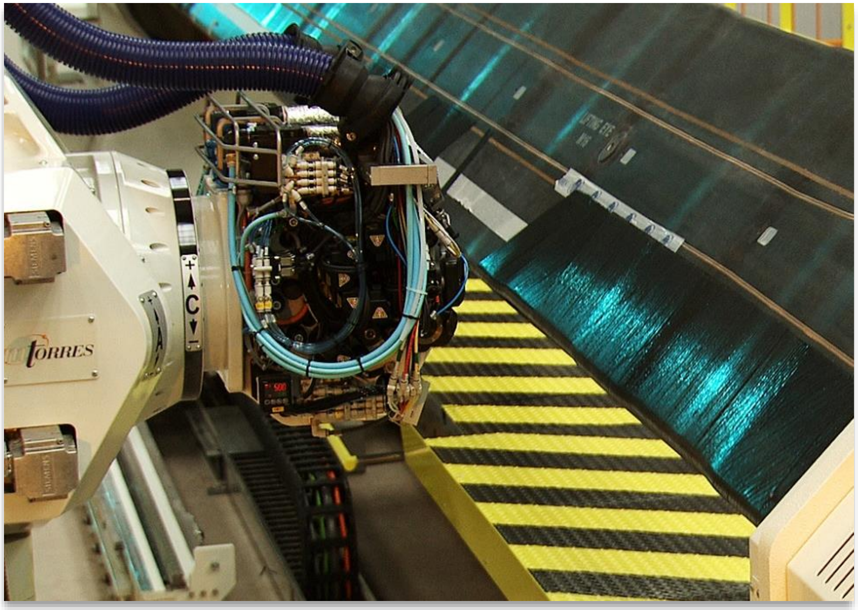
1. Described in the glossary to the 2021 Interim Financial Statements, released on 2 September 2021
2. Calculated at constant currency



GKN Aerospace

32% of Melrose[1]

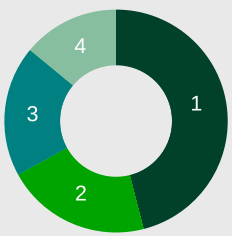
1. Based on adjusted H1 2021 revenue for all continuing businesses

Aerospace: overview

£m	Adjusted[1] results H1 2021	Adjusted[1] results FY 2020
Revenue	1,219	2,804
EBITDA	112	163
EBITDA margin %	9.2%	5.8%
Operating profit	41	14
Operating margin %	3.4%	0.5%

- Markets remain impacted by COVID-19 with sales down 33%[2] on H1 2019 and 18%[2] on H1 2020
- Modest sequential sales growth of 4%[2] versus H2 2020 linked to initial recovery
- Encouraging earnings momentum with margins up +2.9ppts
- Significant restructuring ongoing, more benefits to come

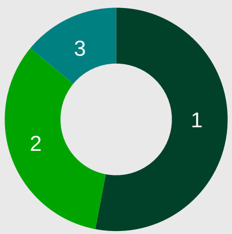
Revenue by platform



1 Defence (46%)
2 Civil: narrowbody (21%)
3 Civil: widebody (19%)
4 Civil: other (14%)

Balanced portfolio, well positioned for narrowbody recovery

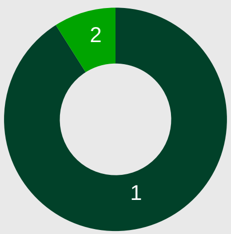
Revenue by product type



1 Airframes (53%)
2 Engines (33%)
3 Components (14%)

Broad range of products, systems and advanced technologies

Revenue by source



1 OE (91%)
2 Aftermarket (9%)

Predominantly OE driven, with increasing opportunity in attractive aftermarket

1. Described in the glossary to the 2021 Interim Financial Statements, released on 2 September 2021
2. Calculated at constant currency

Aerospace: portfolio

	Mix	Product	Demand	Technology
Civil airframes & components 	▪ Narrowbody 39% ▪ Widebody 27% ▪ Regional 34%	Provides main structures for all major civil OE players	Primarily driven by OE civil build rates (>50% Airbus)	Excellent position on sustainable aircraft (e.g. Wing of Tomorrow and Alice)
Engines 	▪ Civil 63% ▪ Defence 37%	Produces key components for all OE engine manufacturers	Linked to new build, aftermarket and services/spares (including RRSP)	Leading additive manufacturing and development of alternative power (e.g. H2GEAR)
Defence airframes & components 	▪ Fighters 48% ▪ Rotorcraft 33% ▪ Other 19%	Provides structures and components for all major defence primes	Linked to new build plus increasing aftermarket and spares/repair (~30% F35)	Developing next generation aircraft (e.g. US advanced programmes), plus composite breakthroughs

Increasing emphasis on higher margin "design to build" positions, plus Engines and Defence aftermarket growth

Aerospace: improvement actions

	Progress to date	Future actions
Commercial mix	▪ Reduced exposure to legacy onerous contracts by >60% ▪ Renegotiated or exited some unattractive business ▪ Sold non-core, low margin businesses in The Netherlands	▪ Continued/accelerated renegotiation or exit ▪ Focus growth in attractive aftermarket and repair ▪ Selective bidding, concentrated on design to build
Operational gains	▪ Ongoing deployment of lean operating model ▪ Quality delivered to customer improved by 39%[1] ▪ Productivity up by 7% in H1	▪ Major focus on further reducing costs of quality ▪ Driving productivity as demand recovers ▪ Preparing for ramp-up in civil OE
Restructuring	▪ Significant demand led headcount reduction linked to COVID-19 impact ▪ Structural projects underway in Europe (e.g. Kings Norton and Nordics)	▪ Accelerated execution of restructuring underway (approximately 50% of projects) ▪ Starting new restructuring projects in H2, including in North America

Actions underpin delivery of 10% margins on partial market recovery

1. As measured by quality escapes: parts shipped to customers that do not meet full quality requirements

Aerospace: highlights

Global tier one leader in civil and defence

- Balanced portfolio covering airframes, engines and components
- Established positions on all high volume platforms - e.g. A320, B737, F35
- Expanding 'design to build' capability
- Growth in engines and components aftermarket

Well positioned to benefit from market recovery

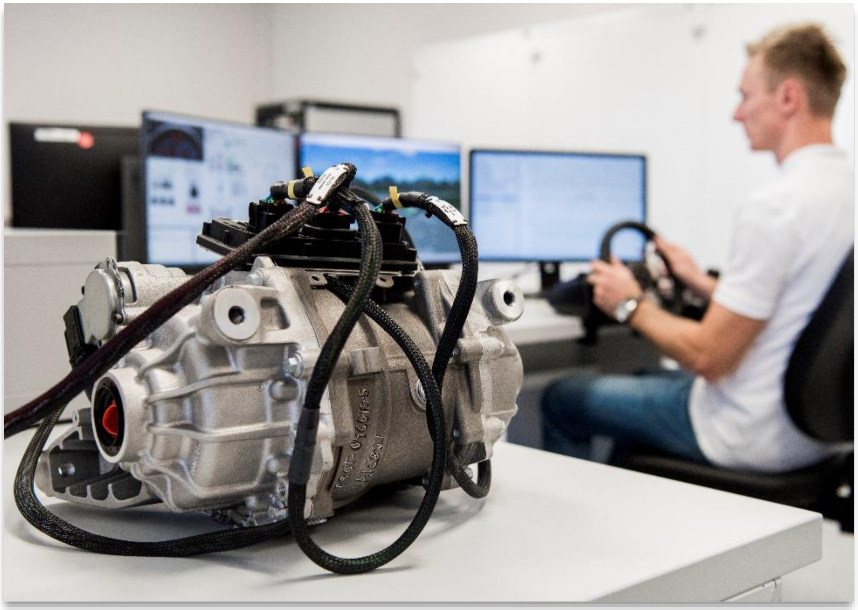
- Good exposure to expected civil narrowbody ramp-up to >2019 levels
- Engines RRSPs and aftermarket set to generate strong margins and cash as flying hours increase

Underway with transforming the business, clear path to 10% profit on partial market recovery

- Actions taken are reading through to improved margins ahead of recovery
- Significant further work underway to drive operational gains in quality, delivery and productivity
- Around 50% of structural projects started, others to commence in H2 2021

Ongoing focus to maintain technology leadership and develop sustainable aviation

- Improving efficiency of existing aircraft – e.g. less drag wing design, lighter components and lower energy manufacturing methods
- Developing next generation of aircraft – e.g. Eviation Alice, H2GEAR and selective UAM platforms
- Building differentiated capability through global technology centres – e.g. UK, The Netherlands, Sweden and USA



GKN Automotive

51% of Melrose[1]

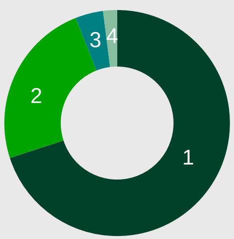
1. Based on adjusted H1 2021 revenue for all continuing businesses

Automotive: overview

£m	Adjusted[1] results H1 2021	Adjusted[1] results FY 2020
Revenue	1,965	3,797
EBITDA[2]	238	322
EBITDA[2] margin %	12.1%	8.5%
Operating profit	121	82
Operating margin %	6.2%	2.2%

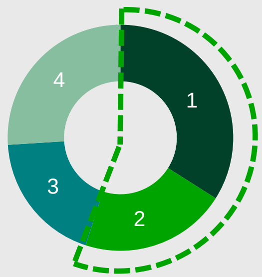
- Approximately 9% annualised sales growth (2x H1 2021 versus FY 2020 at constant currency)
- Strong margin progress from 2.2% to 6.2%
- Improvement actions reading through, ahead of plan

Revenue by product type



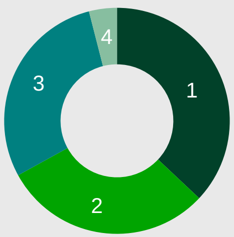
A trusted partner for 90% of global OEMs, content on 50% of vehicles sold

H1 new business bookings



Over one third of the new business bookings in H1 were on pure electric platforms; over 50% including full hybrid platforms

Revenue by destination



A truly global presence with a long established position in China

Buy
Improve
Sell
Melrose

1. Described in the glossary to the 2021 Interim Financial Statements, released on 2 September 2021
2. Including depreciation and amortisation from equity accounted investments

Automotive: highlights

Global leader in drive systems

- #1 in Driveline, with clear technology leadership and over 40% market share in its core product
- Increased torque and power requirements of electric vehicles benefits GKN Automotive's core product strengths

Structural growth in core products

- Sales are currently constrained by ongoing semi-conductor supply chain shortages, underlying consumer demand higher
- GKN Automotive's long-term outlook is to grow at a rate of more than double global light vehicle production

Well positioned to capture incremental electrification growth

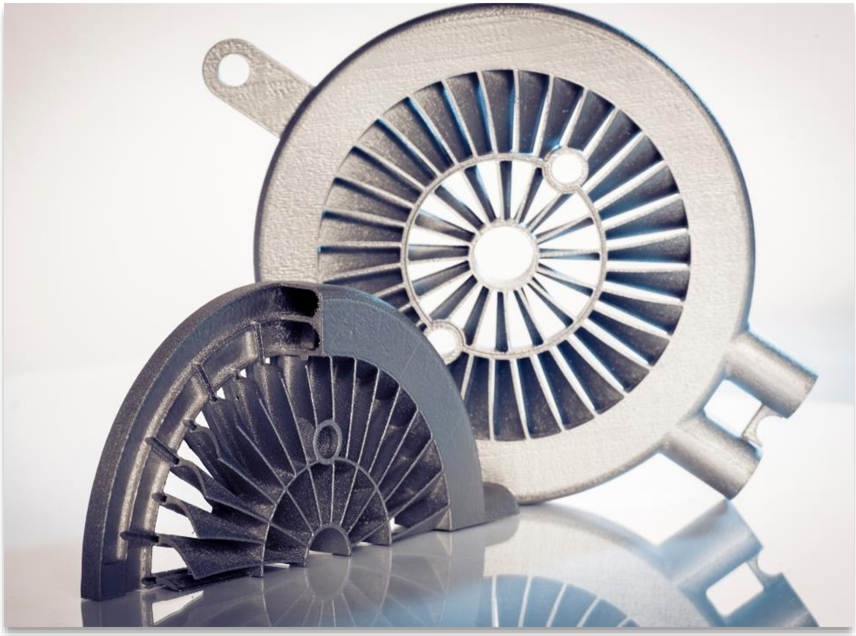
- eDrive strategy enables flexibility to supply either components or integrated systems depending on OEM outsourcing strategy
- Full drive system portfolio expands content per vehicle with electrification
- In the last 18 months Automotive has been awarded six major eDrive programmes for global and Chinese vehicle manufacturers and has a strong pipeline for the future
- Over one third of the new business bookings in H1 were on pure electric platforms; over 50% including full hybrid platforms. Wins include a major new 3-in-1 system for a leading German OEM

Transforming the business, with a clear path to >10% profit

- Ahead of plan on transformation, all restructuring projects necessary to achieve the target margin are already underway
- Tight control of costs and restructuring actions means small profit impact from global supply issues; 8% decremental margin in H1 versus H2 2020, holding margin at 6.2%

Driving a cleaner, more sustainable world

- Leading technology contributes to the decarbonisation of the industry
- Developing lighter, more efficient EV powertrains for the volume automotive market



GKN Powder Metallurgy

14% of Melrose[1]

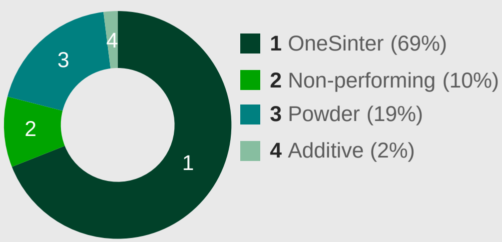
1. Based on adjusted H1 2021 revenue for all continuing businesses

Powder Metallurgy: overview

£m	Adjusted[1] results H1 2021	Adjusted[1] results FY 2020
Revenue	535	905
EBITDA[2]	92	110
EBITDA[2] margin %	17.2%	12.2%
Operating profit	60	39
Operating margin %	11.2%	4.3%

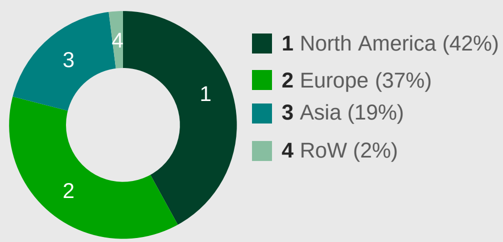
- Growing faster than the market due to share gains, annualised sales up 25% (2x H1 2021 versus FY 2020 at constant currency)
- Excellent margin progress from 4.3% to 11.2%
- Improvement actions benefitting results and expected to be substantially complete by the end of the year

Revenue by segment[3]



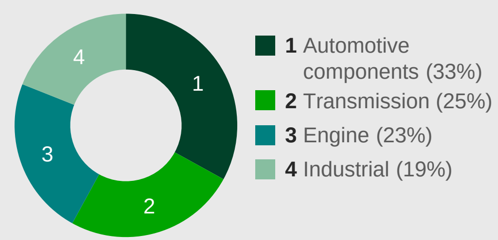
Non-performing segment has reduced from 16% to 10% of the business

Revenue by destination



#1 global leader – well spread geographically

Revenue by market type[3]



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

1. Described in the glossary to the 2021 Interim Financial Statements, released on 2 September 2021
2. Including depreciation and amortisation from equity accounted investments
3. Excluding non-performing plant sold in the Period

Powder Metallurgy: highlights

Global leader in Powder Metallurgy

- #1 global producer of precision powder metal parts – 17% market share
- #2 global producer of powder metal – 24% market share

Growth in the core business with market share gains

- Growing faster than the market due to share gains – 43% year on year H1 sales growth exceeds 29% increase in light vehicle production by 14 ppts
- £120 million of annual sales won in attractive segments with continued good momentum in H1

A clear path to improve to 14% operating margin

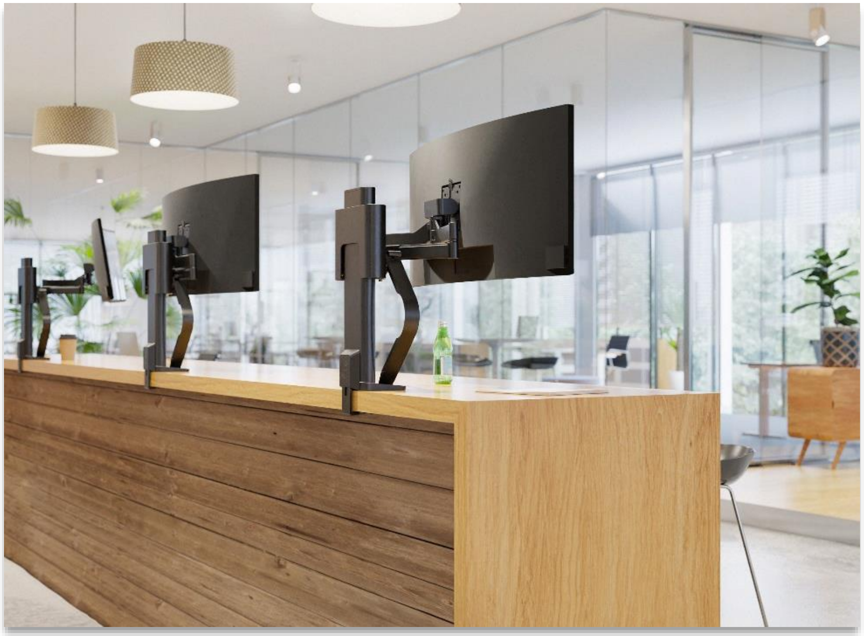
- Approaching 70% of sales already above 14% margins. H1 operating margin of 11.2% (12.0% excluding hydrogen start-up costs)
- Three non-performing sites; one sold, one announced to close and the third plant is under an intensive operational improvement programme
- All restructuring projects necessary to achieve the target margin are already underway, non-performing segment reduced from 16% of the business to 10%
- Restructuring largely complete by the end of this year

Incremental high growth from exciting and sustainable new technologies

- Hydrogen storage business launched and in development – safe and reliable method for storing green and rapidly growing energy source
- Additive growth in H1, +15% year on year, improving efficiency of manufacturing and reducing material waste

HYDROGEN

ADDITIVE



Other Industrial

3% of Melrose[1]

1. Based on adjusted H1 2021 revenue for all continuing businesses

Other Industrial: highlights

£m	Adjusted[1] results H1 2021	Adjusted[1] results FY 2020
Revenue	109	217
EBITDA	28	56
EBITDA margin %	25.7%	25.8%
Operating profit	27	52
Operating margin %	24.8%	24.0%

Overview

Following the disposal of Brush and the reclassification of Nortek Control to held for sale, both are shown as discontinued and Ergotron is the remaining business in Other Industrial

Ergotron

- Positive sales momentum as office sales recover, new products gain traction and digital channels grow
- Business returned to premium operating margins
- Planned exit of low profitability business and focus on higher margin, higher value-add products well underway

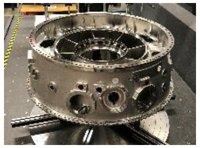
1. Described in the glossary to the 2021 Interim Financial Statements, released on 2 September 2021

Sustainable technology

Aerospace

Improving efficiency and sustainability of current aircraft:

Wing of Tomorrow



Additive manufacturing air cases

Developing next generation of alternative power aircraft:

Alice electric aircraft

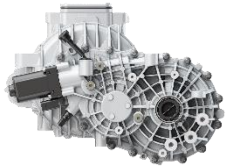
H2GEAR hydrogen propulsion

Automotive

Producing driveline solutions tailored to electric vehicles:

High efficiency, high torque, low NVH sideshaft

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



2-in-1 eDrive system

3-in-1 eDrive system

Powder Metallurgy

Commercialising additive manufacturing (AM) across sectors:

Intricate metal powder AM

Forecast 3D plastic AM

Developing breakthrough sustainable storage solutions:

GKN Hydrogen

Providing focus and investment to make our businesses sustainable and valuable

Melrose

Buy
Improve
Sell

Appendices

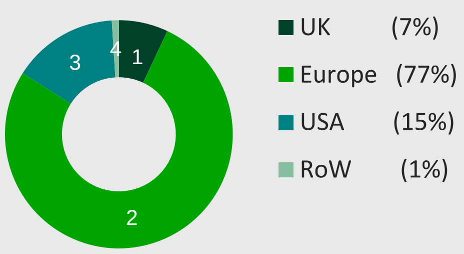
Pensions

Pension schemes

30 June 2021 £m	Assets	Liabilities	Accounting surplus/ (deficit)	Movement in the period
UK	2,959	(3,006)	(47)	71
Europe	24	(557)	(533)	43
USA	197	(303)	(106)	31
Rest of World	32	(39)	(7)	-
Total pension schemes	**3,212**	**(3,905)**	(693)	**145**

- Of the £145 million movement in the Period a £56 million net surplus was sold as part of the Nortek Air Management and Brush disposals
- Since the half year £64 million has been paid into the GKN UK schemes
- European schemes represent 77% of the Group deficit, largely "pay as you go" schemes

Accounting deficit by region



Foreign exchange → forward looking

Exchange rates	H1 2021 USD	H1 2021 EUR	H1 2020 USD	H1 2020 EUR	FY 2020 USD	FY 2020 EUR
Average rates	1.39	1.15	1.26	1.14	1.28	1.13
Closing rates	1.38	1.16	1.24	1.10	1.37	1.12

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	29	11	8	12
% impact on adjusted[1] operating profit	6%	2%	2%	2%

Balance Sheet volatility

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

£m	USD	EUR
Increase in debt	85	47

- 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, 28% EUR and 20% GBP

1. Described in the glossary to the 2021 Interim Financial Statements, released on 2 September 2021
2. 10% strengthening against all currencies
3. Assuming all other currencies strengthen against Sterling by 10% at the same time

Some helpful data for H1 2021

Continuing operations	Income Statement	Cash Flow
Item	H1 2021 adjusted[1] results	H1 2021 adjusted[1] results
Adjusted[1] operating profit	£223 million	N/A
Central costs	£26 million (includes a divisional LTIP charge of £10 million)	(£16 million)
Adjusted[1] free cash flow[1]	N/A	£167 million
Underlying effective tax rate	22%	N/A
Finance costs: - Bank and loan related - Lease obligation related - Amortisation of debt arrangement costs - Pension interest - Other	 (£65 million) (£7 million) (£5 million) (£4 million) (£1 million)	(£73 million)
Depreciation and amortisation	(£209 million)	£209 million
Capital expenditure	N/A	(£104 million)
Pension payments – ongoing contributions (global)	N/A	(£12 million)[2]
Restructuring costs	(£85 million)	(£92 million)
Non-controlling interest	£1 million	£nil
Number of shares in issue at 30 June 2021	4,858 million	N/A
Number of shares in issue post Return of Capital	4,372 million	N/A
Weighted average number of shares in 2021	4,695 million	N/A
H1 adjusted[1] EBITDA for leverage covenant purposes	£403 million	N/A

1. Described in the glossary to the 2021 Interim Financial Statements, released on 2 September 2021
2. Ongoing pension contributions will include £30 million per annum payable to the GKN UK pension schemes