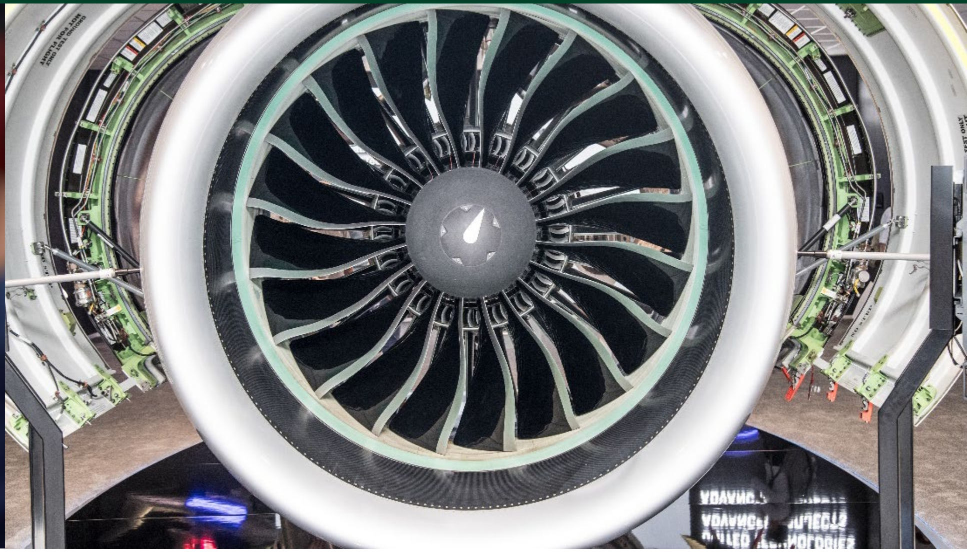
Melrose

Buy
Improve
Sell

Strictly private and confidential



Melrose Industries PLC

Full Year Results

Year ended 31 December 2021

3 March 2022

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	Adjusted[1] results 2021 Actual rates £m	Adjusted[1] results 2020 Constant currency[1] £m	Adjusted[1] results 2020 Actual rates £m	Statutory results 2021 Actual rates £m	Statutory results 2020 Actual rates £m
Revenue	**7,496**	**7,351**	7,723	**6,883**	7,132
Operating profit/(loss)	**375**	**122**	141	**(451)**	(487)
Profit/(loss) after tax	**197**	**(36)**	(27)	**(446)**	(565)
Diluted earnings per share	**4.1p**	**(0.8)p**	(0.6)p	**(9.6)p**	(11.7)p
Net debt[1]	**950**	**2,834**	2,847	**n/a**	n/a
Leverage[1]	**1.3x**	**4.1x**	4.1x	**n/a**	n/a

Group

- The results are ahead of expectations with better cash generation and a bigger reduction in net debt[1] and leverage[1]
- At constant currency, despite global supply challenges, sales were up 2% year on year and, notably, Group adjusted[1] operating profit tripled to £375 million, showing the substantial benefit of restructuring actions increasingly coming through
- The Group statutory operating loss was £451 million; of the £826 million adjusting items, only £200 million were cash items, almost all relating to restructuring projects
- All businesses returned to growth, with further benefits coming from restructuring actions. The Melrose businesses are actively working to mitigate the current inflationary pressures through all necessary means and remain fully committed to achieving their previously stated operating margin targets
- Melrose generated free cash flow[1] of £125 million in the year, prior to disposal proceeds, with net debt[1] reduced to £0.95 billion and leverage[1] to 1.3x adjusted[1] EBITDA. All businesses continued to be cash positive, therefore fully funding all their improvement and restructuring costs, with their cash generation qualities transformed since acquisition
- Working capital in the GKN businesses has reduced to 3% of sales from 5% at the GKN acquisition, with further opportunities existing to improve Aerospace inventory levels

1. Described in the glossary to the Preliminary Announcement and considered by the Board to be a key measure of performance

Highlights

- Ahead of plan, the opening net debt[1] of £3.4 billion at the GKN acquisition has been fully repaid in less than four years, save cash returned to shareholders over the period, helping to protect shareholder value and de-risking the GKN transformation during some of the most challenging trading conditions
- The GKN UK pension schemes are now in surplus helped by £1 in every £3 of free cash flow[1] since acquisition being paid into the Group's pension schemes, thereby freeing up more free cash flow[1] in the future
- Melrose has improved its ESG positioning and reporting in the year, including highlighting the substantial benefits delivered by its proprietary sustainable technology. A new stand-alone Melrose Sustainability Report will be published, for the first time, alongside the 2021 Annual Report
- A final dividend of 1.0 pence per share is proposed, up by one third on last year, giving a full year dividend of 1.75 pence per share

Businesses

- Aerospace has seen adjusted[1] operating margins improve by c.4 percentage points and growth return with sales in the second half of 2021 up 18%[2] on 2020. Under new leadership, it has materially advanced the restructuring of its cost base and operations, with all required significant restructuring projects now underway
- The underlying qualities of the Aerospace businesses are being improved including the accelerated development of new sustainable technologies. The Group will also benefit from exceptionally strong long-term future cash flows in Engines. An Aerospace Investor Day is to be held on 8 June 2022 to explain its exciting full shareholder value potential
- Automotive ended the year positively with 2021 fourth quarter sales up 12% on the third quarter, being almost back to levels seen in the first half of the year. Sales in early 2022 have started similarly positively, consistent with the most recent industry data
- Powder Metallurgy sales volume grew at more than double the rate of growth in car production in 2021 due to continued significant market share gains
- In 2021, adjusted[1] operating margins in both Automotive and Powder Metallurgy more than doubled despite the well-publicised supply challenges. During 2022, the full run rate benefits from the required restructuring projects in Automotive and Powder Metallurgy will materialise giving the opportunity to realise this shareholder value

1. Described in the glossary to the Preliminary Announcement and considered by the Board to be a key measure of performance
2. Based on existing businesses at 31 December 2021

Highlights

- Life of programme business wins of c.£5 billion in Automotive in 2021, of which more than one third are for pure electric vehicles (BEV), confirm that Automotive is both gaining market share and keeping pace with the faster than expected market conversion to electric vehicles. Importantly, these share gains are being achieved at terms consistent with its higher margin target
- Ergotron is running efficiently, making 25% adjusted[1] operating margins
- The new Hydrogen technology business, which has been separated from Powder Metallurgy, has a dedicated new CEO and management team and is positioned to achieve its first sales this year

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

"We have realised gains for shareholders by doubling the value of Nortek and significantly outperforming all Group cash generation targets, which has de-risked the route to value realisation from GKN. We have transformed the GKN businesses to increase their full potential including investing in sustainable technology and properly funding their pension schemes. With the benefits of significant restructuring increasingly coming through, combined with the strong cash generation, Melrose is positioned to create, and realise, significant value for shareholders."

1. Described in the glossary to the Preliminary Announcement and considered by the Board to be a key measure of performance

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Melrose key financial numbers

Ahead of expectations

1. 2021 results: showing significantly better cash generation and lower net debt[1] than expected

EPS[1]
4.1p

Net debt[1]
£950m

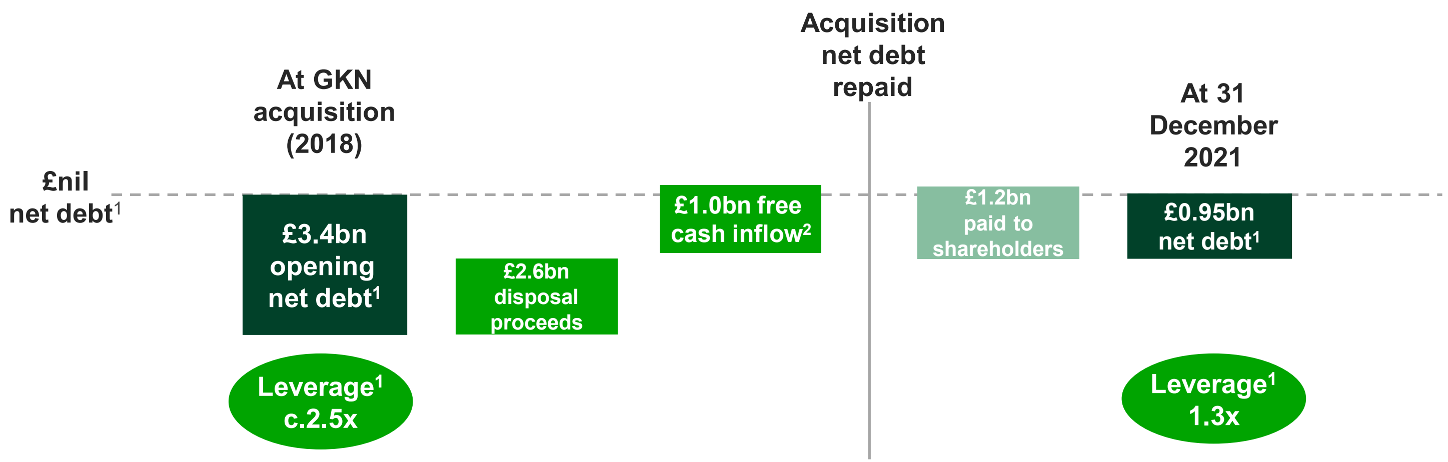
Leverage[1]
1.3x

- Net debt[1] reduced from £2,847 million to £950 million in the year and leverage[1] reduced from 4.1x to 1.3x, transforming the Balance Sheet
- The Group's adjusted[1] operating profit, at constant currency, has tripled in the year on modest sales growth of 2%, demonstrating the substantial benefit of restructuring actions increasingly coming through
- EPS[1] in the year of 4.1p, equivalent to 4.4p if calculated using the number of shares in issue at 31 December 2021

1. Described in the glossary to the Preliminary Announcement and considered by the Board to be a key measure of performance

GKN acquisition net debt[1] fully repaid

2. Acquisition net debt[1] repaid: protecting shareholder value and de-risking the transformation in challenging conditions



- Despite challenging trading, the Group's opening net debt[1] at the GKN acquisition has been fully repaid, save cash paid to shareholders over that period
- Significantly protecting shareholder value, and de-risking the transformation of GKN

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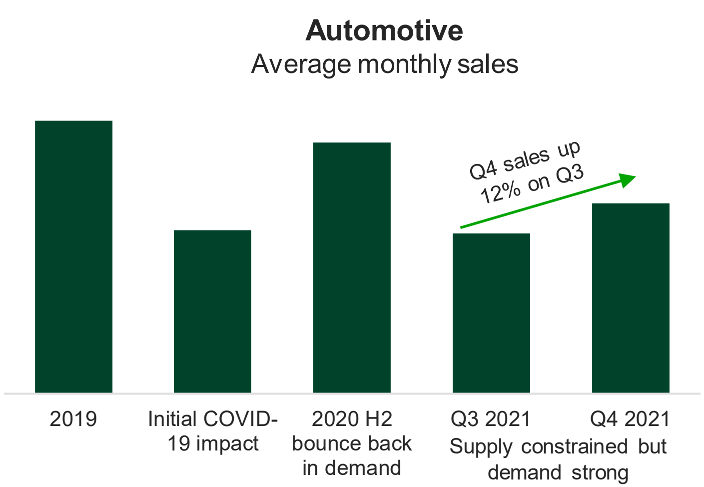
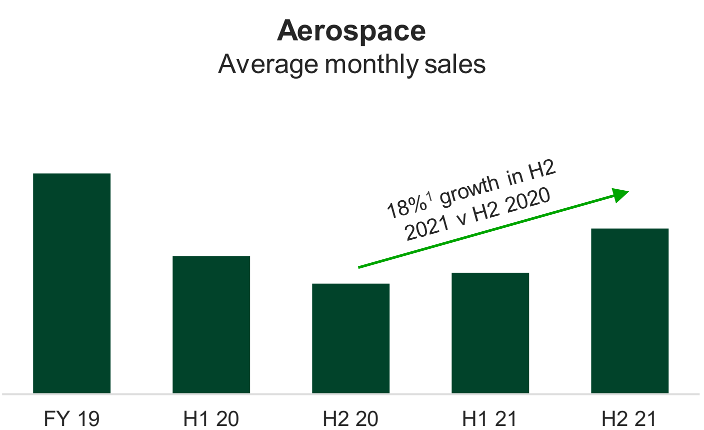
1. Described in the glossary to the Preliminary Announcement and considered by the Board to be a key measure of performance
2. After total restructuring spend of £0.7 billion and pension contributions of £0.5 billion

Stronger finish to 2021

3. Improved momentum: Q4 better than Q3





- Recent trends in Automotive improved with sales in Q4 2021 being 12% higher than Q3 and the new year starting similarly positively, consistent with industry data
- Growth has started to return in Aerospace with sales up 18%[1] in the second half of 2021 vs 2020

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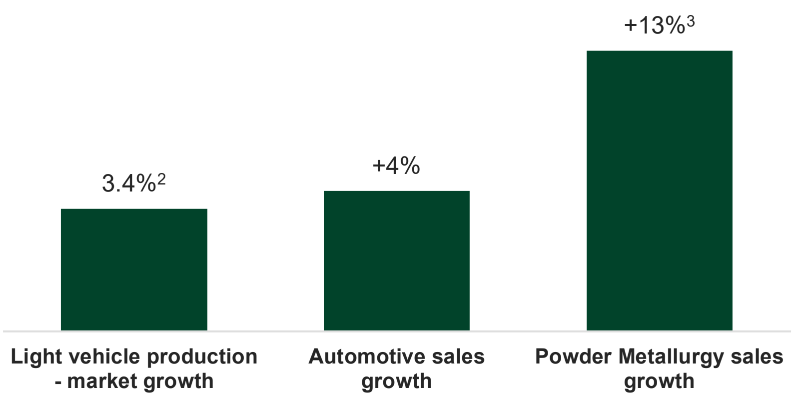
1. Based on existing businesses at 31 December 2021

Impressive revenue gains

4. Revenue gains: Life of programme business wins in Automotive rose substantially and sales in Powder Metallurgy significantly outpaced the growth in car production in 2021

Automotive & Powder Metallurgy 2021



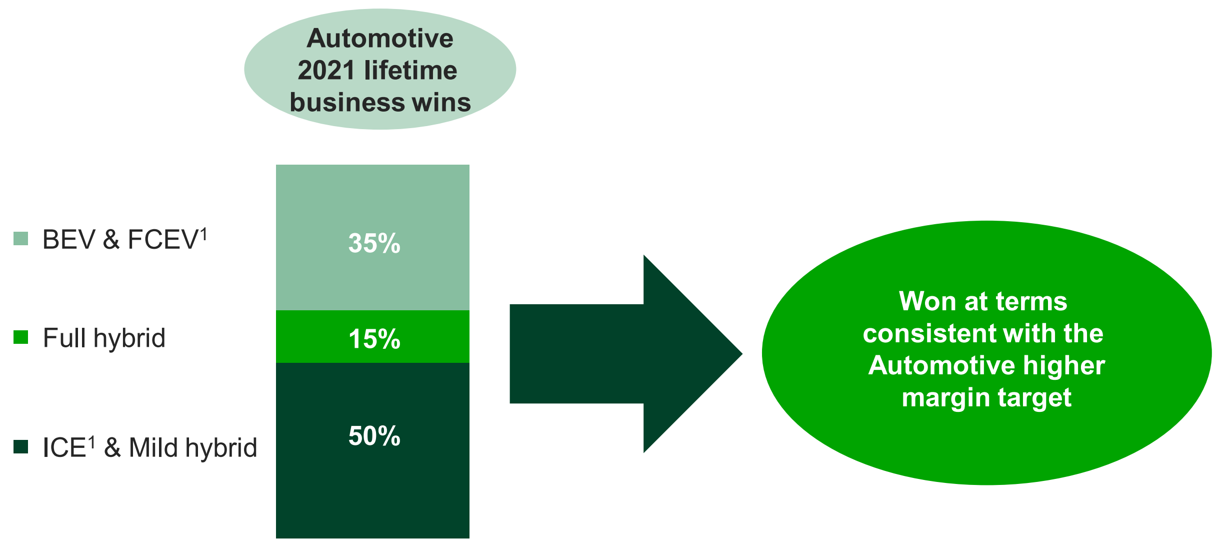
+20%
increase in Automotive life of programme business wins, enhanced by record wins on pure electric vehicles[1]

- New life of programme business wins of c.£5 billion in Automotive in 2021, were 20% higher than in 2020, enhanced by record wins on pure electric vehicles (BEV & FCEV)[1] and higher than the fully recovered pre-COVID-19 sales base
- Powder Metallurgy is taking significant market share gains, enabling volume to grow at more than double the rate of light vehicle production in 2021

1. Battery electric vehicle (BEV), fuel cell electric vehicle (FCEV)
2. Source: IHS Markit data February 2022
3. Sales volume growth of c.8%, material surcharge pass-through of c.5%

Keeping pace with the faster than expected conversion to electric vehicles

5. Electrification: Being won at margins consistent with the Automotive higher margin target



- Half of lifetime business wins in 2021 were for either pure electric or full hybrid platforms, 35% on pure electric vehicles (BEV & FCEV)[1] and 15% on full hybrid vehicles
- Importantly, share gains are being achieved at terms consistent with the business' higher margin target, driven by premium core product becoming more in demand in the electrification transition

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1. Internal combustion engine (ICE), battery electric vehicle (BEV), fuel cell electric vehicle (FCEV)

Restructuring in GKN is well advanced

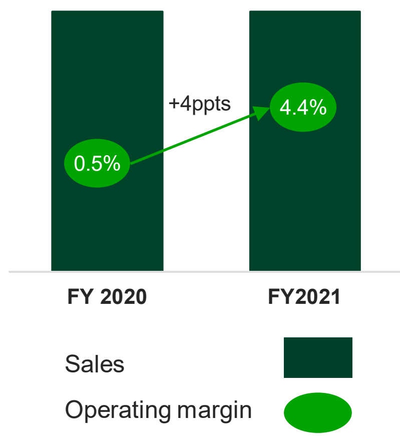
6. Automotive and Powder Metallurgy nearing completion, all significant Aerospace projects now underway

Automotive & Powder Metallurgy
(required restructuring actions nearing completion)

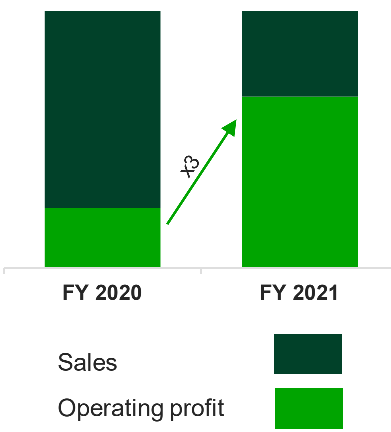
2021 margin more than doubled

During 2022 full benefits of required restructuring materialise

Aerospace
(2021 margin improvement on flat[1] sales)



Group
(profits tripled on 2% sales growth, supply constrained)



- During 2022, the full run rate benefits from the required restructuring projects in Automotive and Powder Metallurgy will materialise giving the opportunity to realise this shareholder value
- All major Aerospace restructuring projects underway

1. Based on existing businesses at 31 December 2021

Significant upside potential being multiple times today's level

7. GKN positioned for significant upside: the full potential on a recovery is multiple times today's level

As an illustration:	Average upside[1] from current margins to margin targets	Assuming an average sales recovery to 2019 level	Average uplift[2] potential if full market recovery
Continuing businesses	c.6ppts	c.20%	c.3x

At pre-COVID-19 sales levels, significant margin growth remains in the GKN businesses, with potential to further triple current profit levels

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1. Represents 2021 adjusted operating margins versus announced target margins
2. Represents mathematical uplift in adjusted operating profit if target margins are achieved and pre-COVID-19 sales return

Cash generation qualities of all the businesses transformed

8. Each business has been cash positive since acquisition

Cash generation (post restructuring) since GKN acquisition

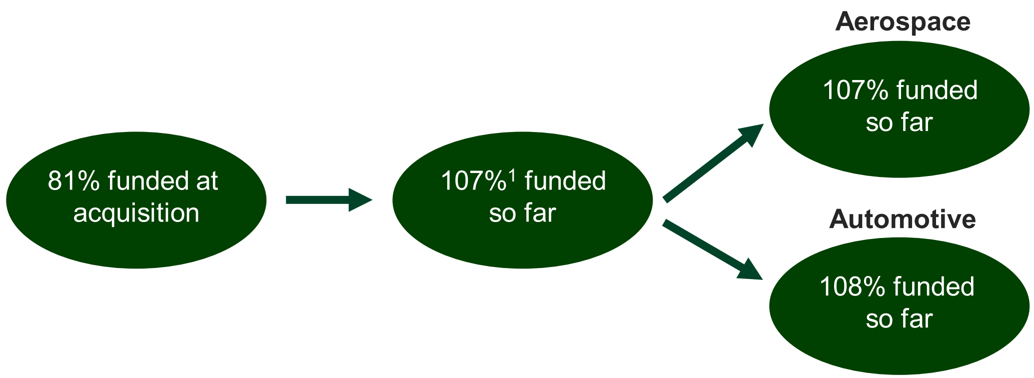
Aerospace	Automotive	Powder Metallurgy	Other	Total	
£0.6bn	£0.7bn	£0.4bn	£0.7bn	£2.4bn	
				(£0.9bn)	Interest & tax
				(£0.5bn)	Group pension contributions
				£1.0bn	Free cash flow[1]

- All businesses have been cash positive on a stand alone basis with their cash generation qualities transformed since acquisition
- Working capital in the GKN businesses has been reduced from 5% of sales at acquisition to 3%
- There are further opportunities existing to reduce Aerospace inventory levels
- Restructuring spend of £0.7 billion since owning GKN, showing continued investment
- £1 in every £3 of free cash flow[1] since acquisition being paid into the Group's pension schemes, looking after all stakeholders

1. Described in the glossary to the Preliminary Announcement and considered by the Board to be a key measure of performance

GKN pension commitment delivered ahead of schedule

9. GKN UK pension schemes now in surplus



- GKN UK pension schemes[1] transformed into an accounting surplus of £179 million, 107% funded at 31 December 2021 compared to 81% at acquisition
- Releases more free cash flow generated in the future
- Successful buy-out of part of the GKN UK 2016 Pension Plan, securing c.8,000 pensioner benefits and transferring £366 million of gross pension liabilities from the Group

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1. Excludes GKN UK Post Retirement Medical Scheme

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The results

Trading ahead of expectations

Reconciliation between statutory and adjusted[1] results

Continuing operations £m	Total	Cash spent in 2021
Statutory operating loss	**(451)**	
Amortisation of intangible assets acquired in business combinations	452	-
Restructuring costs	269	193
Exchange movements not hedge accounted	114	-
Net release of fair value items	(49)	-
Other	40	7
Adjustments to statutory operating loss	**826**	**200**
Adjusted[1] operating profit	**375**	

Continuing operations	£m
Statutory revenue	6,883
Share of equity accounted investments	613
Adjusted[1] revenue	**7,496**

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	92	80
Automotive	147	89
Powder Metallurgy	18	20
Other Industrial	-	-
Corporate	12	4
Total	**269**	**193**

1. Described in the glossary to the Preliminary Announcement and considered by the Board to be a key measure of performance

Cash generation in the year: net debt[1] significantly reduced

Free cash flow[1]

Cash flow £m	Group 2021
Adjusted[2] EBITDA	734
Lease obligation payments	(54)
Positive non-cash impact from loss-making contracts	(48)
Reduction in working capital	62
Adjusted operating cash flow (pre-capex)[1]	694
Net capital expenditure	(225)
Net interest and tax paid	(205)
Defined benefit pension contributions – ongoing contributions	(54)
Dividend income from equity accounted investments	52
Restructuring	(193)
Trading net other	3
Cash flows from operations discontinued in the year[3]	53
Free cash flow[1]	**125**
Adjusted free cash flow[1]	**323**

Reconciliation of opening to closing net debt[1]

Reconciliation of net debt[1] £m	Group 2021
Net debt[1] brought forward	(2,847)
Net cash flow from acquisition and disposal related activities	2,536
Free cash inflow in the year	125
Payments to shareholders	(798)
Foreign exchange and other	34
Net debt[1] at 31 December 2021	**(950)**

- Free cash flow[1] from all businesses of £125 million, fully self-funding all costs including restructuring spend of £193 million on continuing businesses
- Significant free cash generation since the GKN acquisition during the period impacted by the pandemic has protected shareholder value
- Melrose has reduced net debt[1] further whilst still investing in the businesses
- Net debt[1] of £950 million at closing exchange rates of US $1.35 and €1.19

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1. Described in the glossary to the Preliminary Announcement and considered by the Board to be a key measure of performance
2. Calculated excluding EBITDA from equity accounted investments
3. Includes £5 million of restructuring spend

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Business update

Well positioned for strong profit growth

Melrose business portfolio

	Aerospace	Automotive	Powder Metallurgy
Strong market positions	▪ Leading global tier one supplier on major civil and defence platforms ▪ Attractive engine portfolio with strong long-term cash flows	▪ #1 in Driveline with ICE, hybrid and EV technology leadership ▪ Supplies 90% of OEMs, 50% of global vehicles	▪ #1 in supply of precision powder metal parts ▪ #2 in global powder metal production
Growth underway	▪ Civil market recovery underway, led by narrowbody ▪ Increasing demand in attractive aftermarket and repair work	▪ Underlying demand strong but constrained by supply chain ▪ Electrification providing increased growth	▪ Sustainable share gains above market ▪ Momentum in higher value-add precision components
Margins expanding	▪ All required restructuring projects now underway ▪ Adjusted[1] operating margin: • 2020:0.5% → 2021:4.4% • Target 12%[2]	▪ Restructuring accelerated and nearing completion ▪ Adjusted[1] operating margin: • 2020:2.2% → 2021:4.6% • Target >10%	▪ Restructuring largely complete and improving business mix ▪ Adjusted[1] operating margin: • 2020:4.3% → 2021:9.3% • Target 14%
Sustainable technology	▪ Improving existing fleet efficiency ▪ Developing next generation of greener aircraft	▪ Leading EV drive system technology ▪ Significant investment into a range of eDrive capabilities	▪ Supporting EV expansion ▪ Commercialising additive manufacturing

Plus Ergotron, a leading manufacturer of ergonomic products for use in a variety of working, learning and healthcare environments and GKN Hydrogen, a pioneer of state-of-the-art metal hydride storage technology

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1. Described in the glossary to the Preliminary Announcement and considered by the Board to be a key measure of performance
2. 10% margin target on a partial market recovery and 12% margin target on a recovery to pre-COVID-19 revenue

Business results: expanded margins and strong cash flow

Adjusted[1] results

Continuing operations £m	2021 Revenue	2021 Operating profit/(loss)	2021 Operating margin	2020 Revenue	2020 Operating profit/(loss)	2020 Operating margin	2021 cash conversion (pre-capex)[1]	2020 cash conversion (pre-capex)[1]
Aerospace	2,543	112	4.4%	2,804	14	0.5%	124%	328%
Automotive	3,745	172	4.6%	3,797	82	2.2%	96%	153%
Powder Metallurgy	975	91	9.3%	905	39	4.3%	107%	156%
Other Industrial[2]	233	51	21.9%	217	52	24.0%	74%	124%
Central	-	(51)	-	-	(46)	-	-	-
Total	**7,496**	**375**	**5.0%**	**7,723**	**141**	**1.8%**	**110%**	**193%**

- Adjusted[1] revenue up 2% on 2020, at constant currency
- Group adjusted[1] operating margin increased by 3.2ppts driven primarily by improvements to the cost base
- Aerospace adjusted[1] operating profit up £98 million on flat[3] sales
- Automotive and Powder Metallurgy more than doubled adjusted[1] operating margin in the year
- Continued strong cash generation with Group cash conversion (pre-capex) of 110%
- All businesses fully funded their improvement projects from free cash flow[1]

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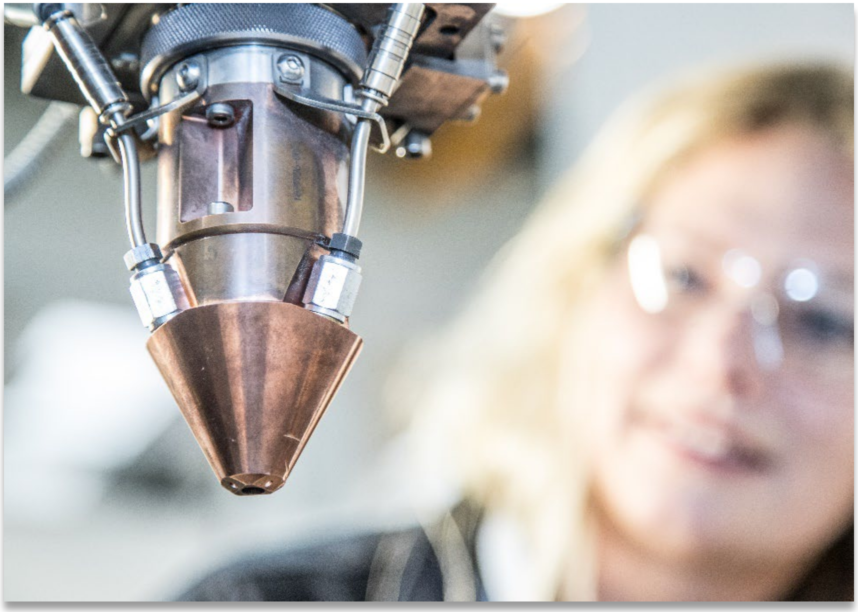
1. Described in the glossary to the Preliminary Announcement and considered by the Board to be a key measure of performance
2. Other Industrial now includes GKN Hydrogen (investment phase)
3. Based on existing businesses at 31 December 2021



GKN Aerospace

34% of Melrose[1]

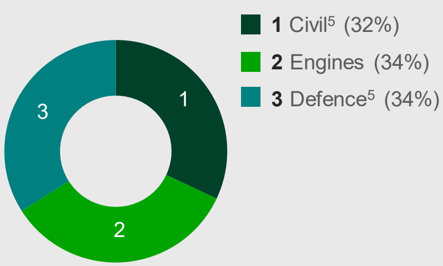
1. Based on adjusted 2021 revenue for all continuing businesses

Aerospace: overview

£m	Adjusted[1] results 2021	Growth
Revenue	2,543	Flat[2]
EBITDA	258	68%
EBITDA margin %	10.1%	4.3ppts
Operating profit	112	925%
Operating margin %	4.4%	3.9ppts

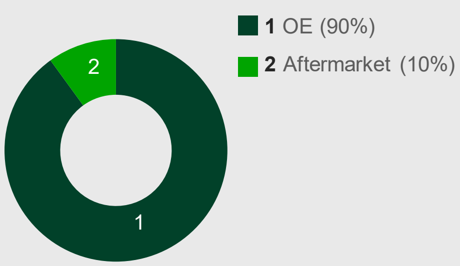
- Markets remain impacted by COVID-19 with sales down 27%[2] on 2019
- Initial recovery started during year with sales growth of 18%[2] versus H2 2020
- £98 million more operating profit on lower sales; margins up 3.9ppts
- Cash conversion (pre-capex) of 124% driven by working capital gains
- All required major restructuring projects to reach 12%[3] margin target now approved and underway

Revenue by business[2]



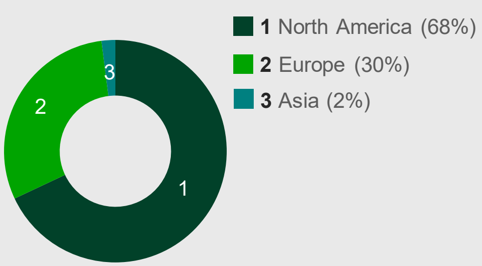
Balanced portfolio, well positioned for narrowbody recovery

Revenue by source[2]



Predominantly OE driven, with structural growth in attractive aftermarket

Revenue by destination[2, 4]



Providing vital technology to an enviable portfolio of global customers

1. Described in the glossary to the Preliminary Announcement and considered by the Board to be a key measure of performance
2. Based on existing businesses at 31 December 2021
3. 10% margin target on a partial market recovery and 12% margin target on a recovery to pre-COVID-19 revenue
4. According to customer's country of domicile
5. Civil and Defence relates to the airframes and components businesses

Aerospace: portfolio

	Mix	Product	Demand	Sustainable technology
Civil airframes & components 	▪ Narrowbody 39% ▪ Widebody 24% ▪ Regional 37%	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 67% ▪ Defence 33%	Produces key components for all OE engine manufacturers	Linked to new build, flight hours, aftermarket and services/spares (including RRSPs[1])	Leading additive manufacturing and development of alternative power (e.g. H2JET)
Defence airframes & components 	▪ Fighters 48% ▪ Rotorcraft 32% ▪ Other 20%	Provides structures and components for all major defence primes	Linked to new build plus increasing aftermarket and spares/repair	Developing next generation aircraft, plus composite breakthroughs

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

1. Risk and revenue sharing partnerships

Aerospace: highlights

Well positioned to benefit from ongoing market recovery

- Civil market anticipated to continue to improve throughout 2022; narrowbody recovery faster than widebody
- Working closely with customers, well prepared for Airbus and Boeing production ramp-up, especially A320 and B737 MAX
- Targeting and winning opportunities in business jets, urban air mobility and sub-regional electric aircraft – exciting growth potential

Excellent momentum towards margin target on significantly restructured cost base

- Significant margin progression in 2021 despite flat[1] sales; on track to 12%[2] target operating margin
- Operational improvements in quality (customer quality issues down 32%) and delivery (past due down 13%)
- Extensive restructuring underway with wide range of projects approved – Defence remains area requiring most work, especially in US
  - Ongoing footprint rationalisation on track in Europe, significant new projects started in US
  - Recently announced closure of St Louis plant, exiting c.£140 million less profitable defence work
- Sold non-core, low margin businesses in The Netherlands; renegotiated or exited some unattractive business with more to follow
- Selective bidding, focused on higher margin “design to build” positions and growth in attractive aftermarket and repair
- Engines RRSPs[3] and aftermarket set to generate good margins and very strong cash flows as flying hours increase

Excellent cash generation, working capital tightly managed

- Strong cash performance with 124% cash conversion before capex
- Further reductions in inventory levels – targeting additional £50 million gains

Technology development to drive sustainable future of flight

- Progress on core technology including additive manufacturing, fan blade repair, composites and Wing of Tomorrow design
- Major contributor to next generation aircraft including electric and hydrogen platforms

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1. Based on existing businesses at 31 December 2021
2. 10% margin target on a partial market recovery and 12% margin target on a recovery to pre-COVID-19 revenue
3. Risk and revenue sharing partnerships

Aerospace: earnings improvement trajectory

2018 – 2019	2020 – 2021	Outlook
▪ Good demand and revenue growth ▪ Quality fixes ▪ Initial operational improvement projects ▪ Started commercial actions	▪ Major revenue decline due to COVID-19 ▪ Strong decisive cost actions ▪ Quality and delivery improvements ▪ Started structural projects ▪ Sold non-core assets	▪ Steady civil market recovery ▪ Execution of all restructuring projects ▪ Portfolio rationalisation, especially Defence ▪ Lower cost of quality and gains in productivity
9.6%[1] → 10.6%	**0.5% → 4.4%**	**12%[2]**

Excellent momentum towards margin target, well positioned to benefit from market recovery with continued strong future cash flows

1. Annualised adjusted operating margin described in the glossary to the 2018 Preliminary Announcement
2. 10% margin target on a partial market recovery and 12% margin target on a recovery to pre-COVID-19 revenue

GKN Automotive

50% of Melrose[1]

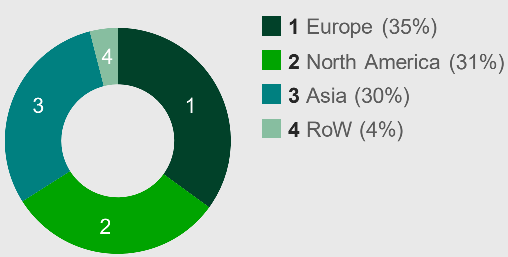
1. Based on adjusted 2021 revenue for all continuing businesses

Automotive: overview

£m	Adjusted[1] results 2021	Growth
Revenue	3,745	4%
EBITDA[2]	411	36%
EBITDA[2] margin %	11.0%	2.5ppts
Operating profit	172	136%
Operating margin %	4.6%	2.4ppts

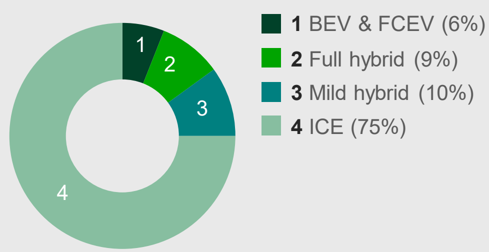
- Sales 4% above last year, constrained by semi-conductor shortages
- Gaining momentum in electrification with core and eDrive products
- Adjusted[1] operating margin more than doubled, from 2.2% to 4.6%
- Cost base restructured significantly with more benefits to flow through

Revenue by destination



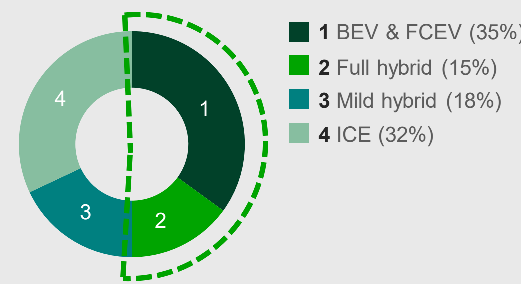
A truly global presence with a long established position in China

Revenue by vehicle type



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

Life of programme business wins



Over one third of the life of programme business wins in 2021 were on pure electric platforms; 50% including full hybrid platforms

Buy
Improve
Sell

1. Described in the glossary to the Preliminary Announcement and considered by the Board to be a key measure of performance
2. Including depreciation and amortisation from equity accounted investments

Automotive: highlights

Structural growth in core products

- Growth at 4% year-on-year, with electrification gains
- Market remaining constrained by semi-conductor and labour shortages, however, in-month order cancellations are reducing

Well positioned to capture incremental electrification growth

- Substantial share gains in core Driveline products on electric vehicles and hybrids – promising future mix
- Clear momentum in delivering growth from electrification
  - eDrive business growing strongly driven by the launch of 12 new programmes across 11 global brands
  - Now supplying 7 of the top 10 BEV platforms

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

- Adjusted[1] operating margin doubled in the year
  - Restructuring accelerated, including Firenze site disposal and Birmingham closure on track for Q2 2022
  - During 2022, full run rate benefits from projects will materialise to achieve target margins when supply constraints ease
- H2 margins impacted by retaining capability and operational headcount ahead of expected 2022 volume increase
- Decisive actions being taken to offset inflation through further restructuring, procurement and pricing

Cash well controlled with sustainable improvements in working capital

- Working capital managed closely through volatile demand caused by supply chain and labour constraints
- Restructuring self-funded through operational cash flow

Driving a cleaner, more sustainable world

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

1. Described in the glossary to the Preliminary Announcement and considered by the Board to be a key measure of performance

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 larger sizes plus increasing number of sideshafts per vehicle
- Higher technological differentiation, with premium content offering gaining market share

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

Outlook

	Securing today	Focusing on the future
Revenue	Grow with the market	>2x market growth driven by electrification mix
Profitability	>10% operating profit margin as supply constraints ease	Maintain higher margin

Profit expansion from market recovery and electrification on lower cost base business

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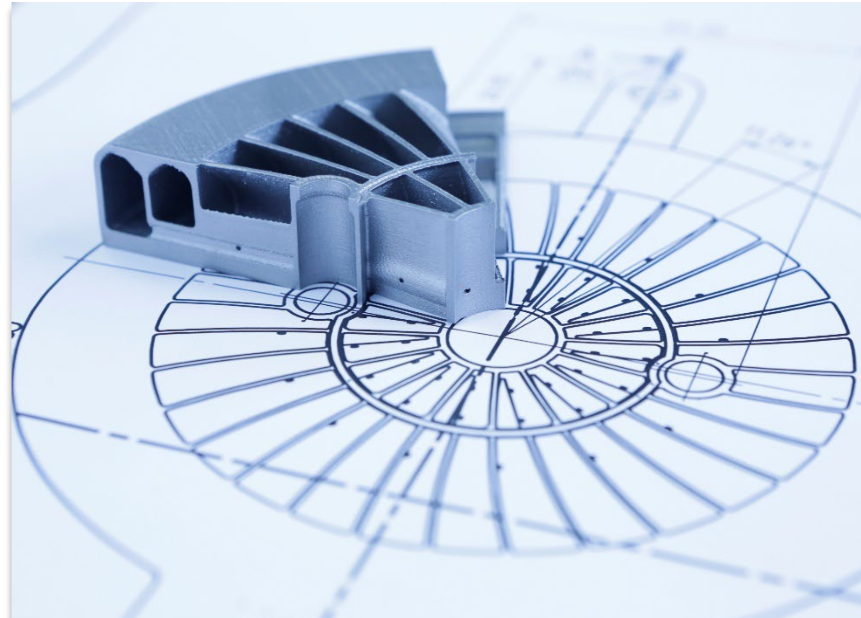
1. xEV refers to vehicles with any degree of electrification



GKN Powder Metallurgy

13% of Melrose[1]

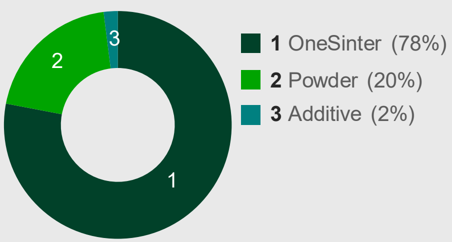
1. Based on adjusted 2021 revenue for all continuing businesses

Powder Metallurgy: overview

£m	Adjusted[1] results 2021	Growth
Revenue	975	13%
EBITDA[2]	152	49%
EBITDA[2] margin %	15.6%	3.4ppts
Operating profit	91	162%
Operating margin %	9.3%	5.0ppts

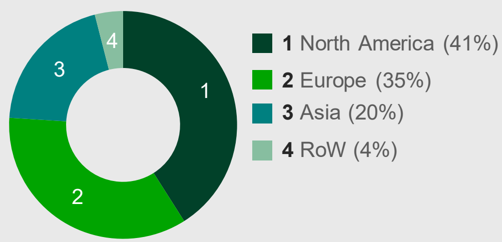
- Sales 13% above last year, 8% volume plus 5% material surcharge pass-through, growing faster than the market
- Adjusted[1] operating profit up 162%
- Adjusted[1] operating margin more than doubled, from 4.3% to 9.3%
- Restructuring actions well advanced, cost base addressed
- Positive mix due to focused portfolio actions

Revenue by segment[3]



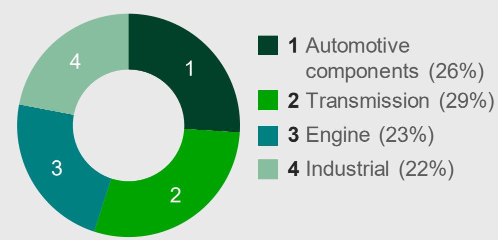
Previous "non-performing" segment addressed and now part of OneSinter

Revenue by destination[3]



#1 global leader – well spread geographically

Revenue by market type[3]



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

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1. Described in the glossary to the Preliminary Announcement and considered by the Board to be a key measure of performance
2. Including depreciation and amortisation from equity accounted investments
3. Based on existing businesses at 31 December 2021

Powder Metallurgy: highlights

Growth in the core businesses with market share gains

- Growing faster than the market due to share gains and business mix
- Expanding business into electrification – many opportunities to pursue as electric vehicle volume grows
- Additive manufacturing delivered 16% growth, positioned for expansion with serial production opportunities

Clear path to improve to 14% operating margin

- Adjusted[1] operating margin more than doubled in the year
  - Margin progression via restructuring, commercial strategy, productivity improvements
  - Exited some low margin ICE business, gaining in non-ICE intricate parts
  - Commodity pricing and inflation being well managed
- Restructuring projects necessary to achieve target margin are largely complete, residual projects in process of being executed
- Non-performing segment largely addressed[2]; now part of OneSinter business unit

Strong cash generation, working capital performance sustained as market recovers

- Tight cash management with cash conversion (pre-capex) at 107% despite sales growth
- Sustaining efficiency gains in working capital and self-funding all improvement projects

Incremental high growth from exciting and sustainable technologies

- Additive manufacturing business growing rapidly, improving efficiency of manufacturing and reducing material waste
- Breakthrough opportunities in magnet technology for electric vehicles under development

1. Described in the glossary to the Preliminary Announcement and considered by the Board to be a key measure of performance
2. One site sold, one closing in 2022 and third under intensive improvement programme

Other Industrial

3% of Melrose[1]

1. Based on adjusted 2021 revenue for all continuing businesses

Other Industrial: highlights

£m	Adjusted[1] results 2021	Growth	Ergotron Adjusted[1] results 2021	Ergotron Growth	Hydrogen Adjusted[1] results 2021
Revenue	233	15%	233	15%	-
EBITDA	55	5%	62	18%	(7)
EBITDA margin %	23.6%	(2.2ppts)	26.6%	0.8ppts	-
Operating profit	51	5%	58	19%	(7)
Operating margin %	21.9%	(2.1ppts)	24.9%	0.9ppts	-

Ergotron

- Strong sales growth of 15% driven by continued growth in Healthcare and recovery in Office segments
- Encouraging growth outside US and positive momentum with digital channels
- Good progress on refreshing product portfolio, with updated CareFit™ Pro Medical Cart and successful TRACE™ Monitor Mount launches
- Premium operating margin maintained, focus on higher value-add products

GKN Hydrogen

- GKN Hydrogen has been separated from GKN Powder Metallurgy and launched as a stand-alone business
- Breakthrough opportunity based on proprietary metal hydride technology to store hydrogen in safe, compact and green manner
- Investment phase to commercialise technology; initial systems installed in field and revenue expected in 2022
- New leadership with ex-CEO of Nortek Air Management recently appointed

1. Described in the glossary to the Preliminary Announcement and considered by the Board to be a key measure of performance

Sustainability: overview

- Driving sustainable improvements in our businesses' financial, operational and environmental performance is at the heart of the Melrose "Buy, Improve, Sell" model
- All of our businesses have a major opportunity and responsibility to decarbonise their industries – we are playing an exciting and important role in addressing climate change
- We deliver environmental improvements through setting Group sustainability targets and allocating capital accordingly
- Environmental targets are set for all our businesses aligned with their sectors – these extend beyond our ownership and management teams are accountable for their delivery
- Melrose is actively engaging with key stakeholders, including ESG rating agencies our investors rely on
- Inaugural standalone Melrose Sustainability Report will be published in April, which includes detailed plans and progress, plus case studies, TCFD disclosures and further information on our activities

Initial environmental targets	**Scope 1 and 2[1]**	20% reduction by 2025 40% reduction by 2030 Net zero earlier than 2050
	Scope 3	Initial data gathering completed Assessment underway to prioritise
ESG Ratings[2]	**MSCI**	2020 : BB → 2021 : A "Above average" rating
	Sustainalytics[3]	2020 : 28.4 → 2021 : 53.6 ("average" to "strong") ESG management score in top quartile

Most significant contribution is active participation in the decarbonisation of our sectors

1. Scope 1 and 2 targets set in terms of energy intensity CO2e/£revenue
2. ESG rating changes have included re-categorisation of Melrose to 'Industrial Conglomerate'
3. ESG Risk Management Score

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

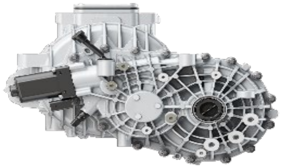
UAM electric

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:

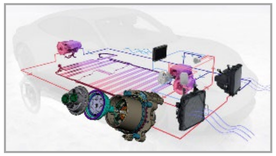


2-in-1 eDrive system

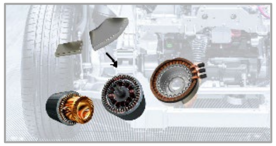
3-in-1 eDrive system

Powder Metallurgy

Focusing on supporting vehicle electrification:

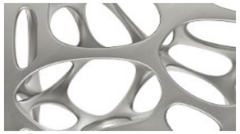


Cooling pump



Magnet technology

Commercialising additive manufacturing (AM) across sectors:



Intricate metal powder AM

Forecast 3D plastic AM

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

1. Noise, vibration & harshness

Sustainability: hydrogen (H2) investments

GKN Aerospace H2 propulsion

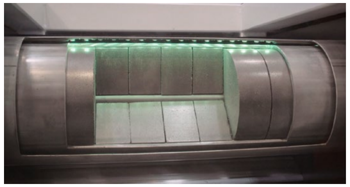
Cornerstone contributor to two flagship projects aiming to eliminate carbon emissions from flights

- H2GEAR - £54 million project with UK government funding
- Hydrogen Electric Ground based demonstration of 1MW by end 2025

- H2JET - £2m project over 2 years with Swedish National funding
- Target to explore hydrogen combustion ready for major EU funded customer programme

GKN Hydrogen storage

Proprietary GKN technology for storing H2 safely in specialist metal hydride powders



- Opportunity with direct industrial H2 use plus back-up storage of green electricity
- Advantages over pressurised H2 storage and batteries
- Initial interest from regulators and potential customers in US, Europe and Australia
- Initial units in field; industrialisation planned in 2022+

Plus investment in UK hydrogen production start-up HiiROC to develop plasma technology to convert methane into H2 and solid carbon black for industrial use

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Appendices

Pensions

Pension schemes

31 December 2021 £m	Assets	Liabilities	Accounting surplus/ (deficit)	Movement in the year
UK	2,754	(2,582)	172	290
Europe	23	(566)	(543)	33
USA	203	(289)	(86)	51
Rest of World	30	(34)	(4)	3
Total pension schemes	**3,010**	**(3,471)**	**(461)**	**377**

- GKN UK schemes now in accounting surplus of £172 million[1], equivalent funding surplus of c.£100 million
- The Group's gross pension plan liabilities have reduced by 25% during the year, including £379 million of gross liabilities transferred with businesses disposed and £366 million following a successful buy-out of the pensioners of the GKN UK 2016 scheme

GKN UK Funding deficit:

Acquisition commitment		Significantly increased contributions in Melrose ownership		Improved investment strategy and other		At 31 December 2021
'Up to £1 billion'	→	£0.35 billion	→	£0.75 billion	→	£0.1 billion surplus

- The Melrose funding commitment made on acquisition of GKN, fulfilled ahead of time. Ongoing annual payments are halved to £30 million and no funding requirement from future disposal proceeds

1. Includes a surplus of £179 million relating to the GKN UK Group Pension Schemes (numbers 1 - 4) and a deficit of £7 million relating to the GKN UK Post Retirement Medical Scheme

Foreign exchange → forward looking

Exchange rates	FY 2021 USD	FY 2021 EUR	FY 2020 USD	FY 2020 EUR
Average rates	1.38	1.16	1.28	1.13
Closing rates	1.35	1.19	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	23	4	8	11
% impact on adjusted[1] operating profit	6%	1%	2%	3%

Balance Sheet volatility

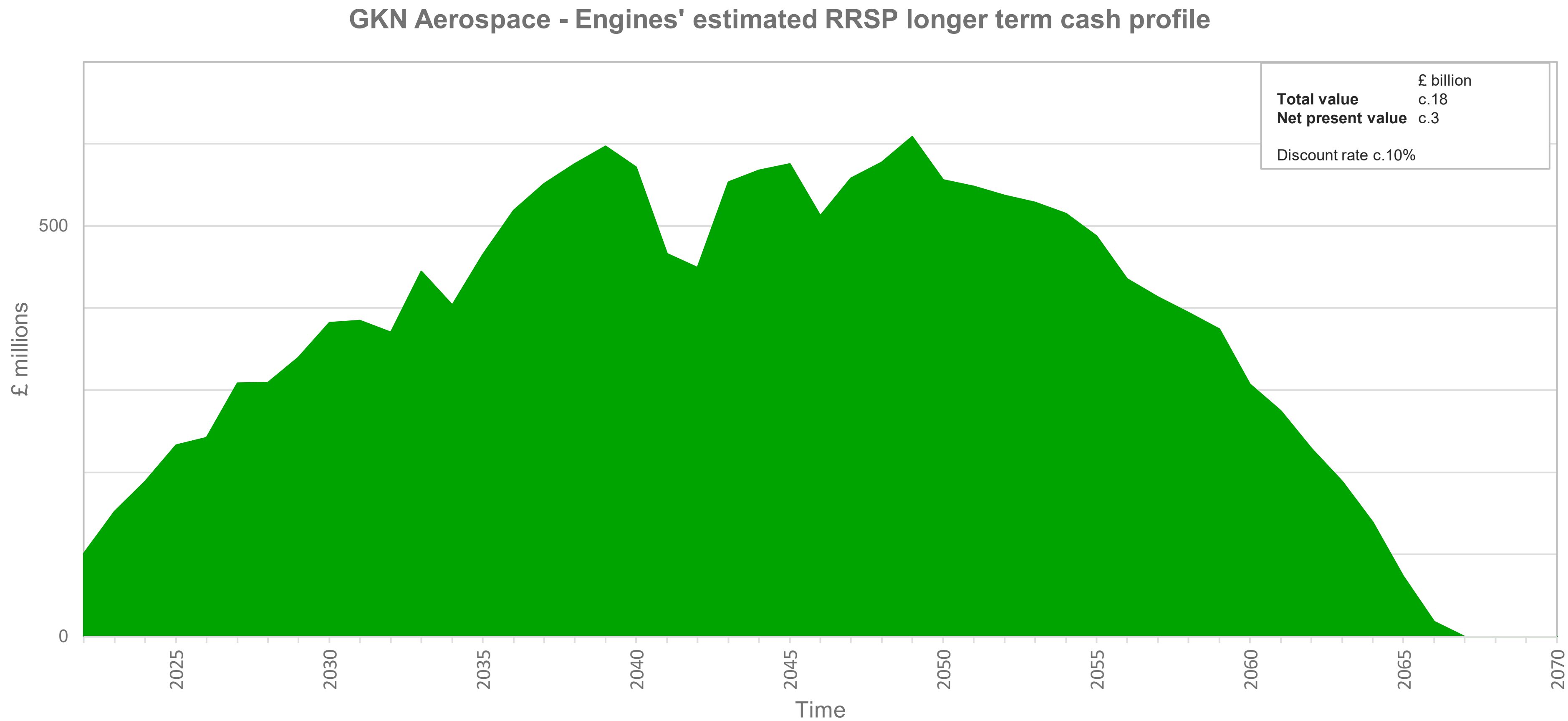
Impact on debt of a 10% strengthening[2] of:

£m	USD	EUR
Increase in debt	74	37

- 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 Preliminary Announcement 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

Aerospace Engines RRSP contracts: longer term cash inflows



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Some helpful data for 2021

Continuing operations **Item**	**Income Statement** 2021 adjusted[1] results	**Cash Flow** 2021 adjusted[1] results
Adjusted[1] operating profit	£375 million	N/A
Central costs	£51 million (includes a divisional LTIP charge of £17 million)	(£34 million)
Free cash flow[1]	N/A	£125 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 - Other	 (£93 million) (£14 million) (£10 million) (£8 million) £2 million	(£140 million)
Depreciation and amortisation	(£425 million)	£425 million
Capital expenditure	N/A	(£225 million)
Pension payments – ongoing contributions (global)	N/A	(£54 million)[2]
Restructuring costs	(£269 million)	(£193 million)
Non-controlling interest	£4 million	£nil
Number of shares in issue at 31 December 2021	4,372 million	N/A
Weighted average number of shares in 2021	4,695 million	N/A
Adjusted[1] EBITDA for leverage covenant purposes	£714 million	N/A

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1. Described in the glossary to the Preliminary Announcement and considered by the Board to be a key measure of performance
2. Ongoing pension contributions will include £30 million per annum payable to the GKN UK pension schemes