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THIS ANNOUNCEMENT IS NOT AN ANNOUNCEMENT OF A FIRM INTENTION TO MAKE AN OFFER UNDER RULE 2.7 OF THE CITY CODE ON TAKEOVERS AND MERGERS (THE "CODE") AND ACCORDINGLY THERE CAN BE NO CERTAINTY THAT ANY TRANSACTION WILL PROCEED

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

FOR IMMEDIATE RELEASE

12 January 2018

Statement re possible offer for GKN plc ("GKN")

Melrose Industries PLC ("Melrose") notes the announcement by GKN this morning and confirms that it made a proposal to GKN on 8 January 2018 to acquire the entire issued and to be issued share capital of GKN (the "Proposal").

The terms of the Proposal comprise a possible offer for GKN at 405 pence for each GKN share, payable 80% in new Melrose shares and 20% in cash. This represents 1.49 new Melrose shares and 81p in cash for each GKN share and would result in GKN shareholders owning approximately 57% of the enlarged group. The terms represent a premium of approximately 24% over the closing share price of GKN on 5 January 2018, the last business day prior to the approach. The cash element of the consideration would be funded with a new debt facility, which is in an agreed form. It is expected that the combined group's net leverage will be in line with Melrose's declared strategy of 2.5x.

Melrose believes that there would be significant operational and commercial benefits arising from Melrose's ownership of GKN's businesses, reversing a history of existing GKN management not delivering on margin targets. In particular:

- Melrose expects to re-energise and re-purpose GKN's operations to enable them to exceed GKN's own top-end group trading margin target of 10%.
- If GKN were to achieve the top-end of their stated divisional target trading margins in 2017 (as set out in its 2011 full year results announcement and since repeated), the group trading profit for this period would be approximately £300 million higher than consensus.
- Under the Proposal, GKN shareholders would become major participants in this potential future value creation, over and above the attractive immediate premium over the GKN share price.

GKN announced today its intention to separate the businesses. Melrose believes that shareholder value would be maximised by it significantly improving the businesses prior to any separation. The potential acquisition represents a significant opportunity for Melrose to execute on its strategy of maximising inherent value of specialised industrial businesses it owns.

This announcement does not amount to a firm intention to make an offer under Rule 2.7 of the Code and there can be no certainty that an offer will be made to acquire GKN.

A further announcement will be made as and when appropriate.

Takeover Code

Pursuant to Rule 2.5 of the Code, Melrose reserves the right to:

1. vary the form and/or mix of the consideration described in this announcement; and
2. make the offer on less favourable terms:

- a. with the recommendation or consent of the Board of GKN;
- b. if GKN announces, declares or pays any dividend or any other distribution to shareholders, in which case Melrose will have the right to make an equivalent reduction to the proposed price;
- c. if a third party announces a firm intention to make an offer for GKN on less favourable terms than the Proposal; or
- d. following the announcement by GKN of a whitewash transaction pursuant to the Code.

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Sources and Bases

1. GKN's top-end group trading margin target based on the published target range of 8% - 10% first stated in the 2007 annual report and repeated up until 2017 interim results.
2. GKN's divisional target ranges of 11% - 13% for Aerospace, 8 - 10% for Driveline and 9 - 11% for Powder Metallurgy first stated in the 2011 full-year results presentation and repeated up until 2015 first half results presentation.
3. GKN consensus comprises all analyst notes available to Melrose since 13 October 2017 (date of GKN's trading statement) and includes divisional and group level estimates from the following analysts: Barclays (16 October 2017), Berenberg (16 October 2017), Deutsche Bank (16 October 2017), J P Morgan Cazenove (group level only, 16 October 2017), UBS (16 October 2017), Peel Hunt (17 October 2017), Citi (18 October 2017), Liberum (23 October 2017), Jefferies (9 November 2017) and Bank of America Merrill Lynch (16 November 2017). Estimates from the following analysts have been excluded from the consensus as they adjust estimated trading profit for the impairment charge in the Aerospace business: Bank of America Merrill Lynch (17 November 2017), Deutsche Bank (17 November 2017), J P Morgan Cazenove (6 Dec 2017), Investec (18 December 2017) and UBS (10 January 2018). Estimates from Investec (6 November 2017) have been excluded from the consensus as it is a connected adviser to Melrose.

The minimum group sales and trading profit margin full-year 2017 estimates per the consensus are £9,883 million and 7.6% respectively, the maximum group sales and trading profit margin full-year 2017 estimates are £10,241 million and 8.0% respectively and the arithmetic averages are £10,113 million and 7.7% respectively.

Trading profit at top-end divisional targets has been derived as the arithmetical sum of applying top-end divisional target margins to respective consensus divisional revenues, adding consensus trading profit for the Other division and deducting central costs.

The minimum Aerospace sales full-year 2017 estimates per the consensus are £3,493 million, the maximum Aerospace sales full-year 2017 estimates are £3,668 million and the arithmetic average is £3,601 million.

The minimum Driveline sales full-year 2017 estimates per the consensus are £4,882 million, the maximum Driveline sales full-year 2017 estimates are £5,212 million and the arithmetic average is £5,087 million.

The minimum Powder Metallurgy sales full-year 2017 estimates per the consensus are £1,089 million, the maximum Powder Metallurgy sales full-year 2017 estimates are £1,175 million and the arithmetic average is £1,139 million.

The minimum Other division trading profit full-year 2017 estimate per the consensus is £4 million, the maximum is £18 million and the arithmetic average is £12 million.

The minimum central costs full-year 2017 estimate per the consensus is £25 million, the maximum is £33 million and the arithmetic average is £29 million.

In accordance with Rule 28.8(c) of the Code, the consensus estimates are not shown with the agreement or the approval of GKN.

Important notice

N M Rothschild & Sons Limited ("Rothschild"), which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for Melrose and for no one else in connection with the subject matter of this announcement and will not be responsible to anyone other than Melrose for providing the protections afforded to its clients or for providing advice in connection with the subject matter of this announcement.

RBC Europe Limited ("RBC Capital Markets"), which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting exclusively for Melrose and for no one else in connection with the subject matter of this announcement and will not be responsible to anyone other than Melrose for providing the protections afforded to its clients or for providing advice in connection with the subject matter of this announcement.

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Disclosure requirements of the Code

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if

later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position disclosure or a dealing disclosure

Rule 26.1 disclosure

In accordance with Rule 26.1 of the Code, a copy of this announcement will be available at www.melroseplc.net by no later than 12 noon (London time) on 15 January 2018.

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

Rule 2.9 information

In accordance with Rule 2.9 of the Code, Melrose confirms that as at the close of business on 11 January 2018 its issued share capital consisted of 1,941,200,503 ordinary shares of 48/7 pence each. The International Securities Identification Number for Melrose's ordinary shares is GB00BZ1G4322.

Important notice for US shareholders

This Announcement does not constitute an offer of securities for sale in the United States. Securities may not be offered or sold in the United States absent registration or an exemption from registration.

Melrose does not intend to make a public offering of securities in the United States, but if undertaken any such public offering would need to be made by means of a prospectus that would contain detailed information about the company and management, as well as financial statements.