

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN WHOLE OR IN PART IN, INTO OR FROM THE UNITED STATES OR ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OR REGULATIONS OF THAT JURISDICTION

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

FOR IMMEDIATE RELEASE

15 January 2018

Melrose Industries PLC ("Melrose")

GKN plc ("GKN") – unlocking the potential

Further to the announcement on 12 January 2018 of the terms of a proposal made by Melrose to GKN in relation to a possible offer by Melrose for GKN (the "Proposal"), Melrose confirms that it is today commencing a series of shareholder meetings to discuss the Proposal.

An investor presentation (the "Presentation") has been prepared and is available on the Melrose website. The Presentation describes GKN's current position as an overly complex and under-managed organisation without focus which needs a fundamental change of culture and leadership.

GKN has underperformed the FTSE350 total shareholder return ("TSR") by approximately 26% since the flotation of Melrose in October 2003 and ranks 227th amongst the existing index constituents. By contrast, Melrose is the third best performing FTSE350 company in terms of TSR for the same period and has outperformed GKN's TSR by approximately 18 times.

£1 invested in a Melrose share since flotation would be worth £17.70 today.

GKN has a history of missed margin targets since 2011 which the Presentation highlights. 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. The consensus group trading margin for the full-year 2017 is 7.7% which is the same as the full-year 2011. The lost opportunity is despite GKN having spent approximately £3.2bn on capex and acquisitions between 2012 and 2016.

Melrose has stated that it 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%. Melrose intends to significantly improve GKN's businesses as opposed to a hasty break up.

Simon Peckham, Chief Executive of Melrose, said: *"We are aiming to put into sharp focus the options for GKN shareholders. They can elect to sell in the market right now for a substantial premium to Friday's opening price – which itself has increased following a rise in the price of Melrose's shares. Or they can choose to combine their business with ours and have the majority share in what we are confident will be a business capable of significant value enhancement. This is in stark contrast to a break up of the business by a GKN management team which has consistently underperformed or a hasty possible sale of parts or all of the business to third parties who don't share our objectives of creating long term value for shareholders."*

The link to the Presentation on the Melrose's corporate website is as follows:

<http://www.melroseplc.net/investors/proposed-acquisition-of-gkn-plc/>

The presentation has also been made available via RNS. Click on, or paste the following link into your web browser, to view the associated PDF document.

http://www.rns-pdf.londonstockexchange.com/rns/8392B_1-2018-1-15.pdf

Enquiries:

Montfort Communications:	+44 (0) 20 3514 0897
Nick Miles, Charlotte McMullen	+44 (0) 7973 130 669 / +44 (0) 7921 881 800
Rothschild (Financial Adviser to Melrose):	
Ravi Gupta, Yuri Shakhmin	+44 (0) 20 7280 5000
RBC Capital Markets (Financial Adviser to Melrose):	
Mark Preston, Chris Squire	+44 (0) 20 7653 4000
Investec (Corporate Broker to Melrose):	
Keith Anderson, Carlton Nelson	+44 (0) 20 7597 5970
Melrose	
Geoff Martin (Finance Director)	+44 (0) 20 7647 4500

Sources and Bases

1. TSR source data from Datastream, as at close of business on 5 January 2018.
2. £1 invested in October 2003 would be worth £17.70 today assuming participation in all equity issuances, based on 5 January 2018 closing Melrose share price.
3. 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 the 2015 first half results presentation.
4. 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 December 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 consensus 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.

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

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 16 January 2018.

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

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.