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FOR IMMEDIATE RELEASE

27 February 2018

Response to GKN's full year 2017 results

Today's announcement from GKN adds little to the debate about which management team is best equipped to transform the business.

- Margins at all three divisions continue to fall and US Standard Aerostructures is loss-making
- Despite an increase in sales of £1 billion, profits are up just £1 million, without taking into account a £112 million writedown
- Continued poor cash management is the order of the day, with debt some £80 million higher than consensus

Melrose Chairman, Christopher Miller, said:

"Today's statements are full of long-term promises and more short-term actual misses. They include a rushed plan to demerge Aerospace and Automotive, which begs the question whether the priority of Project Boost has been superseded by the dismemberment of GKN in the next 15 months. At the heart of this is a plea for the incumbent team to embark on an unproven and risky plan which we believe is wrong for all GKN stakeholders and UK plc as a whole. GKN deserves better than this: we believe Melrose is the only team with the ability to unlock its true potential."

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SOURCES OF INFORMATION AND BASES OF CALCULATION

1. Aerospace reported management trading profit margin 2017 of 7.8% vs. consensus of 8.5%, Driveline reported management trading profit margin 2017 of 7.1% vs. consensus of 7.3%, Powder Metallurgy reported management trading profit margin 2017 of 10.6% vs. consensus of 11.0%, GKN Group reported management trading profit margin 2017 of 7.4% vs. consensus of 7.7%.

GKN consensus used in this announcement comprises all analyst notes available to Melrose since 13 October 2017 (date of GKN's trading statement) as at 12 January 2018 (date that Melrose's approach was made public) 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 Aerospace trading profit margin full-year 2017 estimate per the consensus is 8.2%, the maximum Aerospace trading profit margin full-year 2017 estimate is 9.0% and the arithmetic average is 8.5%.

The minimum Driveline trading profit margin full-year 2017 estimate per the consensus is 7.2%, the maximum Driveline trading profit margin full-year 2017 estimate is 7.5% and the arithmetic average is 7.3%.

The minimum Powder Metallurgy trading profit margin full-year 2017 estimate per the consensus is 10.6%, the maximum Powder Metallurgy trading profit margin full-year 2017 estimate is 11.6% and the arithmetic average is 10.6%.

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

2. GKN management revenue full-year 2016 of £9,414 million and full-year 2017 of £10,409 million, GKN management trading profit full-year 2016 of £773 million and full-year 2017 of £774 million. 2016 figures as set out in GKN's Annual Report 2016 and 2017 figures as set out in GKN's results presentation dated 27 February 2018.
3. GKN reported net debt for 2017 of £889 million as set out in GKN's presentation dated 27 February 2018.

The minimum net debt full-year 2017 estimate per the consensus is £642 million, the maximum net debt full-year 2017 estimate is £929 million and the arithmetic average is £812 million.

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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 the business day following this announcement.

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

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