

17 January 2018

FIRM OFFER BY

MELROSE INDUSTRIES PLC

FOR

GKN PLC

- Having commenced its meetings with GKN shareholders this week, Melrose Industries PLC ("Melrose") announces the terms of its firm offer to acquire the entire issued and to be issued share capital of GKN plc ("GKN") (the "Acquisition").

- Under the terms of the Acquisition, which will be subject to the Conditions and further terms to be set out in the Offer Document, GKN Shareholders will be entitled to receive:

1.49 New Melrose Shares for each GKN Share
and 81 pence in cash

- Based on Melrose's Closing Price of 234.3 pence per Melrose Share on 16 January 2018 (being the last Business Day before the date of this Announcement), the Acquisition:

- values each GKN Share at 430.1 pence;
- values the entire issued and to be issued ordinary share capital of GKN at approximately £7.4 billion; and
- represents an attractive immediate premium of:
 - approximately 29 per cent. to the Closing Price of 332.70 pence per GKN Share on 11 January 2018 (being the last Business Day before commencement of the Offer Period); and
 - approximately 32 per cent. to the Closing Price of 326.30 pence per GKN Share on 5 January 2018 (being the last Business Day prior to the approach made by Melrose to the GKN Board in connection with the Acquisition).

- GKN Shareholders would own approximately 57 per cent. of the Enlarged Group, and would become major participants in the potential future value creation in both the GKN and Melrose businesses.
- The Acquisition will include a Mix and Match Facility.
- 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%.⁽¹⁾
- The Melrose Board believes that the Acquisition would deliver significantly greater benefits to the shareholders of GKN than GKN could otherwise achieve on its own.
- The cash consideration payable under the terms of the Acquisition will be funded through a new debt facility which would also be used to refinance existing indebtedness of Melrose and GKN.
- Melrose's group net leverage is expected to be in line with its declared strategy of approximately 2.5x Enlarged Group EBITDA as a result of the Acquisition.
- The New Melrose Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Melrose Shares in issue at the time the New Melrose Shares are issued pursuant to the Acquisition, including the right to receive and retain dividends and other distributions declared, made or paid by reference to a record date falling after the Effective Date.

- If, after the date of this Announcement, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the GKN Shares, Melrose reserves the right to reduce the offer consideration by an amount up to the amount of such dividend and/or distribution and/or return of capital so announced, declared or paid, in which case any reference in this Announcement or the Offer Document to the offer consideration for the GKN Shares will be deemed to be a reference to the offer consideration as so reduced.
- The Conditions include Melrose shareholder approval, the receipt of various antitrust approvals and other regulatory consents as further described in Part A of Appendix 1 to this Announcement.
- The Melrose Directors, who have been so advised by Rothschild and RBC Europe Limited as to the financial terms of the Acquisition, consider the terms of the Acquisition to be fair and reasonable. In providing their advice to the Melrose Directors, Rothschild and RBC Europe Limited have taken into account the Melrose Directors' commercial assessment of the Acquisition.

⁽¹⁾ This statement is not and is not intended as a profit forecast or a Quantified Financial Benefit Statement for the purposes of Rule 28 of the City Code and should not be interpreted as such.

Commenting on the Acquisition, Simon Peckham, Chief Executive of Melrose said:

"Since our approach was announced, the Melrose share price has risen as the market digests the attractive opportunity our proposal represents. As a result the implied premium has grown from approximately 24 per cent. to approximately 32 per cent. since our approach. However, the real value uplift will come from merging the interests of the two sets of shareholders and creating a business valued at approximately £11 billion today, of which GKN holders will own the majority, including Nortek, our US business which is trading strongly. We are having discussions with shareholders about the potential for the merged business, which will be one of the largest companies in the UK."

Commenting on the Acquisition, Christopher Miller, Chairman of Melrose said:

"Like GKN, Melrose is a UK company operating internationally. Since formation we have generated a total net shareholder value increase of £4.9 billion and our latest acquisition, Nortek is performing ahead of our initial plan. We have repeatedly improved underlying operating margins in our own businesses by 30 to 70 per cent from their original levels. We can reinvigorate their businesses and create positive outcomes for shareholders, employees and customers around the world."

The full terms of the Acquisition will be set out in the Offer Document, the Melrose Prospectus and the Form of Acceptance. Relevant documentation is expected to be sent (or made available on the Melrose website) to Eligible GKN Shareholders and, for information purposes, to persons with information rights and to participants in the GKN Share Schemes in due course. In deciding whether or not to accept the Offer in respect of their GKN Shares, GKN Shareholders should consider the information contained in, and the procedures described in, such documentation. It is also expected that the Melrose Circular, containing details of the Acquisition and notice of the Melrose General Meeting, will be posted to Melrose Shareholders at the same time as the Offer Document is posted to GKN Shareholders.

This summary should be read in conjunction with, and is subject to, the full text of this Announcement (including the Appendices). The Acquisition will be subject to the Conditions and certain further terms set out in [Appendix 1](#) and to the full terms and conditions which will be set out in the Offer Document, the Melrose Prospectus and the Form of Acceptance. [Appendix 2](#) contains sources and bases of certain information contained in this Announcement. [Appendix 3](#) contains the definitions and certain terms used in this Announcement.

Copies of this Announcement will be made available on Melrose's website (www.melroseplc.net).

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Important notices relating to financial advisers

Rothschild, which is authorised by and regulated by the FCA in the UK, is acting exclusively for Melrose and no one else in connection with the Acquisition and will not be responsible to anyone other than Melrose for providing the protections afforded to its clients or for providing advice in relation to the Acquisition or any other matters referred to in this Announcement.

Investec Bank plc, which is authorised by the PRA and regulated by the FCA and the PRA in the UK, is acting exclusively for Melrose and no one else in connection with the Acquisition and will not be responsible to anyone other than Melrose for providing the protections afforded to its clients or for providing advice in relation to the Acquisition or any other matters referred to in this Announcement.

RBC Europe Limited, which is authorised by the PRA and regulated by the FCA and the PRA in the UK, is acting exclusively for Melrose and no one else in connection with the Acquisition and will not be responsible to anyone other than Melrose for providing the protections afforded to its clients or for providing advice in relation to the Acquisition or any other matters referred to in this Announcement.

Further information

This Announcement is not intended to and does not constitute or form part of any offer to sell or subscribe for or any invitation to purchase or subscribe for any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Acquisition or otherwise nor shall there be any sale, issuance or transfer of securities of Melrose pursuant to the Acquisition in any jurisdiction in contravention of applicable laws. The Acquisition will be implemented solely pursuant to the terms of the Offer Document and the accompanying Form of Acceptance which will contain the full terms and conditions of the Acquisition, including details of how to accept the Offer. Any decision in respect of, or other response to, the Acquisition should be made only on the basis of the information contained in the Offer Document, the Melrose Prospectus and the Form of Acceptance.

This Announcement does not constitute a prospectus or prospectus equivalent document.

Melrose will publish a prospectus or equivalent document containing information on the New Melrose Shares and the Enlarged Group as well as the Offer Document. Melrose urges GKN Shareholders to read the Offer Document, the Melrose Prospectus and the Form of Acceptance carefully when they become available because they will contain important information in relation to the Acquisition, the New Melrose Shares and the Enlarged Group. Any decision by GKN Shareholders in respect of the Acquisition should be made only on the basis of the information contained in the Offer Document, the Melrose Prospectus and the Form of Acceptance.

Information relating to GKN Shareholders

Please be aware that addresses, electronic addresses and certain other information provided by GKN Shareholders, persons with information rights and other relevant persons for the receipt of communications from GKN may be provided to Melrose during the Offer Period as required under Section 4 of Appendix 4 of the City Code.

Overseas jurisdictions

The release, publication or distribution of this Announcement in jurisdictions other than the United Kingdom may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe any applicable requirements. In particular, the ability of persons who are not resident in the United Kingdom to accept

the Acquisition or to execute and deliver the Form of Acceptance may be affected by the laws of the relevant jurisdictions in which they are located.

This Announcement has been prepared for the purpose of complying with English law and the City Code and the information disclosed may not be the same as that which would have been disclosed if this Announcement had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.

Unless otherwise determined by Melrose or required by the City Code, and permitted by applicable law and regulation, the Acquisition will not be made available, directly or indirectly, in, into or from a Restricted Jurisdiction or any other jurisdiction where to do so would violate the laws in that jurisdiction and no person may accept the Acquisition by any use, means or instrumentality (including, but not limited to, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of any Restricted Jurisdiction including the United States or any other jurisdiction where to do so would constitute a violation of the laws of that jurisdiction and the Acquisition may not be capable of acceptance by any such use, means, instrumentality or facilities. Accordingly, copies of this Announcement and any formal documentation relating to the Acquisition are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any Restricted Jurisdiction or any other jurisdiction where to do so would constitute a violation of the laws of that jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction or any other jurisdiction where to do so would constitute a violation of the laws of that jurisdiction.

The availability of the Acquisition to GKN Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are resident. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable legal or regulatory requirements.

Further details in relation to GKN Shareholders in overseas jurisdictions will be contained in the Offer Document.

Additional US information

This Announcement is not intended to, and does not, constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the offer or otherwise. The Offer will be made solely through the Offer Document or, if Melrose elects to switch to a Scheme, the Scheme Document, which will contain the full terms and conditions of the Acquisition, including details of how the Acquisition may be accepted. Any acceptance or other response to the Acquisition should be made only on the basis of the information in the Offer Document or Scheme Document (as appropriate).

The Acquisition relates to the shares of a UK company and is subject to UK procedural and disclosure requirements that are different from certain of those of the US. Any financial statements or other financial information included in this Announcement may have been prepared in accordance with non-US accounting standards that may not be comparable to the financial statements of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the US. It may be difficult for US holders of shares to enforce their rights and any claims they may have arising under the US federal securities laws in connection with the Acquisition, since Melrose and GKN are located in countries other than the US, and some or all of their officers and directors may be residents of countries other than the United States. US holders of shares in Melrose or GKN may not be able to sue Melrose, GKN or their respective officers or directors in a non-US court for violations of US securities laws. Further, it may be difficult to compel Melrose, GKN and their respective affiliates to subject themselves to the jurisdiction or judgment of a US court.

It is intended that the Acquisition will be implemented by way of a takeover offer under English law. Accordingly, the Acquisition will be made in the US pursuant to Section 14(e) and Regulation 14E under the US Exchange Act as a "Tier II" tender offer, and otherwise in accordance with the requirements of the City Code. Accordingly, the Acquisition will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that may be different from those applicable under US domestic tender offer procedures and law. A person who receives New Melrose Shares pursuant to the Acquisition may not resell such securities without registration under the US Securities Act or without an applicable exemption from registration or in a transaction not subject to registration (including a transaction that satisfies the applicable requirements of Regulation S under the US Securities Act).

Alternatively, the Acquisition may be implemented by way of a scheme of arrangement under English law which is not subject to the tender offer rules under the US Exchange Act, in which case the Acquisition would be subject to the disclosure requirements and practices applicable in the UK to schemes of arrangement which differ from the disclosure requirements of the US tender offer rules. If the Acquisition is implemented by way of a scheme of arrangement, the New Melrose Shares would be expected to be issued in reliance upon the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) of the US Securities Act. Section 3(a)(10) exempts securities issued in exchange for one or more outstanding securities from the general requirements of registration where the terms and conditions of the issuance and exchange of such securities have been approved by a court, after a hearing on the fairness of the terms and conditions of the issuance and exchange at which all persons to whom such securities will be issued have the right to appear and be heard. The Court would hold a hearing on the Scheme's fairness to GKN Shareholders, at which hearing all such shareholders would be entitled to attend in person or through counsel. If the Acquisition is implemented by way of the Scheme, a person who receives New Melrose Shares pursuant to the Offer or Scheme and who is an affiliate of Melrose may not resell such securities without registration under the US Securities Act or pursuant to the applicable resale provisions of Rule 144 under the US Securities Act or another applicable exemption from registration or in a transaction not subject to registration (including a transaction that satisfies the applicable requirements of Regulation S under the US Securities Act).

Whether a person is an affiliate of a company for the purposes of the US Securities Act depends on the circumstances, but affiliates can include certain officers, directors and significant shareholders. Persons who believe that they may be affiliates of Melrose should consult their own legal advisers prior to any sale of securities received pursuant to the Scheme.

This Announcement does not constitute an offer of securities for sale in the US. 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 US, 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. No offer to acquire securities or to exchange securities for other securities has been made, or will be made, directly or indirectly, in or into, or by use of the mails, any means or instrumentality of interstate or foreign commerce or any facilities of a national securities exchange of, the US or any other country in which such offer may not be made other than (i) in accordance with the US Securities Act, as amended, or the securities laws of such other country, as the case may be, or (ii) pursuant to an available exemption from such requirements. In particular, New Melrose Shares will only be made available in the United States to qualified institutional buyers (as defined in Rule 144A under the US Securities Act) or accredited investors (as defined in Rule 501(a) under the US Securities Act) in transactions that are exempt from the registration requirements of the US Securities Act. Such shareholders will be required to make such acknowledgements and representations to, and agreements with, Melrose as Melrose may require to establish that they are entitled to receive New Melrose Shares.

Nothing in this Announcement shall be deemed an acknowledgement that any SEC filing is required or that an offer requiring registration under the US Securities Act may ever occur in connection with the Acquisition.

The New Melrose Shares have not been, and will not be, registered under the securities laws of any state or jurisdiction in the United States and, accordingly, will only be issued to the extent that exemptions from the registration or qualification requirements of state "blue sky" securities laws are available or such registration or qualification requirements have been complied with.

Cautionary note regarding forward looking statements

This Announcement contains certain forward looking statements with respect to the financial condition, results of operations and businesses of Melrose and GKN and their respective groups, and certain plans and objectives of Melrose with respect to the Enlarged Group. All statements other than statements of historical fact are, or may be deemed to be, forward looking statements. Forward looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward looking statements include, among other things, statements concerning the potential exposure of Melrose, the Melrose Group, GKN, the GKN Group and/or the Enlarged Group to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions, including as to future potential cost savings, synergies, earnings, cash flow, return on average capital employed, production and prospects. These forward looking statements are identified by their use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "goals", "intend", "may", "objectives", "outlook", "plan", "probably", "project", "risks", "seek", "should", "target", "will" and similar terms and phrases.

There are a number of factors that could affect the future operations of Melrose, the Melrose Group, GKN, the GKN Group and/or the Enlarged Group and that could cause results to differ materially from those expressed in the forward looking statements included in this Announcement, including (without limitation): (a) changes in demand for Melrose's and/or GKN's products; (b) currency fluctuations; (c) loss of market share and industry competition; (d) risks associated with the identification of suitable potential acquisition properties and targets, and successful negotiation and completion of such transactions; and (e) changes in trading conditions.

All forward looking statements contained in this Announcement are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Readers should not place undue reliance on forward looking statements. For a discussion of important factors which could cause actual results to differ from forward-looking statements in relation to the Melrose Group or the GKN Group, refer to the annual report and accounts of the Melrose Group for the financial year ended 31 December 2016 and of the GKN Group for the financial year ended 31 December 2016, respectively.

Each forward looking statement speaks only as of the date of this Announcement. Neither Melrose nor the Melrose Group undertakes any obligation to publicly update or revise any forward looking statement as a result of new information, future events or otherwise, except to the extent legally required. In light of these risks, results could differ materially from those stated, implied or inferred from the forward looking statements contained in this Announcement.

Rounding

Certain figures included in this Announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables or forms may vary slightly and figures shown as totals in certain tables or forms may not be an arithmetic aggregation of the figures that precede them.

No forecasts or estimates

No statement in this Announcement (including any statement of estimated synergies) is intended as a profit forecast, estimate or quantified financial benefits statement for any period and no statement in this

Announcement should be interpreted to mean that cash flow from operations, free cash flow, earnings or earnings per share for Melrose, GKN or the Enlarged Group, as appropriate, for the current or future financial years would necessarily match or exceed the historical published cash flow from operations, free cash flow, earnings or earnings per share for Melrose or GKN as appropriate.

Disclosure requirements of the City Code

Under Rule 8.3(a) of the City Code, any person who is interested (directly or indirectly) in 1 per cent. 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 p.m. (London time) on the 10th Business Day following the commencement of the offer period and, if appropriate, by no later than 3.30 p.m. (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 midnight on the day before the deadline for making an Opening Position Disclosure must instead make a dealing disclosure.

Under Rule 8.3(b) of the City Code, any person who is, or becomes, interested (directly or indirectly) in 1 per cent. 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(s), save to the extent that these details have previously been disclosed under Rule 8 and have not changed. A dealing disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 p.m. (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 of the City Code).

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 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.

For the purpose of this section (*Disclosure requirements of the City Code*) and the following section (*Publication on website and availability of hard copies*) of this Announcement, "Business Day" means a day on which the London Stock Exchange is open for the transaction of business.

Publication on website and availability of hard copies

A copy of this Announcement is and will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, for inspection on Melrose's website www.melroseplc.net by no later than 12 noon (London time) on the Business Day following the date of this Announcement. For the avoidance of doubt, the contents of the websites referred to in this Announcement are not incorporated into and do not form part of this Announcement.

Melrose and GKN Shareholders may request a hard copy of this Announcement by contacting Rothschild on +44 (0)20 7280 5000 or RBC Europe Limited on +44 (0)20 7653 4000.

If you are in any doubt about the contents of this Announcement or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or from an independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are located in the UK or, if you are located outside the UK, from an appropriately authorised independent financial adviser.

LEI number of Melrose Industries PLC: 213800RGNXXZY2M7TR85

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, IN, INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF SUCH JURISDICTION. IN PARTICULAR, THIS ANNOUNCEMENT SHOULD NOT BE RELEASED, PUBLISHED,

DISTRIBUTED, FORWARDED OR TRANSMITTED, IN WHOLE OR IN PART, IN, INTO OR FROM ANY RESTRICTED JURISDICTION, INCLUDING THE UNITED STATES.

THIS ANNOUNCEMENT IS AN ADVERTISEMENT AND NOT A PROSPECTUS OR PROSPECTUS EQUIVALENT DOCUMENT AND NO INVESTMENT DECISION IN RELATION TO THE OFFER OR THE NEW MELROSE SHARES SHOULD BE MADE EXCEPT ON THE BASIS OF INFORMATION IN THE OFFER DOCUMENT AND THE PROSPECTUS OR PROSPECTUS EQUIVALENT DOCUMENT WHICH ARE EXPECTED TO BE PUBLISHED IN DUE COURSE.

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION.

FOR IMMEDIATE RELEASE

17 January 2018

FIRM OFFER BY

MELROSE INDUSTRIES PLC

FOR

GKN PLC

1. INTRODUCTION

Having commenced its meetings with GKN shareholders this week, Melrose Industries PLC ("**Melrose**") announces the terms of its firm offer to acquire the entire issued and to be issued share capital of GKN plc ("**GKN**") (the "**Acquisition**").

2. THE ACQUISITION

Under the terms of the Acquisition, which will be subject to the satisfaction (or waiver, if permitted) of the Conditions set out in [Appendix 1](#), to the certain further terms set out in [Appendix 1](#), and to the full terms and conditions which will be set out in the Offer Document, GKN Shareholders will be entitled to receive:

1.49 New Melrose Shares **for each GKN Share**
and 81 pence in cash

Based on Melrose's Closing Price of 234.3 pence per Melrose Share on 16 January 2018 (being the last Business Day before the date of this Announcement), the Acquisition:

- values each GKN Share at 430.1 pence;
- values the entire issued and to be issued ordinary share capital of GKN at approximately £7.4 billion; and
- represents an attractive immediate premium of:
 - approximately 29 per cent. to the Closing Price of 332.70 pence per GKN Share on 11 January 2018 (being the last Business Day before commencement of the Offer Period); and
 - approximately 32 per cent. to the Closing Price of 326.30 pence per GKN Share on 5 January 2018 (being the last Business Day prior to the approach made by Melrose to the GKN Board in connection with the Acquisition).

GKN Shareholders would own approximately 57 per cent. of the Enlarged Group, and would become major participants in the potential future value creation in both the GKN and Melrose businesses.

Melrose notes the statement by the Trustees of the GKN Group pension schemes on 16 January 2018. The numbers published are entirely in line with Melrose's own reading of the pension exposure at GKN and Melrose looks forward to meeting the trustees as soon as is appropriate. Melrose has an impeccable track record of safeguarding and improving pensioners' rights in every acquisition it has made.

The Acquisition will include a Mix and Match Facility, which will allow Eligible GKN Shareholders to elect, subject to offsetting elections, to vary the proportions in which they receive New Melrose Shares and cash in respect of their GKN Shares. However, the total number of New Melrose Shares to be issued and the maximum aggregate amount of cash to be paid under the Acquisition will not be varied as a result of elections made under the Mix and Match Facility. Please refer to Section 15 of this Announcement for further details.

The New Melrose Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Melrose Shares in issue at the time the New Melrose Shares are issued pursuant to the Acquisition, including the right to receive and retain dividends and other distributions declared, made or paid by reference to a record date falling after the Effective Date. Applications will be made to the UK Listing Authority for the New Melrose Shares to be admitted to the Official List with a premium listing and to trading on the main market for listed securities of the London Stock Exchange.

If, after the date of this Announcement, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the GKN Shares, Melrose reserves the right to reduce the offer consideration by an amount up to the amount of such dividend and/or distribution and/or return of capital so announced, declared or paid, in which case any reference in this Announcement or the Offer Document to the offer consideration for the GKN Shares will be deemed to be a reference to the offer consideration as so reduced. For the avoidance of doubt, any payments made in cash or by way of the delivery of shares on the vesting of awards calculated by reference to dividends accrued in respect of those underlying vested shares are not to be construed as a dividend, distribution or return of capital for these purposes.

3. BACKGROUND TO AND REASONS FOR THE ACQUISITION

Melrose's focus is to acquire high quality industrial manufacturing businesses with strong fundamentals whose performance can benefit from a change in direction. The strategy is based on supporting and incentivising management teams to transform and grow their businesses, exit low margin sales, ensure appropriate costs and invest in operations to improve efficiencies so as to achieve superior market profit growth, increased operating margins and strong profit conversion to cash. Through a combination of these factors, Melrose has been able to increase underlying operating margins on the businesses that it has owned by 30 to 70 per cent from their original levels, including 60 per cent on Nortek, its most recent acquisition, as at 30 June 2017. Melrose employs prudent levels of leverage and invests heavily in its businesses. On average, Melrose has invested an amount equivalent to a third of the original equity purchase price in its businesses over time.

The Melrose Board believes that GKN owns good industrial manufacturing businesses serving strong end markets, delivering aerospace and vehicle components to a blue chip customer base. Despite the longstanding support of its shareholders, GKN management has a track record of failing to deliver on its margin targets. The Melrose Board believes that, through its demonstrated track record and experience, Melrose can improve GKN's operational and financial performance to ensure it achieves its potential. In particular, the Melrose Board expects to re-energise and re-purpose GKN's operations to enable them to exceed GKN's own previously stated top-end group trading margin target of 10 per cent⁽²⁾.

The Melrose Board believes that the Acquisition represents a significant opportunity for Melrose to deploy its strategy to deliver substantial value for shareholders.

⁽²⁾ This statement is not and is not intended as a profit forecast or a Quantified Financial Benefit Statement for the purposes of Rule 28 of the City Code and should not be interpreted as such.

4. INFORMATION RELATING TO GKN

GKN is a global engineering business, designing, manufacturing and servicing systems and components for OEMs around the world. With its headquarters in Redditch, United Kingdom, GKN operates across Europe, Asia Pacific and the Americas. Approximately £3,743 million of GKN's sales were generated in Europe (excluding the UK), £3,326 million in the Americas, £1,296 million in Asia Pacific and £1,047 million in the United Kingdom, in each case in the financial year ended 31 December 2016. GKN employs approximately 22,650 people in Europe (excluding the UK), 14,000 in Asia Pacific, 15,900 in the Americas and 5,600 in the UK, in each case as at 31 December 2016, including subsidiaries and joint ventures.

Its four divisions comprise:

Aerospace (36% Group revenue, 44% Segment operating profit): a leading tier one supplier of aircraft and engine structures and electrical interconnection systems to the global aerospace industry

- global number two in aerostructures and in the independent aero engine components market, and number three in electrical wiring systems; and
- develops, manufactures and supplies niche products such as ice protection, fuel systems, transparencies including specially coated cockpit and cabin windows, and flotation devices.

Driveline (49% Group revenue, 43% Segment operating profit): the leading tier one supplier of automotive driveline systems and solutions to the world's leading vehicle manufacturers

- develops, manufactures and supplies an extensive range of automotive driveline products and systems, for use in everything from the smallest ultra-low-cost cars to the most sophisticated premium vehicles that demand complex driving dynamics; and
- number one in driveline and all-wheel drive (AWD) markets; eDrive systems include electric axles and transmissions.

Powder Metallurgy (11% Group revenue, 15% Segment operating profit): the world's largest manufacturer of sintered components and a leading producer of metal powder

- global leader in sintered components; and
- global number two manufacturer of metal powder.

Other businesses:

- GKN Wheels & Structures is a manufacturer of off highway wheels and a specialist in advanced structures and chassis systems for automotive and off-highway; and
- GKN Shafts & Services is a global supplier of power management products and services.

5. NO ACCESS TO GKN'S NON PUBLIC INFORMATION

Melrose and its advisers have not had access to GKN's non-public information or documentation and accordingly have been unable to perform any due diligence on such information or documentation. All information relating to GKN and the GKN Group has been sourced from publicly available information and has not been subject to comment or verification by GKN or the relevant member of the GKN Group or their respective directors.

6. INFORMATION RELATING TO MELROSE

Melrose's strategy is to acquire high-quality manufacturing businesses, with strong fundamentals and the potential for significant development and improvement under Melrose management.

Through investing in businesses, changing management focus and operational improvements, Melrose seeks to increase and realise the value in such businesses at the appropriate time and to return the proceeds to shareholders.

The Melrose Group consists of four divisions:

Air Management

The Air Management division is the largest in the Melrose Group. It comprises two businesses: a global HVAC business which produces residential, commercial and custom HVAC equipment and is based in Missouri, USA; and Air Quality & Home Solutions ("AQH"), which manufactures ventilation products under new management headquartered in Wisconsin, USA.

Security & Smart Technology

The Security & Smart Technology division comprises the Security & Control, Core Brands and GTO Access Systems businesses, which have been consolidated under one management team in California, USA. It is one of the world's leading developers and manufacturers of security, home automation and access control technologies for the residential audio video and professional video markets.

Ergonomics

The Ergonomics division comprises Ergotron, a world leading manufacturer and distributor of innovative products designed with ergonomic features including wall mounts, carts, workstations and stands. The business is headquartered in Minneapolis, USA and is organised into three segments: commercial; original design and manufacture; and consumer.

Energy

The Energy division manufactures and services turbogenerators and transformers under the Brush brand as well as switchgear for rail and industrial use under the Hawker Siddeley Switchgear brand name and small mobile generators as Harrington Generators International.

7. INTENTIONS OF MELROSE WITH REGARD TO GKN'S BUSINESS, EMPLOYEES, AND THE GKN PENSION SCHEME

Lack of access to undertake detailed planning

Melrose has not been provided with access to GKN's management or internal GKN data and therefore has only been able to undertake diligence from industry information and publicly available data. Accordingly, Melrose has not been able to undertake any substantial analysis in order to formulate detailed plans or intentions regarding the impact of the Acquisition on the GKN businesses.

However, Melrose is an experienced acquirer of businesses whose performance it believes can be improved and expects to be able to apply its proven model of increasing underlying profitability margins through a combination of exiting lower margin sales, efficiency measures focusing on operating performance (including through appropriate incentives) and reduced cost base as well as targeted investment. On average, Melrose invests an amount equivalent to a third of the equity consideration into acquired businesses during the period of its ownership.

Intentions in respect of GKN

Melrose attaches great importance to retaining the skills, knowledge and expertise of GKN's operational management and employees.

Melrose intends to carry out an in-depth review of GKN's businesses alongside the operational management team as appropriate in order to formulate a detailed improvement plan and has already identified several immediate actions which it expects to implement which comprise:

- head office restructuring and consequent simplification of the management structure;
- change of culture to focus on performance and reduced cost base;
- focus on profitability, not sales, by exiting unprofitable or low margin business;
- investment in operations to produce return rather than growth only;
- management focus back on business by changing incentives and ensuring targets are delivered; and
- fast economic-based decision making to create a speedy, flat and non-bureaucratic organisation.

Head Office

As above, Melrose expects to restructure GKN's head office in order to simplify the management structure and remove shared functions. Melrose currently has had no information upon which to make an assessment of the suitability of, or requirement for the head office location, or its flexibility as a site and in view of the restructuring described can give no certainty on its retention. The functions and operations of the head office and their necessity for the success of the business will be assessed in consultation with operational management following the Effective Date. Following the undertaking of this review the best locations for these functions will be determined and actioned appropriately, which may involve some headcount reduction.

It is also anticipated that following the delisting of the GKN Shares (as further described in Section 10 below) certain functions related to GKN's status as a listed company will no longer be required.

Potential disposals

Once they have been improved, Melrose also expects to sell the Powder Metallurgy business in the medium term and certain smaller businesses in the Aerospace and Driveline divisions, which it may deem non-core following its review.

R&D

Melrose understands the importance of R&D to GKN. However, GKN does not disclose a detailed breakdown around its R&D programmes and initiatives, as such, it is not possible for Melrose to have formed any bespoke intentions in respect of R&D in any particular division. However, Melrose's stated strategy is to invest in its businesses, which includes R&D.

Operational management reviews

The Melrose Board recognises that in order to achieve improved performance, cost savings for the Enlarged Group will be required following the Acquisition becoming or being declared wholly unconditional. Melrose's approach to its acquisitions, which it would look to replicate in this situation, is to simplify management structure, establish direct reporting lines and work with operational management teams to establish specific profit improvement plans. Such plans typically include optimisation of production footprint, improvements in productivity and reductions in general administrative expenses.

In respect of GKN, Melrose will conduct a detailed review following the Acquisition becoming or being declared wholly unconditional. A central tenet of ownership by Melrose is the empowerment of operational management to create a sense of ownership and the removal of any unnecessary administrative barriers. As such this review will be undertaken with the operational management of the business and will look at every facet of the businesses within the GKN Group. Melrose will agree with the operational management teams detailed plans for how to drive performance and improve their businesses, including a potential headcount review. For example, addressing the underperformance identified by Melrose against the margin targets of the Aerospace division and Driveline division will be a focus of the review.

As would be expected, the time required to undertake the reviews for each business will vary, however, in previous acquisitions the time taken in the formalisation of detailed plans with operational management teams has not taken longer than 2 months. As set out above, optimisation of production footprint, improvements in productivity and reductions in general administrative expenses may result from implementation of the plan once the process described above has been completed in conjunction with the operational management teams.

Whilst no direct parallel can be drawn, to illustrate the nature of the reviews undertaken an example from our most recent acquisition follows.

Nortek

Upon acquisition in 2016, in the first four months of ownership Melrose undertook business reviews with the operational management teams in the form described above, which resulted in recommendations of various actions to improve the business and reduce Nortek's central cost base, including:

- at Air Quality & Home Solutions, Melrose committed to an investment of £10 million to improve manufacturing processes and warehousing, and a further £3 million in clean room production capabilities;
- consolidation of the Security & Control, Core Brands and GTO businesses into one division, Security & Smart Technology;
- committed investments totalling over £1 million at Ergotron for tooling to enable the business to break into new markets, including large furniture, insertion machines and new carts;
- closure of the central headquarters in Providence, the reorganisation of the businesses into three divisions in the Melrose Group: Air Management; Security & Smart Technology; and Ergonomics;
- decentralisation of head office functions back to the businesses, including HR, IT, legal, supply chain, distribution and benefits administration;
- implementation of Melrose treasury processes for hedging and cash control; and
- removal of the Nortek Board, with oversight retained by the Melrose Board.

Accordingly, the outcome of the reviews will be driven in large part by Melrose in agreement with operational management teams. Pending conclusion of their respective review, each of the businesses within the GKN Group will continue to be operated in the ordinary course. Accordingly, beyond the statements set out in this Announcement, Melrose cannot be certain what, if any, repercussions there will be on the locations of GKN's places of business, any redeployment of GKN's fixed assets, research & development function, head office location, facilities and/or locations of GKN's divisions, or the number of employees (including in respect of the balance, the skills and functions of those employees), all of which will depend on the outcome of the review.

Following completion of the review, such actions as it is resolved are necessary will be taken in order to implement the improvements which are identified and deliver the expected benefits of the Acquisition.

Pensions

The existing contractual and statutory employment rights, including in relation to existing pensions contributions, of GKN's management and employees will be fully safeguarded in accordance with the applicable law. The accrued benefits for existing members of GKN's defined benefit pension schemes will not be affected. GKN's UK defined benefit pension schemes will remain closed to admission of new members and to future accrual. Melrose notes the statement by the Trustees of the GKN Group pension schemes on 16 January 2018. The numbers published are entirely in line with Melrose's own reading of the pension exposure at GKN and Melrose looks forward to meeting the trustees as soon as is appropriate. Melrose has an impeccable track record of safeguarding and improving pensioners' rights in every acquisition it has made.

The Acquisition will not have any impact on the existing businesses of Melrose.

8. MELROSE SHAREHOLDER APPROVAL, PROSPECTUS AND CONDITIONS

As a result of its size, the Acquisition is classified as a Class 1 transaction for Melrose for the purposes of the Listing Rules. Accordingly, Melrose will be required to seek the approval of Melrose Shareholders for the Acquisition at the Melrose General Meeting. The Acquisition will also be conditional on Melrose Shareholders granting authority at the Melrose General Meeting to the Melrose Directors to allot and issue the New Melrose Shares to GKN Shareholders.

The Melrose Directors, who have been so advised by Rothschild and RBC Europe Limited as to the financial terms of the Acquisition, consider the terms of the Acquisition to be fair and reasonable. In providing their advice to the Melrose Directors, Rothschild and RBC Europe Limited have taken into account the Melrose Directors' commercial assessment of the Acquisition.

The Melrose Directors also consider the Acquisition to be in the best interests of Melrose and Melrose Shareholders as a whole. Accordingly, the Melrose Directors intend to recommend unanimously that Melrose Shareholders vote in favour of all of the resolutions to be proposed at the Melrose General Meeting which will be convened in connection with the Acquisition, as they intend to do, or procure, in respect of their own beneficial holdings of 72,119,946 Melrose Shares representing, in aggregate,

approximately 3.7 per cent. of Melrose's ordinary share capital in issue on 16 January 2018, being the last Business Day before the date of this Announcement.

It is expected that the Melrose Prospectus, containing information about the New Melrose Shares and the Enlarged Group, will be made available to Eligible GKN Shareholders at the same time as the Offer Document and the accompanying Form of Acceptance are posted to Eligible GKN Shareholders. It is also expected that the Melrose Circular, containing details of the Acquisition and notice of the Melrose General Meeting, will be posted to Melrose Shareholders at the same time as the Offer Document is posted to GKN Shareholders. The Acquisition will be subject to the Conditions and certain further terms set out in Appendix 1 to this Announcement and to the full terms and conditions which will be set out in the Offer Document, including the approval of Melrose Shareholders.

It is expected that Admission will become effective and that dealings for normal settlement in New Melrose Shares to be issued in connection with the Acquisition becoming effective will commence on the London Stock Exchange at 8.00 am on the Effective Date.

The Conditions include the receipt of various antitrust approvals and other regulatory consents as further described in Part A of Appendix 1 to this Announcement.

9. SHARE SCHEMES

Participants in the GKN Share Schemes will be contacted in due course regarding the effect of the Acquisition on their rights under these schemes and provided with further details concerning the proposals which will be made to them. Appropriate proposals will be set out in separate letters to be sent to participants in the share schemes in due course.

10. CANCELLATION OF ADMISSION OF GKN SHARES, COMPULSORY ACQUISITION OF GKN SHARES AND RE-REGISTRATION OF GKN

If Melrose receives acceptances under the Offer in respect of, and/or otherwise acquires, both 90 per cent. or more in value of the GKN Shares to which the Acquisition relates and 90 per cent. or more of the voting rights carried by those shares, and assuming that all of the other Conditions of the Acquisition have been satisfied or waived (if capable of being waived), Melrose intends to exercise its rights in accordance with sections 974 to 991 of the Act to acquire compulsorily the remaining GKN Shares on the same terms as the Acquisition.

Following the Acquisition becoming or being declared unconditional in all respects, if Melrose receives acceptances under the Offer in respect of, and/or otherwise acquires 75 per cent. or more of the voting rights carried by the GKN Shares or the appropriate special resolutions are otherwise passed, and subject to any applicable requirements of the UKLA, it is intended that Melrose will procure that GKN makes applications to cancel the listing of GKN Shares on the UKLA's Official List, to cancel trading in GKN Shares on the London Stock Exchange's main market for listed securities and to re-register GKN as a private limited company.

Following the Effective Date, Melrose intends to procure the termination of the existing GKN American Depositary Receipt programme in accordance with its terms.

Delisting of the GKN Shares and the re-registration of GKN as a private limited company would significantly reduce the liquidity and marketability of any GKN Shares in respect of which the Offer has not been accepted at that time. Any remaining GKN Shareholders would become minority shareholders in a majority controlled private limited company and may therefore be unable to sell their GKN Shares. There can be no certainty that GKN would pay any further dividends or other distributions or that such minority GKN Shareholders would again be offered an opportunity to sell their GKN Shares on terms which are equivalent to or no less advantageous than those under the Offer.

11. DISCLOSURE OF INTERESTS IN RELEVANT SECURITIES

As of the close of business on 16 January 2018 (being the last Business Day before the date of this Announcement), none of Melrose nor, so far as Melrose is aware, any person acting in concert (within the meaning of the City Code) with Melrose (including the Melrose Directors) has:

- any interest in, or right to subscribe for, any GKN Shares or other relevant securities relating to GKN, nor does any such person have any short position in GKN Shares or other relevant securities relating to GKN, including any short position under a derivative, any agreement to sell, any delivery obligation or right to require another person to purchase or take delivery of GKN Shares or other relevant securities relating to GKN; or
- borrowed or lent any GKN Shares or other relevant securities relating to GKN, nor entered into any financial collateral arrangements relating to GKN Shares or other relevant securities relating to GKN.

It has not been practicable for Melrose to make enquiries of all of its concert parties in advance of the release of this Announcement. Therefore, all relevant details in respect of Melrose's concert parties will be included in the Opening Position Disclosure in accordance with Rule 8.1(a) and Note 2(a)(i) on Rule 8 of the City Code.

12. FINANCING

Melrose intends to finance the cash consideration that may become payable to GKN Shareholders pursuant to the Acquisition with proceeds of borrowings under its debt facilities. Melrose has entered into a senior term and revolving facilities agreement with, among others, certain of its subsidiaries as original borrowers and/or original guarantors, Lloyds Bank plc and Royal Bank of Canada as original lenders (the "**Lenders**"), Lloyds Bank plc and Royal Bank of Canada as mandated lead arrangers and bookrunners (the "**Arrangers**") and Lloyds Bank plc as agent (the "**Agent**") (the "**Facilities Agreement**").

The Facilities Agreement provides for term facilities and revolving facilities in an aggregate principal amount of up to £2,600,000,000, \$2,000,000,000 and €500,000,000, under which certain members of the Melrose Group may borrow upon the satisfaction of certain conditions (the "**Facilities**"). The proceeds of borrowings under the Facilities may be used to finance the cash consideration that may become payable to GKN Shareholders pursuant to the transaction, to refinance existing indebtedness of the Melrose Group and the GKN Group, to pay fees and expenses relating to the transaction and any refinancing and for general corporate purposes. Such loans under the Facilities will be available on a customary "certain funds" basis.

Interest Rates and Maturity

Loans under the Facilities will bear interest at a rate of LIBOR or EURIBOR, as appropriate, plus a margin ranging from 0.75% to 2.25%. The margin for each loan will be subject to adjustment based on group leverage. The maturity of the Facilities ranges from, in respect of the term facility, the earlier of (i) 3 years and 6 months after the date of the Facilities Agreement and (ii) 3 years after closing and, in respect of the revolving facilities, 5 years after the date of the Facilities Agreement.

Prepayments

The Facilities may be voluntarily prepaid or cancelled by the Melrose Group without penalty or premium. The Facilities Agreement permits each lender to require the mandatory prepayment of all amounts owing to that lender upon a change of control of Melrose.

Guarantees

Loans under the Facilities Agreement will be guaranteed on a senior basis by Melrose and certain of its subsidiaries. In addition, it is a requirement under the Facilities Agreement that certain material members of the GKN Group provide guarantees in favour of the Lenders following completion of the transaction, subject to certain limitations (including in respect of financial assistance laws). The Facilities will be unsecured.

Certain Covenants and Events of Default

The Facilities Agreement contains certain operating covenants which will restrict the ability of the Melrose Group and the GKN Group to, among other things:

- create security over assets;
- sell or transfer assets;
- make acquisitions;
- make loans;
- give guarantees;
- merge or consolidate; and
- incur additional indebtedness.

The Facilities Agreement contains financial covenants requiring Melrose to ensure that interest cover shall be at least 4.00:1.0 and that group leverage shall be no greater than 3.50:1.0. The Facilities Agreement also contains certain customary representations and warranties, affirmative covenants and events of default.

Under the terms of the Facilities Agreement, Melrose has agreed that it will not amend or waive any Condition without the consent of the lenders if to do so would be materially prejudicial to the interests of the lenders under the Facilities Agreement, save as required by the UK Listing Authority, the London Stock Exchange, the Panel or the Court. Without the consent of the lenders, Melrose may reduce the minimum threshold for acceptances in Condition (a) to not less than 50% of the ordinary shares in the capital of GKN plus one share.

Rothschild and RBC Europe Limited are satisfied that sufficient resources are available to Melrose to satisfy in full the cash consideration that may become payable to GKN Shareholders pursuant to the Acquisition.

The availability of the Acquisition to GKN Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdiction in which they are located. Persons who are not resident in the United Kingdom should inform themselves of, and observe any applicable legal or regulatory requirements.

This Announcement does not constitute an offer for sale of any securities or an offer or an invitation to purchase any securities. GKN Shareholders are advised to read carefully the Offer Document, the Melrose Prospectus and the Form of Acceptance, once these have been published and dispatched.

Please refer to the overseas jurisdiction section of Section 17 of this Announcement.

14. DOCUMENTS ON WEBSITE

Copies of the following documents will, by no later than 12 noon (London time) on 18 January 2018, be published on www.melroseplc.net:

- (a) this Announcement; and
- (b) the various financing documentation entered into in connection with the financing of the Acquisition and the Enlarged Group following completion of the Acquisition as referred to in Section 12 above.

15. MIX AND MATCH FACILITY

Eligible GKN Shareholders will be entitled to elect, subject to offsetting elections, to vary the proportions in which they receive New Melrose Shares and cash in respect of their GKN Shares. However, the total number of New Melrose Shares to be issued and the maximum aggregate amount of cash to be paid under the Acquisition will not be varied as a result of elections made under the Mix and Match Facility.

Satisfaction of elections made by Eligible GKN Shareholders under the Mix and Match Facility will therefore depend on the extent to which other GKN Shareholders make offsetting elections. To the extent that elections cannot be satisfied in full, they will be scaled down on a pro-rata basis. As a result, GKN Shareholders who make an election under the Mix and Match Facility will not necessarily know the exact number of New Melrose Shares or the amount of cash they will receive until settlement of the consideration due to them under the Acquisition.

The Mix and Match Facility will not affect the entitlement of any GKN Shareholder who does not make an election under the Mix and Match Facility.

Further details in relation to the Mix and Match Facility (including the action to take in order to make a valid election, the deadline for making elections, and the basis on which entitlement to receive cash may be exchanged for an entitlement to additional New Melrose Shares) for GKN Shareholders will be contained in the Offer Document.

16. CONDITIONS AND TIMETABLE

The Acquisition is conditional upon, amongst other things, approvals or confirmation of non-applicability from (i) CFIUS and other US defence and federal agencies, (ii) the BMWi and (iii) the French Ministry of Economy ((i)-(iii) together, the "**Defence Conditions**").

Appendix 1 to this Announcement sets out the Conditions (including the Defence Conditions) and further terms to which the Acquisition will be subject. Under Rule 31.7 of the City Code, except with the consent of the Panel, all the Conditions must be satisfied or the Acquisition will lapse within 21 days of the first closing date or the date the Acquisition becomes or is declared unconditional as to acceptances, whichever is the later. Rule 31.7 also provides that the Panel's consent to an extension will normally only be granted, broadly, if the outstanding condition involves a material official authorisation or regulatory clearance relating to the transaction.

The timetable for obtaining the consent of the relevant agencies pursuant to the Defence Conditions is controlled by such agencies and depends, in part, upon the engagement of GKN. This timetable differs from, and can be longer than, the conventional timetable for an offer under the City Code.

In the case of CFIUS, it is expected that it will take approximately 75 days from the date on which CFIUS accepts the notification and commences the formal review. With regard to the German Defence Condition, Melrose intends to seek confirmation from the BMWi that no filing will be triggered. If determined that a filing is required, the maximum time for approval is three months from the date of such filing (subject to possible extension in the event that further information is required). For France, Melrose intends to seek confirmation from the French Ministry of Economy that the Acquisition is not within scope of the relevant foreign investment rules. To do so, Melrose intends to make a formal application, following which the usual timing for approval is up to two months (subject to possible extension in the event that further information is required).

The making of the filings described above depends upon the engagement of GKN with both the relevant authorities and with Melrose. In the event that the Defence Conditions are not satisfied within 21 days of

the first closing date or the date the Acquisition becomes or is declared unconditional as to acceptances, whichever is the later, the Panel has informed Melrose on an ex parte basis that it would permit the extension of the 21 day period referred to above in Rule 31.7 of the City Code to provide further time for any outstanding Defence Conditions to be satisfied.

GKN Shareholders who have accepted the Acquisition will not be able to withdraw their acceptances from the date on which the Acquisition becomes or is declared unconditional as to acceptances until the date on which the Acquisition becomes or is declared unconditional in all respects or lapses. Accordingly, if the 21 day period in Rule 31.7 is extended by the Panel in the manner described above, GKN Shareholders will not be able to withdraw acceptances for the duration of this extended period.

If the Acquisition becomes or is declared unconditional as to acceptances and, subsequently, becomes or is declared unconditional in all respects, Melrose has agreed to keep the Acquisition open for acceptances for at least 14 days following the date on which the Acquisition becomes or is declared unconditional in all respects.

17. GENERAL

It is intended that the Acquisition will be implemented by way of a takeover offer within the meaning of the Act. However, Melrose reserves the right to elect, with the consent of the Panel (where necessary), to implement the Acquisition by way of a Court-sanctioned scheme of arrangement in accordance with Part 26 of the Act.

In such event, the transaction would be implemented on the same terms subject to appropriate amendments, in particular to the amendments referred to in [Part C of Appendix 1](#) to this Announcement.

The full terms of the Acquisition will be set out in the Offer Document and the Form of Acceptance. Relevant documentation is expected to be sent (or made available) to Eligible GKN Shareholders and, for information purposes, to persons with information rights and to participants in the GKN Share Schemes in due course. In deciding whether or not to accept the Offer in respect of their GKN Shares, GKN Shareholders should consider the information contained in, and the procedures described in, such documentation. It is also expected that the Melrose Circular, containing details of the Acquisition and notice of the Melrose General Meeting, will be posted to Melrose Shareholders at the same time as the Offer Document is posted to GKN Shareholders.

Important notices relating to financial advisers

Rothschild, which is authorised and regulated by the FCA in the UK, is acting exclusively for Melrose and no one else in connection with the Acquisition and will not be responsible to anyone other than Melrose for providing the protections afforded to its clients or for providing advice in relation to the Acquisition or any other matters referred to in this Announcement.

Investec Bank plc, which is authorised by the PRA and regulated by the FCA and the PRA in the UK, is acting exclusively for Melrose and no one else in connection with the Acquisition and will not be responsible to anyone other than Melrose for providing the protections afforded to its clients or for providing advice in relation to the Acquisition or any other matters referred to in this Announcement.

RBC Europe Limited, which is authorised by the PRA and regulated by the FCA and the PRA in the UK, is acting exclusively for Melrose and no one else in connection with the Acquisition and will not be responsible to anyone other than Melrose for providing the protections afforded to its clients or for providing advice in relation to the Acquisition or any other matters referred to in this Announcement.

Further information

This Announcement is not intended to and does not constitute or form part of any offer to sell or subscribe for or any invitation to purchase or subscribe for any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Acquisition or otherwise nor shall there be any sale, issuance or transfer of securities of Melrose pursuant to the Acquisition in any jurisdiction in contravention of applicable laws. The Acquisition will be implemented solely pursuant to the terms of the Offer Document and the accompanying Form of Acceptance which will contain the full terms and conditions of the Acquisition, including details of how to accept the Offer. Any decision in respect of, or other response to, the Acquisition should be made only on the basis of the information contained in the Offer Document, the Melrose Prospectus and the Form of Acceptance.

This Announcement does not constitute a prospectus or prospectus equivalent document.

Melrose will publish the Melrose Prospectus containing information on the New Melrose Shares and the Enlarged Group as well as the Offer Document. Melrose urges GKN Shareholders to read the Offer Document, the Melrose Prospectus and the Form of Acceptance carefully when they become available because they will contain important information in relation to the Acquisition, the New Melrose Shares and the Enlarged Group. Any decision by GKN Shareholders in respect of the Acquisition should be

made only on the basis of the information contained in the Offer Document, the Melrose Prospectus and the Form of Acceptance.

Information relating to GKN Shareholders

Please be aware that addresses, electronic addresses and certain other information provided by GKN Shareholders, persons with information rights and other relevant persons for the receipt of communications from GKN may be provided to Melrose during the Offer Period as required under Section 4 of Appendix 4 of the City Code.

Overseas jurisdictions

The release, publication or distribution of this Announcement in jurisdictions other than the United Kingdom may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe any applicable requirements. In particular, the ability of persons who are not resident in the United Kingdom to accept the Acquisition or to execute and deliver the Form of Acceptance may be affected by the laws of the relevant jurisdictions in which they are located.

This Announcement has been prepared for the purpose of complying with English law and the City Code and the information disclosed may not be the same as that which would have been disclosed if this Announcement had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.

Unless otherwise determined by Melrose or required by the City Code, and permitted by applicable law and regulation, the Acquisition will not be made available, directly or indirectly, in, into or from a Restricted Jurisdiction or any other jurisdiction where to do so would violate the laws in that jurisdiction and no person may accept the Acquisition by any use, means or instrumentality (including, but not limited to, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of any Restricted Jurisdiction including the United States or any other jurisdiction where to do so would constitute a violation of the laws of that jurisdiction and the Acquisition may not be capable of acceptance by any such use, means, instrumentality or facilities. Accordingly, copies of this Announcement and any formal documentation relating to the Acquisition are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any Restricted Jurisdiction or any other jurisdiction where to do so would constitute a violation of the laws of that jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction or any other jurisdiction where to do so would constitute a violation of the laws of that jurisdiction.

The availability of the Acquisition to GKN Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are resident. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable legal or regulatory requirements.

Further details in relation to GKN Shareholders in overseas jurisdictions will be contained in the Offer Document.

Additional US information

This Announcement is not intended to, and does not, constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Offer or otherwise. The Offer will be made solely through the Offer Document or, if Melrose elects to switch to a Scheme, the Scheme document, which will contain the full terms and conditions of the Acquisition, including details of how the transaction may be accepted. Any acceptance or other response to the transaction should be made only on the basis of the information in the Offer Document or Scheme Document (as appropriate).

The Acquisition relates to the shares of an English company and is subject to UK procedural and disclosure requirements that are different from certain of those of the US. Any financial statements or other financial information included in this Announcement may have been prepared in accordance with non-US accounting standards that may not be comparable to the financial statements of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the US. It may be difficult for US holders of shares to enforce their rights and any claims they may have arising under the US federal securities laws in connection with the Acquisition, since Melrose and GKN are located in countries other than the US, and some or all of their officers and directors may be residents of countries other than the United States. US holders of shares in Melrose or GKN may not be able to sue Melrose, GKN or their respective officers or directors in a non-US court for violations of US securities laws. Further, it may be difficult to compel Melrose, GKN and their respective affiliates to subject themselves to the jurisdiction or judgment of a US court.

It is intended that the Acquisition will be implemented by way of a takeover offer under English law. Accordingly, the Acquisition will be made in the US pursuant to Section 14(e) and Regulation 14E under the US Exchange Act as a "Tier II" tender offer, and otherwise in accordance with the requirements of the City Code. Accordingly, the Acquisition will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that may be different from those applicable under US domestic tender offer procedures and law. A person who receives New Melrose Shares pursuant to the Acquisition may not resell such securities without registration under the US Securities Act or without an applicable exemption from registration or in a transaction not subject to registration (including a transaction that satisfies the applicable requirements of Regulation S under the US Securities Act).

Alternatively, the Acquisition may be implemented by way of a scheme of arrangement under English law which is not subject to the tender offer rules under the US Exchange Act, in which case the Acquisition would be subject to the disclosure requirements and practices applicable in the UK to schemes of arrangement which differ from the disclosure requirements of the US tender offer rules. If the Acquisition is implemented by way of a scheme of arrangement, the New Melrose Shares would be expected to be issued in reliance upon the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) of the US Securities Act. Section 3(a)(10) exempts securities issued in exchange for one or more outstanding securities from the general requirements of registration where the terms and conditions of the issuance and exchange of such securities have been approved by a court, after a hearing on the fairness of the terms and conditions of the issuance and exchange at which all persons to whom such securities will be issued have the right to appear and be heard. The Court would hold a hearing on the Scheme's fairness to GKN Shareholders, at which hearing all such shareholders would be entitled to attend in person or through counsel. If the Acquisition is implemented by way of the Scheme, a person who receives New Melrose Shares pursuant to the Offer or Scheme and who is an affiliate of Melrose may not resell such securities without registration under the US Securities Act or pursuant to the applicable resale provisions of Rule 144 under the US Securities Act or another applicable exemption from registration or in a transaction not subject to registration (including a transaction that satisfies the applicable requirements of Regulation S under the US Securities Act). Whether a person is an affiliate of a company for the purposes of the US Securities Act depends on the circumstances, but affiliates can include certain officers, directors and significant shareholders. Persons who believe that they may be affiliates of Melrose should consult their own legal advisers prior to any sale of securities received pursuant to the Scheme.

This Announcement does not constitute an offer of securities for sale in the US. 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 US, but if undertaken any such public offering would need to be made by a means of a prospectus that would contain detailed information about the company and management, as well as financial statements. No offer to acquire securities or to exchange securities for other securities has been made, or will be made, directly or indirectly, in or into, or by use of the mails, any means or instrumentality of interstate or foreign commerce or any facilities of a national securities exchange of, the US or any other country in which such offer may not be made other than (i) in accordance with the US Securities Act, as amended, or the securities laws of such other country, as the case may be, or (ii) pursuant to an available exemption from such requirements. In particular, New Melrose Shares will only be made available in the United States to qualified institutional buyers (as defined in Rule 144A under the US Securities Act) or accredited investors (as defined in Rule 501(a) under the US Securities Act) in transactions that are exempt from the registration requirements of the US Securities Act. Such shareholders will be required to make such acknowledgements and representations to, and agreements with, Melrose as Melrose may require to establish that they are entitled to receive New Melrose Shares.

Nothing in this Announcement shall be deemed an acknowledgement that any SEC filing is required or that an offer requiring registration under the US Securities Act may ever occur in connection with the Acquisition.

The New Melrose Shares have not been, and will not be, registered under the securities laws of any state or jurisdiction in the United States and, accordingly, will only be issued to the extent that exemptions from the registration or qualification requirements of state "blue sky" securities laws are available or such registration or qualification requirements have been complied with.

Cautionary note regarding forward looking statements

This Announcement contains certain forward looking statements with respect to the financial condition, results of operations and businesses of Melrose and GKN and their respective groups, and certain plans and objectives of Melrose with respect to the Enlarged Group. All statements other than statements of historical fact are, or may be deemed to be, forward looking statements. Forward looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward looking statements include, among other things, statements concerning the potential exposure of Melrose, the Melrose Group, GKN, the GKN Group and/or the Enlarged Group to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions, including as to future potential cost savings, synergies, earnings, cash flow, return on average capital employed, production and prospects. These forward looking statements are identified by their use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "goals", "intend", "may", "objectives", "outlook", "plan", "probably", "project", "risks", "seek", "should", "target", "will" and similar terms and phrases.

There are a number of factors that could affect the future operations of Melrose, the Melrose Group, GKN, the GKN Group and/or the Enlarged Group and that could cause results to differ materially from those expressed in the forward looking statements included in this Announcement, including (without limitation): (a) changes in demand for Melrose's and/or GKN's products; (b) currency fluctuations; (c) loss of market share and industry competition; (d) risks associated with the identification of suitable potential acquisition properties and targets, and successful negotiation and completion of such transactions; and (e) changes in trading conditions.

All forward looking statements contained in this Announcement are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Readers should not place undue reliance on forward looking statements. For a discussion of important factors which could cause actual results to differ from forward-looking statements in relation to the Melrose Group or the GKN Group, refer to the annual report and accounts of the Melrose Group for the financial year ended 31 December 2016 and of the GKN Group for the financial year ended 31 December 2016, respectively.

Each forward looking statement speaks only as of the date of this Announcement. Neither Melrose nor the Melrose Group undertakes any obligation to publicly update or revise any forward looking statement

as a result of new information, future events or otherwise, except to the extent legally required. In light of these risks, results could differ materially from those stated, implied or inferred from the forward looking statements contained in this Announcement.

Rounding

Certain figures included in this Announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables or forms may vary slightly and figures shown as totals in certain tables or forms may not be an arithmetic aggregation of the figures that precede them.

No forecasts or estimates

No statement in this Announcement (including any statement of estimated synergies) is intended as a profit forecast, estimate or quantified financial benefits statement for any period and no statement in this Announcement should be interpreted to mean that cash flow from operations, free cash flow, earnings or earnings per share for Melrose, GKN or the Enlarged Group, as appropriate, for the current or future financial years would necessarily match or exceed the historical published cash flow from operations, free cash flow, earnings or earnings per share for Melrose or GKN as appropriate.

Disclosure requirements of the City Code

Under Rule 8.3(a) of the City Code, any person who is interested (directly or indirectly) in 1 per cent. 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 p.m. (London time) on the 10th Business Day following the commencement of the offer period and, if appropriate, by no later than 3.30 p.m. (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 midnight on the day before the deadline for making an Opening Position Disclosure must instead make a dealing disclosure.

Under Rule 8.3(b) of the City Code, any person who is, or becomes, interested (directly or indirectly) in 1 per cent. 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(s), save to the extent that these details have previously been disclosed under Rule 8 and have not changed. A dealing disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 p.m. (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 of the City Code).

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 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.

For the purpose of this section (*Disclosure requirements of the City Code*) and the following section (*Publication on website and availability of hard copies*) of this Announcement, "Business Day" means a day on which the London Stock Exchange is open for the transaction of business.

Publication on website and availability of hard copies

A copy of this Announcement is and will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, for inspection on Melrose's website www.melroseplc.net by no later than 12 noon (London time) on the Business Day following the date of this Announcement. For the avoidance of doubt, the contents of the websites referred to in this Announcement are not incorporated into and do not form part of this Announcement.

Melrose and GKN Shareholders may request a hard copy of this Announcement by contacting Rothschild on +44 (0)20 7280 5000 or RBC Europe Limited on +44 (0)20 7653 4000.

If you are in any doubt about the contents of this Announcement or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or from an independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are located in the UK or, if you are located outside the UK, from an appropriately authorised independent financial adviser.

APPENDIX 1

CONDITIONS TO AND CERTAIN FURTHER TERMS OF THE ACQUISITION

Part A

Conditions to the Acquisition

The Acquisition will be conditional upon:

Acceptance Condition

- (a) valid acceptances of the Offer having been received (and not, where permitted, withdrawn) by no later than 1.00 p.m. on the first closing date of the Offer as specified in the Offer Document (or such later times and/or dates as Melrose may, subject to the rules of the City Code or with the consent of the Panel, decide) in respect of 90 per cent. (or such lesser percentage as Melrose may decide) of GKN Shares to which the Offer relates and of the voting rights attached to those shares provided that this Condition will not be satisfied unless Melrose and/or any member of the Melrose Group has acquired or agreed to acquire (whether pursuant to the Offer or otherwise) GKN Shares carrying in aggregate more than 50 per cent. of the voting rights then normally exercisable at a general meeting of GKN;

For the purposes of this Condition (a):

- i. GKN Shares which have been unconditionally allotted but not issued before the Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise, shall be deemed to carry the voting rights they will carry upon issue;
- ii. valid acceptances shall be deemed to have been received in respect of GKN Shares which are treated for the purposes of Part 28 of the Act as having been acquired or contracted to be acquired by Melrose, whether by virtue of acceptance of the Offer or otherwise;
- iii. the expression "GKN Shares to which the Offer relates" shall be construed in accordance with Chapter 3 of Part 28 of the Act; and
- iv. all percentages of voting rights and share capital are to be calculated by reference to the percentage held and in issue outside treasury;

In addition, the Offer will be conditional upon the following Conditions and, accordingly, the Offer will not become or be declared wholly unconditional unless the following Conditions (as amended if appropriate) have been satisfied or, where relevant, waived:

Melrose Shareholder approval

- (b) the passing at the Melrose General Meeting (or at any adjournment thereof) of such resolution or resolutions as are necessary to approve, implement and effect the Acquisition and the acquisition of any GKN Shares including a resolution or resolutions to authorise the allotment of New Melrose Shares pursuant to the Acquisition and approve the Acquisition in accordance with Class 1 requirements under Listing Rule 10.5.1R(2) (as such resolutions shall be set out in the Melrose Circular in due course);

Admission to listing

- (c) (i) the admission to the Official List of the New Melrose Shares to be issued on the Effective Date in connection with the Acquisition becoming effective in accordance with

the Listing Rules and the admission of such shares to trading becoming effective in accordance with the Admission and Disclosure Standards of the London Stock Exchange or (ii) if Melrose so determines (and subject to the consent of the Panel) (aa) the UK Listing Authority having acknowledged to Melrose or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of the New Melrose Shares to the Official List with a premium listing has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject ("listing conditions")) will become effective as soon as a dealing notice has been issued by the FCA and any listing conditions having been satisfied and (bb) the London Stock Exchange having acknowledged to Melrose or its agent (and such acknowledgement not having been withdrawn) that the New Melrose Shares will be admitted to the Official List with a premium listing and to trading on the main market for listed securities of the London Stock Exchange;

CFIUS and US defence

- (d) (i) CFIUS having determined either (aa) that the Acquisition is not a "covered transaction"; (bb) that it is a "covered transaction", and there are no unresolved national security issues, either unconditionally or subject to such conditions in a mitigation agreement satisfactory to Melrose; or (cc) CFIUS shall have sent a report to the President of the United States requesting the President's decision and the President shall have announced a decision not to take any action to suspend, prohibit or place any limitations on the Acquisition, or the time permitted by law for such action shall have lapsed; (ii) insofar as the Acquisition is required to be notified to the DDTC pursuant to section 122.4(b) of ITAR, all necessary notifications and filings have been made and all applicable waiting or notification periods have expired, lapsed or been terminated or waived as appropriate in each case in respect of the Acquisition without the DDTC having revoked any ITAR registration held by any member of the GKN Group or having imposed any conditions on any such registration which are not satisfactory to Melrose; and (iii) the DSS having signed and returned an executed counterpart of the commitment letter submitted by Melrose and GKN, approving in principle the measures to be implemented following the Effective Date to mitigate any issues arising from the participation of Melrose in the Acquisition, without invalidating, suspending or otherwise terminating any of the facility clearances possessed by GKN Group or any of its affiliates;

German defence Condition

- (e) the BMWi having (i) confirmed in writing that the Acquisition does not fall within the scope of the sector-specific investment regime and, therefore, does not require clearance pursuant to section 61, sentence 1 of the AWV; (ii) issued clearance in writing pursuant to section 61, sentence 1 of the German Foreign Trade Ordinance; (iii) not initiated a formal investigation of the Acquisition within three months following receipt of the report pursuant to section 60, paragraph 3 of the AWV and, therefore, clearance is deemed to have been issued in accordance with section 61, sentence 2 of the AWV; or (iv) not prohibited or restricted the Acquisition within three months following receipt of the relevant documentation pursuant to section 62, paragraph 1 of the AWV;

French defence Condition

- (f) (i) the French Ministry of Economy having provided clearance in respect of the Acquisition in relation to foreign investment control in respect of sensitive sectors provided under articles R. 153-1 et seq. of the French Monetary and Financial Code ("**French Foreign Investment Control**"); or (ii) the French Ministry of Economy and Foreign Investment Control having confirmed that French Foreign Investment Control is not required in relation to the Acquisition;

European Commission clearance

- (g) insofar as the Acquisition constitutes, or is deemed to constitute, a concentration with an EU dimension within the scope of the EU Merger Regulation (the "**EUMR**"): (i) the European Commission indicating, on terms satisfactory to Melrose, that it does not intend to initiate proceedings under Article 6(1)(c) of the EUMR in respect of the Acquisition (or being deemed to have done so under Article 10(6) of the EUMR); (ii) no indication having been made that a European Union or EFTA state may take appropriate measures to protect legitimate interests pursuant to Article 21(4) of the EUMR in relation to the Acquisition or any aspect of it; and (iii) to the extent that the European Commission refers any aspect of the Acquisition to a competent authority of any Member State of the European Union or EFTA, under Article 9 of the EUMR, all relevant notifications or filings having been made, all appropriate waiting periods having expired, lapsed or been terminated and all such clearances or approvals having been granted (or being deemed to have been granted in accordance with the relevant law) provided that each such clearance or approval has an equivalent effect to the decision referred to in Condition (g)(i) above;

US Anti-Trust

- (h) all filings having been made and all appropriate waiting periods under the United States HartScottRodino Antitrust Improvements Act of 1976 and the regulations thereunder having expired, lapsed or been terminated as appropriate without the issuance of a second request in each case in respect of the Acquisition and the Acquisition of the GKN Shares by Melrose or any member of the Melrose Group;

Canada

- (i) insofar as the Acquisition is subject to mandatory notification under Part IX of the Competition Act (Canada), either:
 - (i) the Commission of Competition having issued an advanced ruling certificate under subsection 102(1) of the Competition Act (Canada); or
 - (ii) (A) any applicable waiting period under the Competition Act (Canada) having expired or been waived, and (B) unless waived in writing by Melrose, at its sole discretion, Melrose having received written confirmation from the Commission of Competition stating that the Commissioner of Competition does not intend to make an application under section 92 of the Competition Act (Canada) in respect of the Acquisition;

Merger control clearance in any other jurisdiction

- (j) to the extent that any other merger control consents or approvals are required or desirable prior to the completion of the Acquisition according to the law of any other jurisdiction (including, without limitation, Australia, Colombia, India, Mexico, Russia, South Africa, Taiwan and Turkey), all relevant notifications or filings having been made, all appropriate waiting periods having expired, lapsed or been terminated and all such clearances or approvals having been granted (or being deemed to have been granted in accordance with the relevant law) provided that each such clearance or approval is on terms satisfactory to Melrose;

General Third Party clearances

- (k) the waiver (or non-exercise within any applicable time limits) by any relevant government or governmental, quasi-governmental, supranational, statutory, regulatory, environmental or investigative body, court, trade agency, association, institution, any entity owned or controlled by any relevant government or state, or any other body or person whatsoever in any jurisdiction (each a "Third Party") of any termination right, right of pre-emption, first refusal or similar right (which is material in the context of the Wider GKN Group taken as a whole) arising as a result of or in connection with the Acquisition including, without limitation, its implementation and financing or the proposed direct or indirect acquisition of any shares or other securities in, or control of, GKN by Melrose or any member of the Melrose Group;
- (l) all necessary filings or applications having been made in connection with the Acquisition and all statutory or regulatory obligations in any jurisdiction having been complied with in connection with the Acquisition or the acquisition by any member of the Wider Melrose Group of any shares or other securities in, or control of, GKN and all Authorisations reasonably deemed necessary or appropriate by Melrose or any member of the Wider Melrose Group for or in respect of the Acquisition including without limitation, its implementation and financing or the proposed direct or indirect acquisition of any shares or other securities in, or control of, GKN or any member of the Wider GKN Group by any member of the Wider Melrose Group having been obtained in terms and in a form satisfactory to Melrose from all appropriate Third Parties or persons with whom any member of the Wider GKN Group has entered into contractual arrangements and all such Authorisations together with all material authorisations orders, recognitions, grants, licences, confirmations, clearances, permissions and approvals necessary or appropriate to carry on the business of any member of the Wider GKN Group which is material in the context of the Melrose Group or the GKN Group as a whole or of the financing of the Acquisition remaining in full force and effect and all filings necessary for such purpose having been made and there being no notice or intimation of any intention to revoke or not to renew any of the same at the time at which the Acquisition becomes otherwise unconditional and all necessary statutory or regulatory obligations in any jurisdiction having been complied with;
- (m) no Third Party having given notice of a decision to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference (and, in each case, not having withdrawn the same), or having enacted, made or proposed any statute, regulation, decision or order, or change to published practice or having taken any other steps, and there not continuing to be outstanding any statute, regulation, decision or order, which in each case would or might reasonably be expected to:

- (i) require, prevent or delay the divestiture, or materially alter the terms envisaged for any proposed divestiture by any member of the Wider Melrose Group or any member of the Wider GKN Group of all or any portion of their respective businesses, assets or property or impose any limitation on the ability of any of them to conduct their respective businesses (or any of them) or to own any of their respective assets or properties or any part thereof which, in any such case, is material in the context of the Wider Melrose Group or the Wider GKN Group in either case taken as a whole;
- (ii) require, prevent or delay the divestiture by any member of the Wider Melrose Group of any shares or other securities in GKN;
- (iii) impose any material limitation on, or result in a delay in, the ability of any member of the Wider Melrose Group directly or indirectly to acquire or to hold or to exercise effectively any rights of ownership in respect of shares or loans or securities convertible into shares or any other securities (or the equivalent) in any member of the Wider GKN Group or the Wider Melrose Group or to exercise voting or management control over any such member;
- (iv) otherwise adversely affect the business, assets, profits or prospects of any member of the Wider Melrose Group or of any member of the Wider GKN Group to an extent which is material in the context of the Wider Melrose Group or the Wider GKN Group in either case taken as a whole;
- (v) make the Acquisition or its implementation or the acquisition or proposed acquisition by Melrose or any member of the Wider Melrose Group of any shares or other securities in, or control of GKN void, illegal, and/or unenforceable under the laws of any jurisdiction, or otherwise, directly or indirectly, restrain, restrict, prohibit, delay or otherwise interfere with the same, or impose additional conditions or obligations with respect thereto;
- (vi) require any member of the Wider Melrose Group or the Wider GKN Group to offer to acquire any shares or other securities (or the equivalent) or interest in any member of the Wider GKN Group or the Wider Melrose Group owned by any third party;
- (vii) impose any limitation on the ability of any member of the Wider GKN Group to co-ordinate its business, or any part of it, with the businesses of any other members which is adverse to and material in the context of the Wider GKN Group taken as a whole or in the context of the Acquisition; or
- (viii) result in any member of the Wider GKN Group ceasing to be able to carry on business under any name under which it presently does so,

and all applicable waiting and other time periods (including any extensions thereof) during which any such Third Party could institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference or any other step under the laws of any jurisdiction in respect of the Acquisition or the acquisition or proposed acquisition of any GKN Shares having expired, lapsed or been terminated;

Certain matters arising as a result of any arrangement, agreement etc.

- (n) save as Disclosed, there being no provision of any agreement, arrangement, licence, permit or other instrument to which any member of the Wider GKN Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject, which in consequence of the Acquisition or the proposed acquisition of any shares or other securities (or equivalent) in GKN or because of a change in the control or management of GKN or otherwise, could or might result in any of the following to an extent which is material and adverse in the context of the Wider GKN Group, or the Wider Melrose Group, in either case taken as a whole, or in the context of the Acquisition:
 - (i) any moneys borrowed by or any other indebtedness (actual or contingent) of, or grant available to any such member, being or becoming repayable or capable of being declared repayable immediately or earlier than their or its stated maturity date or repayment date or the ability of any such member to borrow moneys or incur any indebtedness being withdrawn or inhibited or being capable of becoming or being withdrawn or inhibited;
 - (ii) any such agreement, arrangement, licence, permit or instrument or the rights, liabilities, obligations or interests of any such member thereunder being terminated or modified or affected or any obligation or liability arising or any action being taken or arising thereunder;
 - (iii) any assets or interests of any such member being or falling to be disposed of or charged or any right arising under which any such asset or interest could be required to be disposed of or charged;

- (iv) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any such member;
- (v) the rights, liabilities, obligations or interests of any such member in, or the business of any such member with, any person, firm or body (or any arrangement or arrangements relating to any such interest or business) being terminated, adversely modified or affected;
- (vi) the value of any such member or its financial or trading position or prospects being prejudiced or adversely affected;
- (vii) any such member ceasing to be able to carry on business under any name under which it presently does so; or
- (viii) the creation or acceleration of any liability, actual or contingent, by any such member,

and no event having occurred which, under any provision of any agreement, arrangement, licence, permit or other instrument to which any member of the Wider GKN Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject, would or might reasonably be expected to result in any of the events or circumstances as are referred to in sub-paragraphs (i) to (viii) of this Condition;

Certain events occurring since 31 December 2016

- (o) save as Disclosed, no member of the Wider GKN Group having, since 31 December 2016:
 - (i) save as between GKN and wholly-owned subsidiaries of GKN or for GKN Shares issued under or pursuant to the exercise of options and vesting of awards granted under the GKN Share Schemes, issued or agreed to issue, authorised or proposed the issue of additional shares of any class;
 - (ii) save as between GKN and wholly-owned subsidiaries of GKN or for the grant of options and awards and other rights under the GKN Share Schemes, issued or agreed to issue, authorised or proposed the issue of securities convertible into shares of any class or rights, warrants or options to subscribe for, or acquire, any such shares or convertible securities;
 - (iii) other than to another member of the GKN Group, prior to completion of the Acquisition, recommended, declared, paid or made any dividend or other distribution payable in cash or otherwise;
 - (iv) save for intra-GKN Group transactions, merged or demerged with any body corporate or acquired or disposed of or transferred, mortgaged or charged or created any security interest over any assets or any right, title or interest in any asset (including shares and trade investments) or authorised or proposed or announced any intention to propose any merger, demerger, acquisition or disposal, transfer, mortgage, charge or security interest, in each case, other than in the ordinary course of business and, in each case, to the extent which is material in the context of the Wider GKN Group taken as a whole;
 - (v) save for intra-GKN Group transactions, made or authorised or proposed or announced an intention to propose any change in its loan capital in each case, to the extent which is material in the context of the Wider GKN Group taken as a whole;
 - (vi) issued, authorised or proposed the issue of any debentures or (save for intra-GKN Group transactions), save in the ordinary course of business, incurred or increased any indebtedness or become subject to any contingent liability;
 - (vii) purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay any of its own shares or other securities or reduced or, save in respect to the matters mentioned in sub-paragraphs (i) or (ii) above, made any other change to any part of its share capital in each case, to the extent which is material in the context of the Wider GKN Group taken as a whole;
 - (viii) save for Intra-GKN Group transactions, implemented, or authorised, proposed or announced its intention to implement, any reconstruction, amalgamation, scheme, commitment or other transaction or arrangement otherwise than in the ordinary course of business;
 - (ix) entered into or varied or authorised, proposed or announced its intention to enter into or vary any contract, transaction or commitment (whether in respect of capital expenditure or otherwise) which is of a long term, onerous or unusual nature or magnitude or which involves or could involve an obligation of such a

nature or magnitude other than in the ordinary course of business, in each case, to the extent which is material in the context of the Wider GKN Group taken as a whole;

- (x) (other than in respect of a member which is dormant and was solvent at the relevant time) taken any corporate action or steps or had any legal proceedings started or threatened against it in relation to the suspension of payments, a moratorium of any indebtedness, its winding-up, dissolution or reorganisation or for the appointment of a receiver, administrative receiver, administrator, manager, trustee or similar officer of all or any part of its assets or revenues or any analogous proceedings in any jurisdiction or appointed any analogous person in any jurisdiction or had any such person appointed, in each case, to the extent which is material in the context of the Wider GKN Group taken as a whole;
- (xi) entered into any contract, transaction or arrangement which would be restrictive on the business of any member of the Wider GKN Group or the Wider Melrose Group other than of a nature and extent which is normal in the context of the business concerned;
- (xii) waived or compromised any claim otherwise than in the ordinary course of business which is material in the context of the Wider GKN Group taken as a whole;
- (xiii) made any material alteration to its memorandum or articles of association or other incorporation documents;
- (xiv) been unable, or admitted in writing that it is unable, to pay its debts or commenced negotiations with one or more of its creditors with a view to rescheduling or restructuring any of its indebtedness, or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business;
- (xv) entered into any contract, commitment, arrangement or agreement otherwise than in the ordinary course of business or passed any resolution or made any offer (which remains open for acceptance) with respect to or announced any intention to, or proposed to, effect any of the transactions, matters or events referred to in this Condition (o);
- (xvi) made or agreed or consented to any change to:
 - (A) the terms of the trust deeds constituting the pension scheme(s) established by any member of the Wider GKN Group for its directors, employees or their dependents;
 - (B) the contributions payable to any such scheme(s) or to the benefits which accrue or to the pensions which are payable thereunder;
 - (C) the basis on which qualification for, or accrual or entitlement to, such benefits or pensions are calculated or determined; or
 - (D) the basis upon which the liabilities (including pensions) of such pension schemes are funded, valued or made,in each case, to the extent which is material in the context of the Wider GKN Group taken as a whole;
- (xvii) proposed, agreed to provide or modified the terms of any of the GKN Share Plans or other benefit constituting a material change relating to the employment or termination of employment of a material category of persons employed by the Wider GKN Group or which constitutes a material change to the terms or conditions of employment of any senior employee of the Wider GKN Group, save as agreed by the Panel (if required) and by Melrose, or entered into or changed the terms of any contract with any director or senior executive; or
- (xviii) taken (or agreed or proposed to take) any action which requires, or would require, the consent of the Panel or the approval of GKN Shareholders in general meeting in accordance with, or as contemplated by, Rule 21.1 of the City Code;

No adverse change, litigation or regulatory enquiry

(p) save as Disclosed, since 31 December 2016:

- (i) no adverse change or deterioration having occurred in the business, assets, financial or trading position or profits or prospects or operational performance of any member of the Wider GKN Group which, in any such case, is material in

the context of the Wider GKN Group taken as a whole and no circumstances have arisen which would or might reasonably be expected to result in such adverse change;

- (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Wider GKN Group is or may become a party (whether as a plaintiff, defendant or otherwise) and no enquiry, review or investigation by, or complaint or reference to, any Third Party against or in respect of any member of the Wider GKN Group having been instituted announced or threatened by or against or remaining outstanding in respect of any member of the Wider GKN Group which in any such case has had or might reasonably be expected to have an adverse effect on the Wider GKN Group taken as a whole;
- (iii) no contingent or other liability having arisen or become apparent to Melrose or increased which has had or might reasonably be expected to have an adverse effect the Wider GKN Group taken as a whole; and
- (iv) no steps having been taken which are likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Wider GKN Group which is necessary for the proper carrying on of its business and the withdrawal, cancellation, termination or modification of which has had, or would reasonably be expected to have, an adverse effect on the Wider GKN Group taken as a whole;

No discovery of certain matters

(q) save as Disclosed, Melrose not having discovered:

- (i) that any financial, business or other information concerning the Wider GKN Group as contained in the information publicly disclosed at any time by or on behalf of any member of the Wider GKN Group is materially misleading, contains a material misrepresentation of fact or omits to state a fact necessary to make that information not misleading, in each case, to the extent which is material in the context of the Wider GKN Group taken as a whole;
- (ii) that any member of the Wider GKN Group or partnership, company or other entity in which any member of the Wider GKN Group has a significant economic interest and which is not a subsidiary undertaking of GKN, is subject to any liability (contingent or otherwise) which is not disclosed in the Annual Report and Accounts of GKN for the financial year ended 31 December 2016, in each case, to the extent which is material in the context of the Wider GKN Group taken as a whole; or
- (iii) any information which affects the import of any information disclosed at any time by or on behalf of any member of the Wider GKN Group and which is material in the context of the Wider GKN Group taken as a whole;

(r) save as Disclosed, Melrose not having discovered that:

- (i) any past or present member of the Wider GKN Group has failed to comply with any and/or all applicable legislation or regulation, of any jurisdiction with regard to the use, treatment, storage, carriage, disposal, spillage, release, discharge, leak or emission of any waste or hazardous substance or any substance likely to impair the environment or harm human health or animal health or otherwise relating to environmental matters or the health and safety of humans, or that there has otherwise been any such use, treatment, storage, carriage, disposal, spillage, release, discharge, leak or emission (whether or not the same constituted a non-compliance by any person with any such legislation or regulations, and wherever the same may have taken place) any of which storage, carriage, disposal, spillage, release, discharge, leak or emission would be likely to give rise to any liability (actual or contingent) on the part of any member of the Wider GKN Group and which is material in the context of the Wider GKN Group taken as a whole;
- (ii) there is, or is likely to be, for other reason whatsoever, any liability (actual or contingent) of any past or present member of the Wider GKN Group to make good, remediate repair, reinstate or clean up any property or any controlled waters now or previously owned, occupied, operated or made use of or controlled by any such past or present member of the Wider GKN Group (or on its behalf) or by any person for which a member of the Wider GKN Group is or has been responsible, or in which any such member may have or previously had had or be deemed to have had an interest, under any environmental legislation, regulation, notice, circular or order of any Third Party and which is material in the context of the Wider GKN Group taken as a whole or the Acquisition;
- (iii) circumstances exist (whether as a result of the making of the Offer or the Acquisition or otherwise) which would be reasonably likely to lead to any Third Party instituting, or whereby any member of the Wider Melrose Group or any present or past member of the Wider GKN Group would be likely to be required

to institute, an environmental audit or take any other steps which would in any such case be reasonably likely to result in any liability (whether actual or contingent) to improve, modify existing or install new plant, machinery or equipment or carry out changes in the processes currently carried out or make good, remediate, repair, re-instate or clean up any land or other asset currently or previously owned, occupied or made use of by any past or present member of the Wider GKN Group (or on its behalf) or by any person for which a member of the Wider GKN Group is or has been responsible, or in which any such member may have or previously have had or be deemed to have had an interest which is material in the context of the Wider GKN Group taken as a whole or the Acquisition; or

- (iv) circumstances exist whereby a person or class of persons would be likely to have any claim or claims in respect of any product or process of manufacture or materials used therein currently or previously manufactured, sold or carried out by any past or present member of the Wider GKN Group which claim or claims would be likely, materially and adversely, to affect any member of the Wider GKN Group and which is material in the context of the Wider GKN Group taken as a whole or the Acquisition; and

Anti-corruption, sanctions and criminal property

- (s) save as Disclosed, Melrose not having discovered that:
 - (i) (a) any past or present member, director, officer or employee of the Wider GKN Group is or has at any time engaged in any activity, practice or conduct which would constitute an offence under the Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977 or any other applicable anti-corruption legislation and regulation or (b) any person that performs or has performed services for or on behalf of the Wider GKN Group is or has at any time engaged in any activity, practice or conduct in connection with the performance of such services which would constitute an offence under the Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977 or any other applicable anti-corruption legislation and regulation; or
 - (ii) any asset of any member of the Wider GKN Group constitutes criminal property as defined by section 340(3) of the Proceeds of Crime Act 2002 (but disregarding paragraph (b) of that definition); or
 - (iii) any past or present member, director, officer or employee of the Wider GKN Group, or any other person for whom any such person may be liable or responsible, has engaged in any business with, made any investments in, made any funds or assets available to or received any funds or assets from: (a) any government, entity or individual in respect of which US or European Union persons, or persons operating in those territories, are prohibited from engaging in activities or doing business, or from receiving or making available funds or economic resources, by US or European Union laws or regulations, including the economic sanctions administered by the United States Office of Foreign Assets Control, or HMRC; or (b) any government, entity or individual targeted by any of the economic sanctions of the United Nations, the United States, the European Union or any of its member states; or
 - (iv) any member of the Wider GKN Group is or has been engaged in any transaction which would cause Melrose to be in breach of any law or regulation upon its acquisition of GKN, including the economic sanctions of the United States Office of Foreign Assets Control, or HMRC, or any government, entity or individual targeted by any of the economic sanctions of the United Nations, the United States, the European Union or any of its member states.

For the purposes of these Conditions the "**Wider GKN Group**" means GKN and its subsidiary undertakings, associated undertakings and any other undertaking in which GKN and/or such undertakings (aggregating their interests) have a significant interest and the "**Wider Melrose Group**" means Melrose and its subsidiary undertakings, associated undertakings and any other undertaking in which Melrose and/or such undertakings (aggregating their interests) have a significant interest and for these purposes "subsidiary undertaking" and "undertaking" have the meanings given by the Act, "associated undertaking" has the meaning given by paragraph 19 of Schedule 6 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, other than paragraph 19(1)(b) of Schedule 6 to those regulations which shall be excluded for this purpose, and "significant interest" means a direct or indirect interest in 20 per cent. or more of the total voting rights conferred by the equity share capital (as defined in section 548 of the Act).

Part B

Waiver and Invocation of the Conditions

Melrose reserves the right to waive, in whole or in part, all or any of the Conditions set out in Part A of Appendix 1 above, except for Conditions (a) (Acceptance Condition), (b) (Melrose Shareholder approval), or (c) (Admission to listing) which cannot be waived. The Acquisition will be subject to the satisfaction (or waiver, if permitted) of the Conditions set out in this Appendix 1, and to certain further terms set out in Appendix 1, and to the full terms and conditions which will be set out in the Offer Document, the Melrose Prospectus and the Form of Acceptance.

The Acquisition shall lapse unless all of the Conditions have been fulfilled or, where permitted, waived or, where appropriate, have been determined by Melrose to be or remain satisfied, by midnight (London time) on the 21st day after the later of (i) the first closing date of the Offer; and (ii) the date on which Condition (a) (*Acceptance Condition*), is fulfilled (or, in each case, such later date as Melrose may determine, with the consent of the Panel).

Melrose shall be under no obligation to waive (if capable of waiver), to determine to be or remain satisfied or to treat as satisfied any of Conditions (b) to (s) (inclusive) that are capable of waiver by a date earlier than the latest date specified above for the fulfilment of the relevant Condition, notwithstanding that the other Conditions to the Acquisition may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any such Condition(s) may not be capable of fulfilment.

If Melrose is required by the Panel to make an offer for GKN Shares under the provisions of Rule 9 of the City Code, Melrose may make such alterations to the Conditions as are necessary to comply with the provisions of that Rule.

Part C

Implementation by way of Scheme

Melrose reserves the right, with the consent of the Panel (where necessary), to elect to implement the Acquisition by way of the Scheme.

If the Acquisition is implemented by way of the Scheme, such Scheme will be implemented on the same terms, subject to appropriate amendments to reflect the change in method of effecting the Acquisition, including (without limitation and subject to the consent of the Panel):

- (a) its approval by a majority in number representing not less than three-fourths in value of the relevant GKN Shareholders (or the relevant class or classes thereof, if applicable) present and voting, either in person or by proxy, at the Court Meeting and at any separate class meeting which may be required by the Court or at any adjournment of any such meeting on or before the 22nd day after the expected date of the Court Meeting to be set out in the Scheme Document in due course (or such later date, if any, as Melrose may agree and the Court may allow);
- (b) all resolutions necessary to approve and implement the Scheme being duly passed by the requisite majority or majorities at a GKN General Meeting or at any adjournment of that meeting on or before the 22nd day after the expected date of the GKN General Meeting as set out in the Scheme Document in due course (or such later date, if any, as Melrose may agree and the Court may allow); and
- (c) the sanction of the Scheme by the Court with or without modification (but subject to any such modification being acceptable to Melrose) on or before the 22nd day after the expected date of the Court hearing to sanction the Scheme as set out in the Scheme Document in due course (or such later date, if any, as Melrose may agree and the Court may allow) and the delivery of a copy of the Scheme Order within seven Business Days thereafter to the Registrar of Companies in England and Wales.

In addition, if the Acquisition is implemented by way of the Scheme, the Scheme will be conditional upon the Conditions set out above and, accordingly, the necessary actions to make the Scheme effective will not be taken unless the Conditions set out above have either been waived (if permitted) or fulfilled.

Part D

Certain further terms of the Acquisition

Melrose reserves the right to direct that a portion of the GKN Shares to be transferred pursuant to acceptances of the Offer be transferred directly to a wholly owned subsidiary of Melrose.

The availability of the Acquisition to persons not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions. Persons who are not resident in the United Kingdom should inform themselves about and observe any applicable requirements.

The Acquisition will be governed by and construed in accordance with English law and be subject to the jurisdiction of the courts of England and Wales, to the Conditions and terms set out in this Announcement and in due course in the Offer Document, the Melrose Prospectus and the Form of Acceptance. The Acquisition will comply with the applicable rules and regulations of the FCA, the London Stock Exchange and the City Code.

Each of the Conditions shall respectively be regarded as a separate Condition, and shall not be limited by reference to any other Condition.

If the Acquisition lapses for any reason, the Acquisition will cease to be capable of further acceptance, and Melrose and accepting GKN Shareholders will cease to be bound by acceptances of the Acquisition delivered on or before the time when the Acquisition lapses.

Fractions of New Melrose Shares will not be allotted to GKN Shareholders but will be aggregated and sold in the market. The net proceeds of such sale will then be paid in cash to the relevant GKN Shareholder in accordance with their fractional entitlements. Individual entitlements, however, of less than £5.00 will not be paid but will be donated to charity.

The New Melrose Shares, which will be issued in connection with the Acquisition, have not been and will not be registered under any of the relevant securities laws of Canada, Japan, Australia, South Africa or the United States or any jurisdiction other than the UK and no regulatory clearance in respect of the New Melrose Shares has been, or will be, applied for in any jurisdiction other than the United Kingdom. The New Melrose Shares may not be offered, sold or delivered, directly or indirectly, in Canada, Japan, Australia, South Africa or the United States or any other Restricted Jurisdictions except pursuant to exemptions from applicable requirements of any such jurisdiction.

GKN Shares which will be acquired under the Acquisition will be acquired fully paid and free from all liens, equities, charges, encumbrances, options, rights of pre-emption and any other third party rights and interests of any nature and together with all rights now or hereafter attaching or accruing to them, including voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, made or paid on or after the Effective Date.

If, after the date of this Announcement, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the GKN Shares, Melrose reserves the right to reduce the offer consideration by an amount up to the amount of such dividend and/or distribution and/or return of capital so announced, declared or paid, in which case any reference in this Announcement or the Offer Document to the offer consideration for the GKN Shares will be deemed to be a reference to the offer consideration as so reduced. For the avoidance of doubt, any payments made in cash or by way of the delivery of shares on the vesting of awards calculated by reference to dividends accrued in respect of those underlying vested shares are not to be construed as a dividend, distribution or return of capital for these purposes.

The Acquisition will lapse if:

- (a) in so far as the Acquisition or any matter arising from or relating to the Acquisition constitutes a concentration with a Community dimension within the scope of the Regulation, the European Commission either initiates proceedings under Article 6(1)(c) of the Regulation or makes a referral to a competent authority in the United Kingdom under Article 9(1) of the Regulation and there is then a CMA Phase 2 Reference; or
- (b) in so far as the Acquisition or any matter arising from the Acquisition does not constitute a concentration with a Community dimension within the scope of the Regulation, the Acquisition or any matter arising from or relating to the Acquisition becomes subject to a CMA Phase 2 Reference,

in each case, before the later of 1:00 p.m. on the first closing date of the Acquisition or the date when the Acquisition becomes or is declared unconditional as to acceptances.

APPENDIX 2

SOURCES OF INFORMATION AND BASES OF CALCULATION

- (1) In this Announcement:
 - (a) the number of issued GKN Shares is based on 1,726,103,630 shares in issue as announced by GKN on 12 January 2018 adjusted for 1,987,000 options as at 31 December 2016;
 - (b) the premiums calculations to the price per GKN Share used in this Announcement have been calculated by reference to the Closing Price on 11 January 2018 (being the last Business Day before the commencement of the Offer Period) of 332.7 pence and to the Closing Price on 5 January 2018 (being the last Business Day before the approach made by Melrose to the GKN Board in connection with the Acquisition) of 326.3 pence in respect of a GKN Share;
 - (c) the total Melrose net shareholder value increase of £4.9 billion is calculated based on total money invested of £3.64 billion and total money returned to investors of £4.35 billion in addition to the market capitalisation of £4.22 billion as at 5 January 2018, the last business day prior to the approach made by Melrose to GKN's board in connection with the Acquisition;
 - (d) GKN's top-end group trading margin target based on the published target range of 8% - 10% first stated in its Annual Report for the financial year ended 31 December 2007 and repeated up until its Interim Results for the period ended 30 June 2017;
 - (e) GKN's divisional target ranges of 11% - 13% for Aerospace, 8 - 10% for Driveline and 9 - 11% for Powder Metallurgy first stated in its 2011 full-year results presentation and repeated up until 2015 first half results presentation;

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

- (g) information relating to GKN's sales and employees by region, percentages of group revenue by division and segment operating profit percentages have been taken from its Annual Report for the financial year ended 31 December 2016;
- (h) information describing the businesses of each of Melrose's divisions has been taken from its Annual Report for the financial year ended 31 December 2016; and
- (i) unless otherwise stated:
- (i) historical financial information relating to Melrose has been extracted or derived (without material adjustment) from the audited financial statements of Melrose contained in Melrose's Annual Report and Accounts for the financial year ended 31 December 2016 or from Melrose's management accounts; and
- (ii) historical financial information relating to GKN has been extracted or derived (without material adjustment) from the audited financial statements of GKN contained in GKN's Annual Report and Accounts for the financial year ended 31 December 2016.

Certain figures included in this Announcement have been subject to rounding adjustments.

- (2) The Melrose Board having reviewed and analysed the potential benefits of the Acquisition, based on their previous experience of improving performance of industrial companies, 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 per cent., under Melrose management.

The Melrose Board expects to deliver this improvement over the typical Melrose ownership timeframe of three to five years (which is flexible).

The Melrose Board believes that it would be possible to achieve this level of performance given the following:

- (a) Melrose has a proven track record of improving the performance of companies it has owned with underlying margins increasing by 30% to 70% from their original level under Melrose ownership;
- (b) GKN's trading profit margins historically have under-performed its targets;
- (i) the Melrose Board believes it will be able to deliver performance that GKN originally had set out in its strategy as outlined in its full-year 2012 results presentation, and target divisional trading margins as per its 2011 annual report;
- (ii) in particular, trading profit margin in the Driveline division only marginally exceeded the 8% lower-end target margin in 2014 (8.1%) and 2015 (8.2%) and was below this in all other years since 2011; and
- (iii) in addition, the profitability of the Aerospace division has deteriorated over the last three years, to below the lower end of the target margin range of 11% - 13% (full-year 2015: 10.9%, full-year 2016: 9.9%, full-year 2017 consensus: 8.5%);
- (c) there is a gap in performance of GKN vs. its potential as demonstrated by relevant peer performance which Melrose would seek to narrow. This gap can be illustrated as follows:
- (i) Aerospace: full-year 2016 divisional trading profit margin for GKN was 9.9% and consensus full-year 2017 is 8.5% before adjustments for the inventory write off between £80 million and £130 million. This compares to the full-year 2016 average operating margin of a set of close peers (MTU Aero Engines and Spirit AeroSystems) of approximately 13%;

- (ii) Driveline: the divisional trading profit margin in 2016 was 7.7% (before restatement for the inclusion of Off-Highway Powertrain). However, if removing £435 million revenue of the China JV (as per the 2016 GKN Annual Report) and the corresponding trading profit of £76.5 million from the 2016 full-year management revenues of £4,216 million and £323 million trading profit, the rest of the Driveline business would have achieved management revenues of £3,781 million and trading profit of £246.5 million, which implies trading profit margin of approximately 6.5%. This compares to the full-year 2016 average operating margin of a peer set (American Axle & Manufacturing, BorgWarner, Dana (Light Vehicle Division) and Nexteer Automotive) of approximately 10%;
- (d) limited disclosure in GKN's public accounts shows that costs outside of materials have increased as a percentage of sales from 43% in 2012 to 49% in 2016, which suggests accumulated operating inefficiencies over the recent years; and
- (e) GKN's annual report discloses that the full-year 2016 corporate and unallocated costs were £21 million, which Melrose intends to review and assess.

Melrose is not able to provide an estimate of any non-recurring integration costs that may be necessary to achieve its expected improvement of GKN's performance. It is anticipated that any integration costs will be incurred over the course of the Melrose ownership period.

Aside from the integration costs, no material dis-synergies are expected in connection with the Acquisition. The Melrose existing businesses do not overlap with GKN.

Given that Melrose does not have access to GKN's internal information, the Board of Melrose have not been able to prepare any detailed integration plan besides the high level action points that have already been stated in this Announcement.

This statement of trading profit margin improvement relates to future actions and circumstances which by their nature involve risks, uncertainties and contingencies. As a consequence, the expected performance referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. In making this statement, Melrose took into account historical group trading profit margins as achieved by GKN.

This statement is not intended as a profit forecast or a Quantified Financial Benefit Statement for the purposes of Rule 28 of the Code and should not be interpreted as such.

APPENDIX 3

DEFINITIONS

" <u>Act</u> "	means the Companies Act 2006, as amended from time to time;
" <u>Acquisition</u> "	means the acquisition of the entire issued and to be issued share capital of GKN by Melrose, to be implemented by way of the Offer as described in this Announcement and to be set out in the Offer Document (or by way of the Scheme, under certain circumstances described in this Announcement);
" <u>Admission</u> "	means admission of the New Melrose Shares to the Official List with a premium listing and to trading on the main market for listed securities of the London Stock Exchange;
" <u>Announcement</u> "	means this announcement made pursuant to Rule 2.7 of the City Code;
" <u>Authorisations</u> "	for the purpose of the relevant Conditions, means authorisations, orders, grants, recognitions, determinations, confirmations, consents, licences, clearances, permissions, exemptions and approvals;
" <u>AWV</u> "	means the German Foreign Trade Ordinance;
" <u>Business Day</u> "	means a day, other than a public holiday, Saturday or Sunday, when banks are open in London for general banking business;
" <u>BMWi</u> "	means the German Federal Ministry of Economics and Energy;
" <u>CFIUS</u> "	means the Committee on Foreign Investment in the United States;
" <u>City Code</u> "	means the City Code on Takeovers and Mergers as issued from time to time by or on behalf of the Panel;
" <u>Closing Price</u> "	means the closing middle market quotation of a share derived from the daily official list of the London Stock Exchange;
" <u>Conditions</u> "	means the conditions to the implementation of the Acquisition set out in <u>Part A</u> of <u>Appendix 1</u> to this Announcement and to be set out in the Offer Document;
" <u>Court</u> "	means the High Court of Justice in England and Wales;
" <u>Court Meeting</u> "	means, should the Acquisition be implemented by way of the Scheme, the meeting of the GKN Shareholders to be convened by order of the Court pursuant to section 896 of the Act for the purpose of considering and, if thought fit, approving the Scheme (with or without amendment) and any adjournment, postponement or reconvention thereof;
" <u>Dealing Disclosure</u> "	means an announcement pursuant to Rule 8 of the Code containing details of dealings in interests in relevant securities of a party to an offer;
" <u>Defence Conditions</u> "	has the meaning given to it in Section 16 of this Announcement;
" <u>Disclosed</u> "	means the information fairly disclosed by, or on behalf of GKN: (i) in the Annual Report and Accounts of the GKN Group for the financial year ended 31 December 2016; or (ii) in any other public announcement made by GKN in accordance with the Market Abuse Regulations, the Listing Rules and the Disclosure Guidance and Transparency Rules prior to this Announcement;
" <u>Disclosure Guidance and Transparency Rules</u> "	means the rules and regulations made by the FCA under Part VI of the Financial Services and Markets Act 2000 (as amended from time to time), referred to in section 73A(2) of the same and contained in the FCA's publication of the same name (as amended from time to time);
" <u>DSS</u> "	the Defense Security Service, a branch of the United States Department of Defense;

" <u>DDTC</u> "	means the US State Department Directorate of Defense Trade Controls;
" <u>EBITDA</u> "	means earnings before interest, tax, depreciation and amortisation;
" <u>Effective Date</u> "	means the date on which: <ul style="list-style-type: none"> a) the Offer becomes or is declared unconditional in all respects; or b) if Melrose elects to implement the Acquisition by way of a Scheme, the date on which the Scheme becomes effective in accordance with its terms;
" <u>Eligible GKN Shareholders</u> "	means GKN Shareholders, other than Restricted GKN Shareholders;
" <u>Enlarged Group</u> "	means the enlarged group following completion of the Acquisition, comprising the Melrose Group and the GKN Group;
" <u>EU</u> " or " <u>European Union</u> "	means an economic and political union of 28 member states which are located primarily in Europe;
" <u>EUMR</u> "	means the EU Merger Regulation (No 139/2004);
" <u>FCA</u> "	means the UK Financial Conduct Authority;
" <u>Form of Acceptance</u> "	means the form of acceptance to accept the Offer;
" <u>GKN</u> "	means GKN plc, incorporated in England and Wales with registered number 04191106;
" <u>GKN Board</u> "	means the GKN Directors collectively;
" <u>GKN Directors</u> "	means the directors of GKN as at the date of this Announcement or, where the context so requires, the directors of GKN from time to time;
" <u>GKN General Meeting</u> "	means, should the Acquisition be implemented by way of the Scheme, the general meeting of GKN Shareholders (and any adjournment thereof) to be convened for the purpose of considering and, if thought fit, approving the shareholder resolutions necessary to enable GKN to implement the Acquisition;
" <u>GKN Group</u> "	means GKN and its subsidiaries and subsidiary undertakings from time to time and a " <u>member of the GKN Group</u> " shall be construed accordingly;
" <u>GKN Share Schemes</u> "	means the employee share schemes of GKN as described in its latest annual report and accounts;
" <u>GKN Shareholders</u> "	means the holders of GKN Shares;
" <u>GKN Shares</u> "	means the shares of 10 pence each in the capital of GKN and includes: <ul style="list-style-type: none"> (a) the existing unconditionally allotted or issued and fully paid (or credited as fully paid) ordinary shares of 10 each in the capital of GKN; (b) any further ordinary shares of 10 each in the capital of GKN which are unconditionally allotted or issued and fully paid (or credited as fully paid) before the date on which the Offer closes (or such earlier date or dates as Melrose may, subject to the City Code, determine); and (c) any GKN Shares held as treasury shares that cease to be held as treasury shares before the date on which the Offer closes (or such earlier date or dates as Melrose may, subject to the City Code, determine) <p>but excludes any shares held as treasury shares on such date as Melrose may determine before the Offer closes (which may be a different date(s) to the date referred to in <u>(b) and (c)</u>), and "<u>GKN Share</u>" means any one of them;</p>
" <u>HMRC</u> "	means H M Revenue & Customs;
" <u>Investec</u> "	means Investec Bank plc;
" <u>ITAR</u> "	the US International Traffic in Arms Regulations (22 Code

of Federal Regulations 120-130);

" <u>Listing Rules</u> "	means the rules and regulations made by the UK Listing Authority under Part VI of the Financial Services and Markets Act 2000, as amended, and contained in the UK Listing Authority's publication of the same name (as amended from time to time);
" <u>London Stock Exchange</u> "	means London Stock Exchange plc;
" <u>Market Abuse Regulations</u> "	means the Market Abuse Regulation (2014/596/EU);
" <u>Melrose</u> "	means Melrose Industries PLC, incorporated in England and Wales with registered number 9800044;
" <u>Melrose Board</u> "	means the Melrose Directors collectively;
" <u>Melrose Circular</u> "	means the circular to be sent by Melrose to Melrose Shareholders summarising the background to and the reasons for the Acquisition, which will include a notice convening the Melrose General Meeting;
" <u>Melrose Directors</u> "	means the directors of Melrose as at the date of this Announcement or, where the context so requires, the directors of Melrose from time to time;
" <u>Melrose General Meeting</u> "	means a meeting of Melrose Shareholders (and any adjournment thereof) at which the Melrose Shareholder Resolutions will be considered, and, if thought fit, approved;
" <u>Melrose Group</u> "	means Melrose and its subsidiaries and subsidiary undertakings from time to time and " <u>member of the Melrose Group</u> " shall be construed accordingly;
" <u>Melrose Prospectus</u> "	means the prospectus or equivalent document to be published by Melrose at the same time as the Offer Document and accompanying Form of Acceptance in respect of the New Melrose Shares to be issued to GKN Shareholders in connection with the Acquisition and for the purpose of admission of the New Melrose Shares to the Official List with a premium listing and to trading on the main market for listed securities of the London Stock Exchange (including any supplementary prospectus);
" <u>Melrose Shareholder Resolutions</u> "	means the shareholder resolutions of Melrose recommended by the Melrose Board as necessary to implement the Acquisition, including to approve, effect and implement the Acquisition and to grant authority to the Melrose Directors to allot the New Melrose Shares and any amendment(s) thereof;
" <u>Melrose Shareholders</u> "	means holders of Melrose Shares;
" <u>Melrose Shares</u> "	means the shares of 48/7 pence each in the capital of Melrose from time to time;
" <u>Mix and Match Facility</u> "	means the facility under which Eligible GKN Shareholders will be entitled to elect to vary the proportions in which they receive New Melrose Shares and in which they receive cash in respect of their holdings of Eligible GKN Shares to the extent that other such GKN Shareholders make offsetting elections;
" <u>New Melrose Shares</u> "	means the new Melrose Shares proposed to be issued to Eligible GKN Shareholders pursuant to the terms of the Acquisition;
" <u>Offer</u> "	means the Offer as described in this Announcement and to be made by Melrose by way of a takeover offer as defined in Chapter 3 of Part 28 of the Act to acquire the entire issued and to be issued share capital of GKN on the terms and subject to the conditions to be set out in the Offer Document, the Melrose Prospectus and the Form of Acceptance (and, where the context admits, any subsequent revision, variation, extension or renewal of such offer, including any revision, variation, extension or renewal of such offer including any election or alternative available in connection with it);
" <u>Offer Document</u> "	means the document to be dispatched to GKN Shareholders, containing (among other things) the terms and conditions of the Offer;
" <u>Offer Period</u> "	means the period commencing on 12 January 2018 and ending on: (i) the earlier of the date on which the Offer has become or has been declared unconditional as to

acceptances and/or the date on which the Offer lapses or is withdrawn (or such other date as the Panel may decide) other than where such lapsing or withdrawal is a result of Melrose electing to implement the Acquisition by way of a Scheme; or (ii) if applicable, the earlier of the date on which the Scheme becomes effective and/or the date on which the Scheme lapses or is withdrawn (or such other date as the Panel and/or the Court may decide);

" <u>Official List</u> "	means the official list maintained by the UK Listing Authority;
" <u>Opening Position Disclosure</u> "	means an announcement pursuant to Rule 8 of the City Code containing details of interests or short position in, or rights to subscribe for, any relevant securities of a party to an offer;
" <u>Panel</u> "	means the Panel on Takeovers and Mergers;
" <u>PRA</u> "	means the Prudential Regulation Authority;
" <u>Restricted GKN Shareholders</u> "	means those GKN Shareholders who are located in a Restricted Jurisdiction;
" <u>Restricted Jurisdiction</u> "	means any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if information concerning the Acquisition is sent or made available to GKN Shareholders in that jurisdiction, including the United States and any state or jurisdiction in the United States;
" <u>Rothschild</u> "	means N M Rothschild & Sons Limited;
" <u>Scheme</u> "	means, should the Acquisition be implemented by way of a scheme of arrangement under Part 26 of the Act, such scheme of arrangement between GKN and the GKN Shareholders to implement the Acquisition with or subject to any modification, addition or condition approved or imposed by the Court;
" <u>Scheme Document</u> "	means, should the Acquisition be implemented by way of the Scheme, the document to be despatched to GKN Shareholders, including the particulars required by section 897 of the Act, including any supplementary scheme document;
" <u>Scheme Order</u> "	means, should the Acquisition be implemented by means of the Scheme, the order of the Court sanctioning the Scheme under section 899 of the Act;
" <u>SEC</u> "	means the US Securities and Exchange Commission;
" <u>UK</u> " or " <u>United Kingdom</u> "	means the United Kingdom of Great Britain and Northern Ireland;
" <u>UK Listing Authority</u> " or " <u>UKLA</u> "	means the FCA acting in its capacity as the authority for listing in the UK;
" <u>US</u> " or " <u>United States</u> "	means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
" <u>US Exchange Act</u> "	means the US Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder;
" <u>US Securities Act</u> "	means the US Securities Act of 1933, as amended and the rules and regulations promulgated thereunder;
" <u>Wider GKN Group</u> "	has the meaning given to it in <u>Appendix 1</u> to this Announcement; and
" <u>Wider Melrose Group</u> "	has the meaning given to it in <u>Appendix 1</u> to this Announcement.

All times referred to are London time, unless otherwise stated.

All references to "GBP", "pence", "sterling" or "£" are to the lawful currency of the United Kingdom.

All references to statutory provision or law or to any order or regulation shall be construed as a reference to that provision, law, order or regulation as extended, modified, replaced or re-enacted from time to time and all statutory instruments, regulations and orders from time to time made thereunder or deriving validity therefrom.

All references to "relevant securities" are to that term as it is defined in the City Code.

All references to "subsidiary", "subsidiary undertaking", "undertaking" and "associated undertaking" have the respective meanings given to them in the Act.
