

DEED OF COVENANT AND UNDERTAKING

This DEED is dated 22 April 2018

This DEED is executed in accordance with the requirements of section 44 of the Companies Act 2006 by **MELROSE INDUSTRIES PLC** incorporated and registered in England and Wales with company number 09800044 whose registered office is at 11th Floor, Colmore Plaza, 20 Colmore Plaza Circus Queensway, Birmingham, B4 6AT, United Kingdom (“Melrose”).

BACKGROUND

(A) Melrose is an LSE listed group with interests in the manufacturing and engineering sectors and for the purposes of this Deed all references to Melrose include references to the Melrose group as appropriate.

(B) GKN PLC (“GKN”) is a company incorporated and registered in England and Wales with company number 04191106 whose registered office is at PO Box 55, Ipsley House, Ipsley Church Lane, Redditch, B98 0TL, United Kingdom. GKN provides technology-based, highly engineered products to manufacturers of light vehicles, agricultural and construction equipment and aircraft and aero engines. It operates in the Aerospace, Driveline and Powder Metallurgy markets.

(C) On 17 January Melrose launched an offer to acquire the shares of GKN in exchange for the issue of new Melrose shares and cash (the “Offer”). Following completion of the Offer, it is anticipated that GKN, which will then be a subsidiary of Melrose, will be re-registered as a private limited company.

(D) Under the Enterprise Act 2002 (“the Act”) the Secretary of State for Business, Energy and Industrial Strategy has powers to intervene in a relevant merger situation (as defined in the Act), the exercise of which are a statutory function.

(E) The commitments offered in this deed of covenant and undertaking shall be effective from the date of the Offer becoming unconditional in all respects (the “Effective Date”).

TERMS

Interpretation

1. In this deed:

a) “Core GKN Aerospace Businesses” means the GKN Aerospace businesses other than (i) those announced by GKN on 14 February 2018 in its ‘Project Boost’ announcement as being ‘non-core’, namely any of the businesses and companies comprising US Standard Aerostructures, Fuel and Flotation Tanks and Engine and Aircraft Servicing, in each case as at the Effective Date and (ii) businesses with a turnover of less than 5% the total GKN Aerospace businesses;

b) “Disposal” means a transfer, sale or other disposition by a person, whether directly or indirectly but excluding a listing or demerger of all or any part of the Core GKN Aerospace businesses where a company controlling all or any relevant part of the Core GKN Aerospace businesses is listed on a securities market or exchange established, or maintained, by the London Stock Exchange plc and “Dispose” and “Disposed” shall be construed accordingly;

c) “Group” means: (in respect of any company, that company, any subsidiary from time to time of that company, any holding company from time to time of that company and any subsidiary from time to

time of any such holding company. A reference to a holding company or a subsidiary means a holding company or a subsidiary (as the case may be) as defined in section 1159 of the Companies Act 2006;

- d) “Permitted Voluntary Sale” means any Disposal to a Third Party of all or any part of the Core GKN Aerospace Businesses by Melrose and/or any member of Melrose Group following (i) written notification of the proposal to Dispose all or any part of the Core GKN Aerospace Businesses having been made by Melrose to the SoS in accordance clauses 2.2 and 2.3 of this deed; and (ii) within 30 calendar days following the date of such written notification, the SoS having not stated in writing that Melrose and/or such relevant member(s) of the Melrose Group may not Dispose of such relevant Core GKN Aerospace Businesses to such Third Party;
- f) “Potential Purchaser” means any party, individual, company, group or consortium interested in the purchase of all or any part of the Core GKN Aerospace Businesses;
- h) “Relevant Authority” means any central bank, ministry, governmental, quasi-governmental (including, but not limited to, CFIUS, the CMA, the Ministry of Defence and the European Union), supranational, statutory, regulatory or investigative body or authority (including any national or supranational anti-trust or merger control authority, any sectoral ministry or regulator and any foreign investment review body), national, state, municipal or local government (including any subdivision, court, administrative agency or commission or other authority thereof) and any entity owned or controlled by them;
- i) “Significant Influence or Control” has the same meaning as set out under Schedule 1A to the Companies Act 2006 and in the guidance issued under paragraph 24(5) of Schedule 1A to that Act;
- j) “SoS” means the Secretary of State for Business, Energy and Industrial Strategy of the United Kingdom of Great Britain and Northern Ireland; and
- k) “Third Party” means any person other than a member of the Melrose Group.

UNDERTAKINGS

1. No Disposals of Core GKN Aerospace Businesses

Save as otherwise permitted by the terms of this deed, Melrose hereby undertakes to the SoS that, for a period of five years from the Effective Date, it will not, and will procure that no member of the Melrose Group will, Dispose of the Core GKN Aerospace Businesses to any Third Party.

2. Permitted Transactions

2.1 Notwithstanding the undertaking set out in clause 1 above, Melrose and/or any member of the Melrose Group shall be permitted, at any time following the Effective Date, to Dispose of all or any part of the Core GKN Aerospace Businesses where such Disposal is:

- (i) a Permitted Voluntary Sale;
- (ii) required by a Relevant Authority; or
- (iii) pursuant to any obligation incurred by the GKN Group prior to the Effective Date.

2.2 In connection with any proposed Permitted Voluntary Sale Melrose will notify the SoS as soon as reasonably practicable and, in any event, within five business days of the earlier of:

- (i) any decision to commence a Disposal process;

- (ii) receipt of a binding offer to acquire all or any part of the Core GKN Aerospace Businesses; or
- (iii) provision of due diligence material to any Potential Purchaser.

2.3 Melrose shall include the following details in any notification made pursuant to Clause 2.2 above:

- (i) details (including UK revenue details) of the Core GKN Aerospace Businesses proposed to be Disposed;
- (ii) the name, company number and place of incorporation of each Potential Purchaser;
- (iii) the company structure and office holders of each Potential Purchaser;
- (iv) details of the long term ownership and investment plans of each Potential Purchaser;
- (v) where the Potential Purchaser is a consortium, details as to all members of the consortium, the structure of the consortium, decision-making arrangements of the consortium, and structure and office holders of each member of the consortium; and
- (vi) details of any people with Significant Influence or Control over the Potential Purchaser or where the Potential Purchaser is a consortium any people with Significant Influence or Control over all members of the consortium.

2.4 The SoS will consider any notification made by Melrose under this clause 2 acting reasonably and may, within 30 calendar days of receipt of the notification, notify Melrose in writing that it may not effect the proposed Disposal.

3. Access to Information and compliance meetings

3.1 Melrose will provide the SoS with such information as the SoS may from time to time reasonably require to ascertain that they are fulfilling the obligations contained in this deed. If Melrose is unable to comply with any of the obligations contained in this deed, or becomes aware of any non-compliance, Melrose will notify the SoS immediately and use best endeavours to remedy any non-compliance as soon as possible.

3.2 In addition to any information provided by Melrose to the SoS under clause 3.1, Melrose undertakes that senior representatives will meet the SoS's officials every 6 months (on dates to be fixed by the SoS's officials) to discuss and check compliance with the terms of this deed. Where requested, such discussions shall include the provisions of updates by Melrose on matters relating to its ownership of GKN on which the SoS has a legitimate interest.

4. General

4.1 Melrose acknowledges that this deed does not operate in any way to preclude or restrict the exercise of any statutory powers available to the SoS or Her Majesty's Government. In particular, the time periods afforded to the SoS in relation to a Permitted Voluntary Sale in Clause 2.4 are without prejudice to the exercise by him of any statutory functions under the Act in relation to a Disposal, and the time periods within which such statutory functions may be exercised.

4.2 The obligations in this deed shall terminate on any offer for the entire issued and to be issued share capital of Melrose becomes wholly unconditional or a scheme of arrangement to effect the acquisition of entire issued and to be issued share capital of Melrose becomes effective (in each case other than where that third party offeror is acting in concert with a Melrose director).

4.3 Save where the SoS determines to place this deed in the public domain (in which case he shall inform Melrose of the fact as soon as he reasonably can thereafter), Melrose undertakes to ensure that this deed and its contents remain confidential and will not be disclosed except to the company officers, staff, advisers, and agents necessary to give effect to the obligations it contains. No disclosure of information shall be made by virtue of this clause unless the making of the disclosure is proportionate to the object of the disclosure and no disclosure will be made without ensuring that the individual to who the disclosure is made is aware of the confidential nature of the information. Nothing in this clause prevents the disclosure where required under any enactment, by any rule of law, regulation or by the order of a court, or where permitted by the prior written approval of the SoS.

4.4 Melrose shall, and shall use its reasonable endeavours to procure that any necessary third party shall, promptly execute and deliver such documents and perform such acts as may be required for the purpose of giving full effect to this deed.

4.5 Without prejudice to any other rights or remedies that SoS may have, Melrose acknowledges and agrees that damages alone would not be an adequate remedy for any breach of the terms of this deed by Melrose. Accordingly, Melrose agrees that SoS shall be entitled to the remedies of injunction, specific performance or other equitable relief for any threatened or actual breach of the terms of this deed. If any such remedies are sought in relation to any threatened or actual breach of the terms of this deed, Melrose waives any rights it may have to oppose such remedies on the grounds that damages would be an adequate alternative. No proof of special damages shall be necessary for the enforcement of this deed.

4.6 This deed and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales.

4.7 Each party irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this deed or its subject matter or formation (including non-contractual disputes or claims).

This document has been executed as a deed and takes effect on the dates stated at the beginning of it.

EXECUTED and DELIVERED as a

DEED by MELROSE INDUSTRIES PLC

acting by a director in the presence of:

Signature of witness:

Name of witness:

Address of Witness:



JOHNATHAN RAWFORD
LECONFIELD HOUSE
CURSON ST
LONDON W1J 5TA