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This document is a circular relating to the Demerger which has been prepared in accordance with the Listing Rules and approved by the Financial Conduct Authority (the “FCA”). This document has been published solely in connection with the Demerger, the Melrose Share Consolidation and the proposed adjustments to the Melrose incentive arrangements (collectively, the “**Proposal**”) as described herein. Those considering the admission of all the ordinary shares of Dowlais Group plc (the “**Dowlais Shares**”) to the premium listing segment of the Official List of the FCA (the “**Official List**”) and to trading on the main market of the London Stock Exchange plc (the “**London Stock Exchange**”) for listed securities (together, “**Dowlais Admission**”), including the risks relevant to Dowlais Admission, the Dowlais Shares and the Dowlais Group should rely only on the information in the Dowlais Prospectus.

If you sell or transfer or have sold or otherwise transferred all of your existing ordinary shares (the “**Melrose Shares**”) in Melrose Industries PLC (“**Melrose**” or the “**Company**”), please forward this document (but not any personalised Form of Proxy) as soon as possible to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. If you sell or transfer or have sold or otherwise transferred only part of your holding of Melrose Shares, please retain this document and any accompanying document and consult the bank, stockbroker or other agent through whom the sale or transfer was effected as to the action you should take. If you receive this document from another Shareholder, as a purchaser or transferee, please contact the Registrar for a personalised Form of Proxy.

Any person (including, without limitation, custodians, nominees and trustees) who may have a contractual or legal obligation or may otherwise intend to forward this document to any jurisdiction outside the United Kingdom should seek appropriate advice before taking any action. The distribution of this Circular and any accompanying document into jurisdictions other than the United Kingdom may be restricted by law. Any person not in the United Kingdom into whose possession this Circular and any accompanying document come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdiction. This document is not a prospectus, and it does not constitute or form part of any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any offer to sell, dispose of, purchase or subscribe for, any securities.



MELROSE INDUSTRIES PLC

*(Incorporated and registered in England and Wales with
Registered No. 09800044)*

Circular to Shareholders and Notice of General Meeting

Proposed Demerger of Dowlais Group plc from Melrose Industries PLC

This document, including the information incorporated by reference, should be read as a whole. Your attention is drawn to the letter from the Chairman of Melrose, which is set out in Part I (*Letter from the Chairman of Melrose Industries PLC*) of this Circular and which contains information on the Resolution to be proposed at the general meeting of the Company to be held at Investec Bank plc, 30 Gresham St, London EC2V 7QN at 10:00 a.m. on 30 March 2023 (the “**General Meeting**”). Your attention is also drawn to the risk factors set out in Part IV (*Risk Factors Relating to the Proposal*) of this Circular which you should consider carefully when deciding whether or not to vote in favour of the Resolution to be proposed at the General Meeting. The Demerger will not take place unless the Resolution is passed at the General Meeting.

The Notice of the General Meeting is set out at the end of this Circular.

Shareholders are entitled to attend the General Meeting and are entitled to vote. A Shareholder entitled to attend, speak and vote at the General Meeting is also entitled to appoint a proxy to exercise all or any of his/her rights to attend, speak and vote at the General Meeting in his/her place. Such a Shareholder may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. A proxy need not be a Shareholder.

Shareholders who receive hard copy documents will find enclosed with this Circular a Form of Proxy for use in connection with the General Meeting. You are asked to complete and sign the enclosed Form of Proxy in accordance with the instructions printed on it and return it to the Company's Registrar, Equiniti, of Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA as soon as possible and, in any event so as to be received by Equiniti by no later than 10:00 a.m. on 28 March 2023. You may alternatively register your vote online by visiting Equiniti's website at www.sharevote.co.uk. In order to register your vote online, you will need to enter the Voting ID, Task ID and your Shareholder Reference Number which are set out on the enclosed Form of Proxy, and you will need to ensure that your vote is registered online no later than 10:00 a.m. on 28 March 2023. Shareholders who receive an email broadcast will be directed to this Circular on the Company's website at www.melroseplc.net.

If you are an institutional investor, you may be able to appoint a proxy electronically via the Proxymity platform ("**Proxymity**"), a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 10:00 a.m. on 28 March 2023 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

If you hold your Melrose Shares in CREST, and you wish to appoint a proxy or proxies through the CREST electronic proxy appointment service, you may do so by using the procedures described in the CREST Manual (available via <http://www.euroclear.com>). In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST Proxy Instruction must be properly authenticated in accordance with Euroclear's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Equiniti, ID RA19 by 10:00 a.m. on 28 March 2023.

Each of Citigroup Global Markets Limited ("**Citigroup**") and J.P. Morgan Securities plc (which conducts its UK investment banking business as J.P. Morgan Cazenove) ("**JP Morgan**"), which are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, and N.M. Rothschild & Sons Limited ("**Rothschild & Co**"), which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, are acting solely for Melrose and no one else in connection with the Proposal and, save for any responsibility which may arise under FSMA or the regulatory regime established thereunder, will not be responsible to anyone other than Melrose for providing the protections afforded to the respective clients of Rothschild & Co, Citigroup and JP Morgan, or for providing advice in connection with the Proposal, the contents of this document or any transaction, arrangement or other matter referred to in this document.

Apart from the responsibilities, if any, which may be imposed on any of Rothschild & Co, Citigroup or JP Morgan by FSMA or the regulatory regime established thereunder to the extent the exclusion of responsibility under the relevant regulatory regime would be illegal, void or unenforceable, none of Rothschild & Co, Citigroup and JP Morgan nor any of their respective subsidiaries, holding companies, branches or affiliates nor any of their respective directors, officers, employees, agents or advisers, owes or accepts any duty, responsibility or liability whatsoever (whether direct or indirect and whether arising in contract, in tort, under statute or otherwise) to any person in relation to this Circular or for any acts or omissions of Melrose and no representation or warranty, express or implied, is made by any of them as to the contents of this Circular, including its accuracy, completeness, verification or sufficiency, or for any other statement made or purported to be made by Melrose, or on its behalf, or by any of Rothschild & Co, Citigroup or JP Morgan, or on their behalf, in connection with Dowlais or the Dowlais Shares, and nothing in this Circular should be relied upon as a promise or representation in this respect, whether or not to the past or future. To the fullest extent permitted by law, each of Rothschild & Co, Citigroup and JP Morgan and their respective subsidiaries, holding companies, branches and affiliates and their respective directors, officers, employees, agents and advisers accordingly disclaims all and any responsibility or liability whatsoever (whether

direct or indirect and whether arising in contract, in tort, under statute or otherwise (save as referred to above)), which they might otherwise have in respect of this Circular or any such statement or otherwise.

A summary of action to be taken by Shareholders is set out on page 13 of this Circular and in the Notice of General Meeting set out at the end of this Circular.

Capitalised terms have the meaning ascribed to them in the 'Definitions' section of this document.

This Circular is dated 3 March 2023.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the following times and dates in the table below is indicative only and subject to change. References to a time of day are to London time.

Event	Time and Date
Publication of this Circular, the Form of Proxy and the Dowlais Prospectus	3 March 2023
Latest time and date for receipt of Forms of Proxy, CREST Proxy Instructions and registration of online votes from Shareholders in respect of the General Meeting	10:00 a.m. on 28 March 2023
General Meeting	10:00 a.m. on 30 March 2023
Announcement of result of General Meeting	10:30 a.m. on 30 March 2023 (or as soon as practicable after the conclusion of the General Meeting, if later)
Latest time and date for transfers of Melrose Shares to be registered on the Melrose Share Register at the Consolidation Record Time and the Demerger Record Time	6:00 p.m. on 19 April 2023
Record time for the Melrose Share Consolidation (being the “ Consolidation Record Time ”)	6:00 p.m. on 19 April 2023
Melrose Share Consolidation becomes effective	immediately after 6:00 p.m. on 19 April 2023
Record time for the Demerger Distribution (being the “ Demerger Record Time ”)	10:00 p.m. on 19 April 2023
Demerger Distribution to Qualifying Shareholders becomes effective	7:59 a.m. immediately prior to Dowlais Admission on 20 April 2023
Dowlais Admission and commencement of dealings in Dowlais Shares on the London Stock Exchange	8:00 a.m. on 20 April 2023
Melrose Admission and commencement of dealings in New Melrose Shares on the London Stock Exchange	8.00 a.m. on 20 April 2023
CREST accounts credited with uncertificated Dowlais Shares	as soon as practicable after 8:00 a.m. on 20 April 2023
CREST accounts credited with uncertificated New Melrose Shares	as soon as practicable after 8:00 a.m. on 20 April 2023
Despatch of definitive share certificates (where applicable) for the New Melrose Shares in certificated form	by 5 May 2023
Despatch of definitive share certificates (where applicable) for the Dowlais Shares in certificated form	by 5 May 2023

IMPORTANT INFORMATION

GENERAL

The contents of this document are not to be construed as legal, financial or tax advice. Recipients of this document should consult their own legal, financial or tax adviser for legal, financial or tax advice, as appropriate. Furthermore, none of Melrose, the Directors, Rothschild & Co, Citigroup or JP Morgan accept any responsibility for the accuracy, reliability or completeness of any information reported by the press or other media, or the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding the Demerger, Dowlais Admission, the Melrose Group or the Dowlais Group. Melrose and the Directors make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

Recipients of this document may not reproduce or distribute this document, in whole or in part, and may not disclose any of the contents of this document or use any information herein for any purpose other than considering the Proposal. Such recipients of this document agree to the foregoing by accepting delivery of this Circular.

FORWARD-LOOKING STATEMENTS

This document contains certain “forward-looking statements” relating to the Melrose Group, the Continuing Melrose Group, the Dowlais Group and the Demerger, including with respect to certain of their plans and current goals and expectations relating to their future financial condition, performance, results, strategy and objectives. Statements containing the words “believes”, “intends”, “plans”, “pursues”, “seeks”, “expects”, “may”, “will”, “would”, “could”, “should”, “shall”, “risk”, “estimates”, “aims”, “predicts”, “goal”, “continues”, “assumes”, “positioned”, “targets” and “anticipates” (or negatives thereof), and variations thereof or words of similar meaning, are forward-looking. By their nature, all forward-looking statements involve assumptions, risk and uncertainty because they relate to future events and circumstances which are beyond Melrose’s or Dowlais’s control, as the case may be, including, among other things, the domestic and global economic and business conditions, market-related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of regulatory authorities, the impact of competition, inflation and deflation; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which Melrose’s or Dowlais and their respective affiliates, as the case may be, operate. As a result, actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in the forward-looking statements in this document and no assurances can be given that the forward-looking statements in this document will be realised.

Any forward-looking statements made herein speak only as of the date they are made. Except as required by the Financial Conduct Authority, the London Stock Exchange, the Companies Act, FSMA, the Prospectus Regulation Rules, the Listing Rules, the Disclosure Guidance and Transparency Rules or any other applicable law or regulation, Melrose expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any change in Melrose’s or Dowlais’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Forward-looking statements contained in this document do not in any way seek to qualify the working capital statement contained in Section 12 (*Working Capital Statement*) of Part VIII (*Additional Information*) of this document.

NO PROFIT FORECAST

No statement in this document is intended as a profit forecast or a profit estimate and no statement in this document should be interpreted to mean that earnings per Melrose Share for the current or future financial years will necessarily match or exceed the historical published earnings per Melrose Share.

OVERSEAS SHAREHOLDERS

The implications of the Proposal for Overseas Shareholders may be affected by the laws of the jurisdiction in which they are resident or otherwise located. Overseas Shareholders should inform themselves about and observe all applicable legal requirements.

It is the responsibility of any person into whose possession this document comes to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the Proposal, including the obtaining of any governmental, exchange control or other consents which may be required and/or compliance with other necessary formalities which are required to be observed and the payment of any taxes or levies due in such jurisdiction.

US CONSIDERATIONS

The Dowlais Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the “**US Securities Act**”), or under any other relevant federal securities laws or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, pledged, renounced, transferred or delivered, directly or indirectly, in or into the United States at any time without registration or an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with state securities laws. The Dowlais Shares may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined under Regulation S) except to qualified institutional buyers in reliance on Rule 144A under the US Securities Act, to a limited number of institutional “accredited investors”, as defined in Rule 501(a)(1), (2), (3), (4) or (7) under the US Securities Act (“**Institutional Accredited Investor**”), and to persons in offshore transactions in reliance on Regulation S (“**Regulation S**”) under the US Securities Act (together, the “**Eligible US Holders**”). Any recipient of Dowlais Shares pursuant to transactions that are exempt from the registration requirements of the US Securities Act may be required to make such acknowledgements and representations to and agreements with the Company as the Company may require to establish that they are Eligible US Holders. If you are an “accredited investor” as defined in Rule 501(a) under the US Securities Act but are not an Institutional Accredited Investor as defined herein, please contact the Company as soon as possible to discuss your options. The Dowlais Shares will not be transferred to any US person that, so far as the Company is aware, is not an Eligible US Holder, but will instead be sold in the market on behalf of Melrose and the net cash proceeds of such sale will be remitted by cheque to such US person based on the number of Dowlais Shares they would otherwise have been entitled to hold in connection with the Demerger.

The Dowlais Shares will be “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act. **Accordingly, holders of Dowlais Shares are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Dowlais Shares held by them or for their account or benefit.**

Dowlais is a public limited company incorporated under the laws of England and Wales. The substantial majority of the Directors are citizens or residents of countries other than the United States. Substantially all of the assets of such persons and a significant proportion of the assets of Dowlais are located outside the United States. As a result, it may not be possible to effect service of process within the United States upon such persons or Dowlais, or to enforce against them judgments of US courts, including judgments predicated upon civil liabilities under the securities laws of the United States or any state or territory within the United States. The United States and the United Kingdom do not have a treaty providing for the reciprocal recognition of judgments (other than arbitral awards) in civil and commercial matters. Consequently, a final and conclusive judgment by any federal or state court of the United States based on civil liability, whether or not predicated solely upon US federal securities laws, would not automatically be enforceable in England and Wales. In addition, it is doubtful whether the courts of England and Wales would accept jurisdiction and impose civil liability if proceedings were commenced in England or Wales in an original action predicated solely upon US federal securities laws.

PUBLICATION ON WEBSITE AND AVAILABILITY OF HARD COPIES

A copy of this document, together with all information incorporated into this document by reference to another source, is and will be available for inspection on Melrose’s website at www.melroseplc.net from the time that this document is published.

If and to the extent that any document or information incorporated by reference or attached to this document itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this document, except where such information or documents are stated within this document as specifically being incorporated by reference or where this document is specifically defined as including such information.

In particular, information on or accessible through Melrose’s corporate website at www.melroseplc.net and through Dowlais’s corporate website at www.dowlais.com or any website directly or indirectly linked to

www.melroseplc.net or to www.dowlais.com, including www.gknaerospace.com, www.gknautomotive.com, www.gknpm.com and www.gknhydrogen.com, does not form part of and is not incorporated into this document.

If you have any queries in connection with this document or the Proposal, or if you have received this document in electronic form and you want to request a hard copy of this document and/or any information incorporated into this document by reference to another source, you can contact the Registrar at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, or between 8.30 a.m. and 5.30 p.m. (London time), Monday to Friday (excluding public holidays in England and Wales), on +44 (0)333 207 6385 (calls from outside the UK will be charged at the applicable international rate and different charges may apply to calls from mobile telephones), with your full name and the full address to which the hard copy may be sent (calls may be recorded and monitored for training and security purposes) if relevant. The helpline operators cannot provide advice on the merits of the Proposal nor give any financial, legal or tax advice.

PRESENTATION OF FINANCIAL INFORMATION

Percentages in tables may have been rounded and, accordingly, may not add up to 100 per cent. Certain financial data has been rounded and, as a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

References to “£”, “GBP”, “pounds”, “pounds sterling”, “sterling”, “p”, “penny” or “pence” are to the lawful currency of the United Kingdom.

References to “\$” or “US Dollars” are to the lawful currency of the United States of America.

CERTAIN DEFINED TERMS

Capitalised terms have the meaning ascribed to them in Part IX (*Definitions*) of this Circular. References in this Circular to S&P Global (December 2022) are to the S&P Global Mobility: Alternative Propulsion Forecast, December 2022.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

DIRECTORS

Justin Dowley (*Non-Executive Chairman*)
Christopher Miller (*Executive Vice-Chairman*)
Simon Peckham (*Chief Executive*)
Geoffrey Martin (*Group Finance Director*)
Peter Dilnot (*Chief Operating Officer*)
David Lis (*Senior Independent Director*)
Charlotte Twynning (*Independent Non-Executive Director*)
Funmi Adegoke (*Independent Non-Executive Director*)
Heather Lawrence (*Independent Non-Executive Director*)
Victoria Jarman (*Independent Non-Executive Director*)

COMPANY SECRETARY

Warren Fernandez

REGISTERED OFFICE

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PART I
LETTER FROM THE CHAIRMAN OF MELROSE INDUSTRIES PLC



Incorporated and registered in England and Wales with Registration No. 09800044

Directors:

Justin Dowley (Non-Executive Chairman)
Christopher Miller (Executive Vice-Chairman)
Simon Peckham (Chief Executive)
Geoffrey Martin (Group Finance Director)
Peter Dilnot (Chief Operating Officer)
David Lis (Senior Independent Director)
Charlotte Twynning (Independent Non-Executive Director)
Funmi Adegoke (Independent Non-Executive Director)
Heather Lawrence (Independent Non-Executive Director)
Victoria Jarman (Independent Non-Executive Director)

Registered office:

11th Floor
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Birmingham
West Midlands
B4 6AT

3 March 2023

Dear Shareholder

**PROPOSAL FOR THE DEMERGER OF THE GKN AUTOMOTIVE, GKN POWDER
METALLURGY AND GKN HYDROGEN BUSINESSES AND RELATED MATTERS**

INTRODUCTION

On 8 September 2022, the Melrose Board announced its intention to separate the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses (the “**Dowlais Businesses**”) from the Melrose Group under an independent entity, Dowlais Group plc (“**Dowlais**”), which will seek admission to listing on the premium listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange. On Completion, this would result in Shareholders owning shareholdings in two independent and separately listed companies, Melrose and Dowlais.

Your Board strongly believes that the Demerger is the optimal strategy to deliver further value for Shareholders in both Melrose and Dowlais. Upon Completion, the Continuing Melrose Group and the Dowlais Group will each comprise global businesses with leading market positions, pursue their own distinct commercial strategy and seek (as and when appropriate) to maximise their own separate M&A platforms and currencies. The businesses within each group will continue to be led by successful, skilled and experienced management teams with strong track records of developing and producing sustainable technology aligned to customer needs, delivering robust long term cash generation, and forging a clear pathway to achieving clear, ambitious target operating margins.

Your Board expects the Demerger to provide Melrose and Dowlais with new opportunities to unlock value for shareholders, and to propel their underlying businesses towards realising their full potential, independently and within their respective markets. Accordingly, your Board believes that the Proposal (as described below) is in the best interests of Shareholders and encourages your support for the Proposal and the Resolution. Further explanation is provided below.

INFORMATION ON THE DOWLAIS GROUP

The Dowlais Businesses comprise the market-leading GKN Automotive and GKN Powder Metallurgy businesses that have been transformed under Melrose ownership. Dowlais also includes the exciting early-stage growth business GKN Hydrogen which is just beginning to execute its commercialisation strategy. Each of the Dowlais Businesses is now positioned to deliver further shareholder value under Dowlais, an independent, automotive focused company.

The GKN Automotive and GKN Powder Metallurgy businesses had good, basic foundations upon acquisition in 2018. They were well established engineering businesses, market leaders with long standing diverse customer relationships. GKN Automotive is the number one global drive system supplier, serving 90 per cent. of Global OEMs and with content on approximately 50 per cent. of passenger vehicles. It has over 24,000 employees, including in its joint venture in China, and 47 manufacturing facilities in 17 countries across the globe. GKN Powder Metallurgy, the global leader in sintered metal products and the number two global supplier of powder metals, offers vertically integrated production capabilities that are unique among its competitors with a global presence. It has over 5,000 employees and 27 manufacturing sites in nine countries across the globe.

Under Melrose ownership, these businesses have undergone a successful transformation. There has been a complete overhaul of their commercial strategies, which included resolving an approximate £250 million exposure to low margin or loss making contracts. Despite some significant market volatility, we have also driven profitable growth at GKN Automotive with over £20 billion of effective revenue booked under Melrose ownership and a book to bill ratio well over 100 per cent. during each year of Melrose ownership. Importantly, this growth has been profitable, all with terms consistent with stated operating margin targets. It has also aligned with the global transition to electric vehicles (“EVs”), with GKN Automotive’s growing EV order book accounting for over 40 per cent. of new orders in 2022.

Parallel to this commercial overhaul, we have reshaped their cost base, with a focus on improving purchasing performance that has delivered material aggregate annual savings alongside robust and increasingly regionalised supply chains. Fixed costs have been reduced, with a productive utilisation of shared services facilities and reduced headcount. We also redefined the industrial strategy, with a focus on end to end manufacturing in single plants to better leverage their prized vertical integration, an increase in digitisation of production, and a move away from high cost countries to absorb production into existing footprint in best cost locations. This has increased efficiency and productivity that has been further boosted through an emphasis on lean technology.

A disciplined approach to cash generation has driven rigour and visibility into the Dowlais Businesses, resulting in £1.8 billion of cash flow (before capital expenditure) under Melrose ownership, and a cash conversion rate after capital expenditure of 149 per cent. of EBITDA. This is a significant improvement from the inherited position, more so given the unique challenges of the global pandemic, and has enabled us to continue to invest heavily in the Dowlais Businesses, with the Dowlais Businesses self-funding their extensive restructuring programmes. Dowlais will further benefit from the conservative level of leverage of approximately 1.5 times 2022 EBITDA intended at Completion.

Looking forward, Dowlais will be executing on a clear strategy based on three key priorities: further margin expansion; fully aligning the portfolios with the transition to EVs; and, when appropriate, undertaking targeted, strategic M&A. This is backed by an agile, accountable and ambitious operating model and is focused on driving further value creation for Dowlais shareholders.

The Demerger comes at an early point in the global automotive sector’s recovery from recent challenges posed by COVID-19, inflationary pressures and supply chain disruptions. There remains significant recovery still to come to return to pre-pandemic levels, which is expected to not only deliver substantial further volume, but more importantly, enable the Dowlais Businesses to achieve their stated operating margin targets and significantly increase profits. The rate and extent of recovery remaining varies regionally and the Dowlais Businesses further benefit from their alignment to the markets with the scope for greatest further recovery, being North America and Europe.

The growth of EVs is accelerating, with S&P Global (December 2022) expecting the approximately 10 per cent. penetration of EVs in 2022 to significantly increase by 2028. The Dowlais Businesses are aligned with this transition, well positioned to benefit in both core and incremental businesses irrespective of any increase or decrease in the pace of the transition. Their EV technology roadmaps and global footprints are well matched to both customers and geography.

Although Dowlais will be an independent company from Completion, it will nonetheless continue to have access, where required, to Melrose support to help it drive the expected future value, which your Board believes can be created for Shareholders. For a period of time, Simon Peckham and Geoffrey Martin will be involved as executive directors of Dowlais, whilst the wider Melrose management team will support where necessary through the Transitional Services Agreement. This ongoing involvement should give Shareholders further comfort as to the opportunities available and your Board’s confidence in Dowlais’s ongoing success in delivering further value for Shareholders.

Having been transformed under Melrose ownership, the Dowlais Businesses are well-positioned with strong cash generation and with a clear path to an 11 per cent. adjusted operating margin target, which is expected to significantly increase profit as global automotive sector volumes return. They demonstrated their quality in offsetting inflationary headwinds in 2022 and expect to do the same this year. This is top quartile performance amongst its automotive peers. As a standalone entity, Dowlais will continue to drive margin expansion through further investment, whilst benefiting from the expected market recovery as well as the accelerating transition to EVs. It will also have the currency to make strategic targeted acquisitions, when appropriate, that would further transform the business and deliver further value to Shareholders. As it continues to invest and improve, the traditional work for Dowlais under Melrose ownership is done. Now is the time for the next phase in its development and the Demerger is the optimal structure to enable it to achieve its potential.

Full details about Dowlais, its businesses and independent board of directors can be found in Section 3 of Part II (*Information on the Proposal*).

INFORMATION ON THE CONTINUING MELROSE GROUP

Post-Demerger, Melrose will continue to own the market-leading GKN Aerospace business and will be focused on continuing to deliver value to Shareholders through its proven strategy. This strategy has a strong track record in successfully delivering for Shareholders, with an average annualised return on equity investment of 17 per cent. and cash returns in excess of £6 billion since Melrose made its first acquisition in 2005.

GKN Aerospace

Following the Demerger, GKN Aerospace will at that moment be the only business in the Continuing Melrose Group. Already a world-leading business, including a high-margin Engines division with risk and revenue sharing partnership interests in the world's leading engines platforms, for which the considerable majority are enviably entering their cash generation phase, there have been substantial improvements undertaken in this business since Melrose acquisition. Similar to the path followed by the Dowlais Businesses, a complete overhaul of its commercial strategy is currently under way, focused on the achievement of target margins through differentiated technology, addressing low margin or loss making legacy business, and disciplined tendering on targeted strategic platforms.

In parallel, we are reshaping its cost base, through significant adjustments to its footprint strategy and substantial improvements in both quality and delivery, which is leading to a corresponding improvement in customer relationships. GKN Aerospace is also a leader in the aerospace sector's drive for sustainable travel, investing heavily in cutting edge technology including additive manufacturing, composite structures and electric and hydrogen propulsion.

This means that the business is well placed to benefit from structural growth in the markets it serves and the platforms it supplies. Aerospace is expected to be one of the fastest growing sectors in 2023 as it continues its recovery towards very positive long term market growth. Our extensive improvement activities are ongoing and include restructuring, commercial repositioning and operational gains. All restructuring projects are under way and are expected to be substantially completed over the course of 2023. The business has positive earnings momentum going into 2023 and we believe there is a clear future path for strong profit growth and exceptional cash generation ahead.

The focus for Melrose in the 12 months following Completion will be to finish the release of value in GKN Aerospace and, as far as possible, to ensure this large expected value uplift is reflected in underlying Shareholder value. After this is reflected in the value of the Melrose Group, your Board will then focus on executing its proven strategy once again.

PRINCIPAL TERMS OF THE PROPOSAL

As well as the Demerger itself, the Proposal includes the Melrose Share Consolidation and the Incentive Adjustments necessary to properly reflect the implementation of the Demerger.

Melrose Share Consolidation terms

Recognising that the Demerger involves the extraction of the Dowlais Businesses from the Melrose Group, which accounts for a significant proportion of the Melrose market capitalisation, it is necessary to undertake the Melrose Share Consolidation in order to enable the post-Demerger share price of both Melrose and Dowlais to initiate at sensible levels. Shareholders will hold the same proportion of Melrose Shares both before and after

the Melrose Share Consolidation, subject to such adjustments as set out below to deal with fractional entitlements. Shareholders will receive:

One New Melrose Share

for every three Existing Melrose Shares they hold at the Consolidation Record Time

To simplify the Demerger, we are undertaking the Melrose Share Consolidation on the day prior to Completion, immediately following 6:00 p.m. on 19 April 2023. It is conditional on approval by Shareholders and so forms part of the Proposal to be voted upon at the General Meeting. It is expected that admission and dealings in the New Melrose Shares on the London Stock Exchange will commence at 8.00 a.m. on 20 April 2023.

Further information on this is set out in Part II (*Information on the Proposal*) of this Circular.

Demerger terms

Subject to approval by Shareholders, the Demerger will be implemented through a distribution *in specie* to Shareholders in accordance with the terms of the Demerger Agreement. It will occur shortly after the Melrose Share Consolidation is implemented, so that Shareholders receive:

One Dowlais Share

for every one New Melrose Share they hold at the Demerger Record Time

It is expected that admission and dealings in the Dowlais Shares on the London Stock Exchange will commence at 8.00 a.m. on 20 April 2023. Further details on this and the other terms of the Demerger Agreement are set out in Part II (*Information on the Proposal*) of this Circular.

Proposed Melrose Incentive Adjustments

The Melrose Group currently consists of three key businesses and the 2020 Melrose Employee Share Plan (the “MESP”) incentivises the creation of value in the Melrose Group for the benefit of Shareholders. With the impact of COVID-19 resulting in the previous incentive plan maturing with no award, the MESP represents the only incentive plan with possible benefits for Melrose management since 2017. As a result of splitting the Melrose Group through the Demerger, with Shareholders receiving shares in each of the Continuing Melrose Group and the Dowlais Group, there are three key adjustments required to appropriately reflect the Demerger in the existing Melrose incentive arrangements.

The first adjustment is to replicate the Demerger in the MESP by allocating the Invested Capital between the Continuing Melrose Group and the Dowlais Group. In the 2018 Audited Financial Statements, the acquisition cost and net assets acquired were allocated across the current GKN Businesses and we have adopted the same approach for the Proposal, since it reflects the appropriate demerged proportions of invested capital at acquisition against which any subsequent improvement should be judged. This original acquisition value has been increased by the annual Charge (and to take into account any Ordinary Share Costs and Returns) under the terms of the existing MESP and results in an allocation of £3,126,154,036 of Invested Capital to the Continuing Melrose Group as at 31 December 2022. This will mean that, from Completion, the MESP will continue to incentivise performance in relation to the business in the Continuing Melrose Group – i.e. GKN Aerospace.

The second adjustment, recognising that the timelines of both the Demerger and the crystallisation of the current MESP overlap, proposes to also extend the crystallisation date by one year to 31 May 2024. This avoids the Demerger having an unintended inappropriate effect in either direction by ensuring that the calculation of any award under the MESP is based on a period without any volatility related to the Demerger.

Over this extended one year period, the five per cent. annual Charge will continue to operate as normal, increasing the performance target required before participants can accrue any award. There will be conforming adjustments, but otherwise, the MESP will continue to operate substantially in accordance with its current terms when applied to the original acquisition audited value allocations of invested capital increased by the annual Charge, but with a time period adjusted to avoid an inappropriate outcome.

Finally, your Board has been very clear that the Demerger is not a sale of either GKN Automotive or GKN Powder Metallurgy, but instead the optimal structure to deliver significant further value for our Shareholders in each of the Dowlais Businesses on their own independent platform and with their own acquisition currency. As stated above, in addition to their existing Melrose roles, Simon Peckham and Geoffrey Martin have joined the board of Dowlais as executive directors, with transitional support from the wider Melrose senior management team under a transitional services agreement, to help drive this value creation. To properly recognise the

platform built under Melrose ownership, the third adjustment to the Melrose incentive arrangements will use the portion of the Invested Capital allocated to GKN Automotive and GKN Powder Metallurgy to form the basis from which the creation of further value in Dowlais will be rewarded, under the Melrose Automotive Share Plan. As with other aspects of the Demerger, the MASP has to be different from the existing MESP, but will nonetheless operate in a similar economic manner.

Performance will be measured on the creation of shareholder value in Dowlais from Completion over the MASP Performance Period up to (but excluding) 31 May 2025. To satisfy any awards, two per cent. of the share capital of Dowlais will be retained by Melrose and, shortly following Completion, will be placed into a Melrose employee share ownership trust, with the requirement to achieve at least £3,525,237,530 of equity value in Dowlais, being the portion of Invested Capital allocated to the Dowlais Businesses as described in Section 2 (*Separation of Invested Capital between the businesses in the Continuing Melrose Group and the Dowlais Group*) of Part VII (*Proposed Melrose Incentive Adjustments*) (and below which there will be no award). If £4,500,000,000 of equity value in Dowlais is achieved, then the maximum level award will be received, with straight line accrual in between. For the avoidance of doubt, these thresholds refer to equity market capitalisation, not enterprise value.

These are stretching targets, but ones that reflect the hopes of the Board for the Dowlais Businesses and the Remuneration Committee has structured the incentive accordingly taking into account the existing incentive scheme. It has been designed to, if it achieves value, accrue at a similar percentage rate to the current plan and the participants will be substantially the same. It is also a one-off, so to the extent to which the requisite performance is not delivered over the MASP Performance Period, some (or all) of the shares held by the employee share ownership trust will not be transferred to participants, but rather it is intended that they will be transferred back to Dowlais (or its nominee) and cancelled, after which the incentive plan will expire and not be renewed or replaced.

As well as the Demerger and the Melrose Share Consolidation, the Proposal is seeking approval from Shareholders for these Incentive Adjustments and the related necessary revisions to the 2020 Directors' Remuneration Policy for implementation. Further details of the Incentive Adjustments are set out in Part VII (*Proposed Melrose Incentive Adjustments*) and the proposed revisions to the 2020 Directors' Remuneration Policy are set out in the Appendix to the Notice of General Meeting (*Proposed Revisions to the 2020 Directors' Remuneration Policy*).

POTENTIAL RISKS

Your attention is drawn to the risk factors set out in Part IV (*Risk Factors relating to the Proposal*) and to the additional information set out in Part VIII (*Additional Information*) of this Circular. You are advised to read the whole of this Circular and not just rely on the key summarised information in this letter.

GENERAL MEETING AND ACTION TO BE TAKEN

This Circular sets out the proposed terms of the Proposal, including the background to and reasons for the Demerger, the Melrose Share Consolidation and the Incentive Adjustments. It also explains why your Board considers the Proposal to be in the best interests of Melrose and its Shareholders as a whole.

A notice convening the General Meeting to be held at Investec Bank plc, 30 Gresham St, London EC2V 7QN at 10:00 a.m. on 30 March 2023 for this purpose is set out at the end of this Circular. Due to the collective size of the Dowlais Businesses, the Demerger is a "Class 1" transaction under the Listing Rules and therefore, together with the rest of the Proposal, is subject to approval by Shareholders pursuant to the Resolution.

Shareholders are reminded that voting is on a poll, and votes may be cast by proxy who may be appointed ahead of the meeting to ensure your vote is counted (as detailed in the explanatory notes starting on page 94). I strongly encourage Shareholders to make use of proxies to exercise their voting rights. Details of the Proposal, including the Demerger, the Melrose Share Consolidation and the Incentive Adjustments are further described in Part II (*Information on the Proposal*) and Part VII (*Proposed Melrose Incentive Adjustments*) of this Circular.

DIRECTORS' RECOMMENDATION

The Demerger represents an exciting change for Melrose and its Shareholders, to accelerate unlocking the potential in both the Dowlais Businesses and Melrose and to deliver further value for Shareholders.

In the Board's opinion the Proposal is in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board considers that the Resolution set out in the Notice of General Meeting is likely to promote the success of the Company and is in the best interests of the Company and its Shareholders as a

whole. The Board recommends that you vote in favour of the Resolution at the General Meeting and, subject to the below, each of the Directors intends to vote accordingly with the Shares they hold. In making this recommendation, the Board has received financial advice in respect of the Proposal from Rothschild & Co, JP Morgan and Citigroup. In providing their advice, Rothschild & Co, JP Morgan and Citigroup have placed reliance on the Board's commercial assessment of the Proposal.

In accordance with best practice corporate governance, the Executive Directors (who participate in the MESP) have not taken part in the Board's consideration of the Incentive Adjustments and, as interested parties, along with their respective associates, will not vote on the Resolution, but are fully supportive of the Proposal as a whole.

Yours faithfully

Justin Dowley
Non-Executive Chairman

PART II INFORMATION ON THE PROPOSAL

1. OVERVIEW OF THE PROPOSAL

It is proposed that the demerger of the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses from the Melrose Group will be effected by an interim *in specie* distribution of 97 per cent. of the Dowlais Shares to Shareholders. The remaining three per cent. of the Dowlais Shares will be retained by Melrose (i) for use in connection with the MASP; and (ii) to cover costs, including those relating to the performance and provision of services by the Melrose Group to the Dowlais Group under the Transitional Services Agreement, as well as other costs. For further details on the Transitional Services Agreement, see Section 9.1(D) (*Transitional Services Agreement*) of Part VIII (*Additional Information*).

Recognising that the Demerger involves the extraction of the Dowlais Businesses from the Melrose Group, which account for a significant proportion of the Melrose market capitalisation, it is necessary to undertake the Melrose Share Consolidation in order to enable the post-Demerger share price of both Melrose and Dowlais to initiate at sensible levels. Shareholders will receive one New Melrose Share for every three Existing Melrose Shares held at the Consolidation Record Time. Individual fractional entitlements to the New Melrose Shares will be aggregated and the resulting New Melrose Shares sold in the open market. The net proceeds (which are expected to be less than £5.00 per holding) will be consolidated and donated to a charity chosen by the Board. Shareholders will each continue to hold the same proportion of the Melrose Group both before and after the Melrose Share Consolidation, save for fractional entitlements.

If the Demerger proceeds, Qualifying Shareholders (being Shareholders who are registered on the Melrose Share Register at the Demerger Record Time) will receive:

One Dowlais Share

for every one New Melrose Share they hold at the Demerger Record Time

Shareholders will continue to own their Melrose Shares unless they sell or transfer them in the usual course. Following the Demerger, it is expected that the Dowlais Shares will have a premium listing on the Official List and be admitted to trading on the main market for listed securities of the London Stock Exchange.

The Demerger is expected to be completed on 20 April 2023, immediately prior to Dowlais Admission. It is expected that Dowlais Admission will become effective, and that dealings in Dowlais Shares will commence on the London Stock Exchange, at 8.00 a.m. on 20 April 2023.

All the Dowlais Shares will rank *pari passu* in all respects, there being no conversion or exchange rights attaching to them, and all Dowlais Shares will have equal rights to participate in capital, dividend and profit distribution by Dowlais.

Due to the collective size of the Dowlais Businesses, the Demerger is a “Class 1” transaction under the Listing Rules and is therefore subject to approval by Shareholders. The Melrose Share Consolidation and Incentive Adjustments also require approval by Shareholders and, together with the Demerger, they make up the Proposal.

Shareholder Approval

The Proposal is conditional upon, among other things, the approval of Shareholders under the Listing Rules. Accordingly, your approval of the Proposal is being sought at a General Meeting of the Company to be held at Investec Bank plc, 30 Gresham St, London EC2V 7QN on 30 March 2023 at 10:00 a.m. A notice of the General Meeting setting out the Resolution to be considered at the General Meeting can be found at the end of this document.

Details of the actions you need to take to vote on the Resolution can be found on page 94 and in the answer to question 4.5 in Part III (*Questions and Answers on the Proposal*).

Details of the conditions to the Proposal and of the Demerger Agreement and related documents to effect the Proposal are set out in full in Section 2.1 of this Part II (*Information on the Proposal*) and Section 9 (*Material Contracts*) of Part VIII (*Additional Information*).

2. PRINCIPAL TERMS AND CONDITIONS OF THE DEMERGER

The following is a summary of the principal terms of the Demerger Agreement. As set out in Section 15 (*Documents Available for Inspection*) of Part VIII (*Additional Information*), the Demerger Agreement is available for inspection by Shareholders.

2.1 Demerger Agreement

Dowlais and Melrose entered into a demerger agreement on 2 March 2023 (the “**Demerger Agreement**”) to effect the Demerger and to govern aspects of the relationship between Dowlais and Melrose following Completion.

The Demerger Agreement is conditional on (among other things):

- (a) the passing of the Resolution by Shareholders at the General Meeting;
- (b) approval of the Demerger Distribution by the Board;
- (c) the FCA having acknowledged to Dowlais or its agent (and such acknowledgement not having been withdrawn) that the application for admission of the Dowlais Shares to the premium listing segment of the Official List: (i) has been approved; and (ii) will become effective as soon as a dealing notice has been issued by the FCA and any listing conditions have been satisfied; and
- (d) the London Stock Exchange having acknowledged to Dowlais or its agent (and such acknowledgement not having been withdrawn) that the Dowlais Shares will be admitted to trading on its main market for listed securities.

Melrose has the right in its absolute discretion by notice to Dowlais at any time prior to Completion to terminate the Demerger Agreement in connection with an abandonment of the Proposal.

The Demerger Agreement contains certain customary mutual reimbursement obligations under which Melrose undertakes to reimburse Dowlais and Dowlais undertakes to reimburse Melrose in respect of liabilities, losses, demands, claims, costs and damages arising, directly or indirectly, from or in consequence of certain claims.

The Demerger Agreement also sets out how (i) guarantees given by the Melrose Group for the benefit of companies in the Dowlais Group (or vice versa), (ii) contractual arrangements with third parties (to the extent not dealt with by other material contracts), and (iii) assets owned or possessed by the Melrose Group which were used by the Dowlais Group, exclusively or otherwise (or vice versa), will be dealt with following the Demerger.

3. INFORMATION ON THE CONTINUING MELROSE GROUP BUSINESS AND THE DOWLAIS BUSINESSES

3.1 The Continuing Melrose Group business

Following the Demerger, the Melrose Group will comprise solely the GKN Aerospace business, a world-leading multi-technology manufacturer of airframe and engine structures and electrical interconnection systems for the global aerospace industry, across both civil and defence platforms, including a high-margin Engines division with enviable risk and revenue sharing partnership interests in the world’s leading engines platforms.

GKN Aerospace comprises three key businesses:

- Engines—Designing engines and manufacturing critical structural and rotating parts for engines and providing aftermarket, repair and overhaul services to engine OEMs;
- Civil Airframe—Producing lightweight critical structures, including wing, fuselage and empennage structures, front and cabin windows and electrical distribution systems for all of the key global civil OEMs; and
- Defence—Producing composite and metallic structures, electrical distribution systems, landing gear and canopies for defence OEMs.

GKN Aerospace is a leading Tier 1 supplier to the aerospace industry, serving a strong and diverse portfolio of blue-chip customers, including the major aircraft and engine manufacturers, with technology content on over 90 per cent. of all commercial aircraft with more than a 100-person capacity.

GKN Aerospace is a truly global business, with 38 manufacturing facilities, four technology and innovation centres and over 14,000 employees. Approximately two thirds of production is focused in Europe with the remaining one third in North America.

The Melrose Board believes that the GKN Aerospace business will continue to deliver on its potential, underpinned by the following key strengths:

Upgraded adjusted operating margin target to over 14 per cent.

Management believe that Melrose's transformation of GKN Aerospace will continue at pace and substantially deliver in 2023. GKN Aerospace has a clear path to grow operating margin to over 14 per cent. on a full market recovery, through a well-defined "One Aerospace" transformational dual strategy, consisting of further business improvement plans and volume recovery. Accelerated progress is being made on restructuring with projects under way and heading towards substantial completion in 2023.

Leading Tier 1 supplier in the aerospace industry with a highly resilient and sustainable position

- Leading Engines business with enviable shares on leading platforms including strategic risk and revenue sharing partnerships.
- Product on over 90 per cent. of all commercial aircraft with more than a 100-person capacity, featuring entrenched customer relationships.
- 95 per cent. of revenue from industry-leading positions (#1, #2 or #3).
- For over 70 per cent. of its revenue, GKN Aerospace is the single-source supplier, providing excellent long-term visibility.
- Excellent technology portfolio focused on sustainability, taking a leadership position on the path to zero emissions for the aviation industry.

Well positioned for market recovery and growth

- Management expect a blended revenue CAGR of 7 per cent. to 2030.
- Management expect aftermarket sales to rise to 49 per cent. of the Engines business by 2030.
- GKN Aerospace is well invested to capture growth from China, which is expected to be one of the main end markets for aviation.

Growing aftermarket business

GKN Aerospace predominantly serves the aerospace OEMs market, which represents 90 per cent. of 2022 revenue, with the remaining 10 per cent. contributed through the aftermarket. Exposure to the aftermarket is targeted at over 50 per cent. of sales of the Engines business and over 20 per cent. of total revenue, each by 2030.

Strong, long-term cash generation

GKN Aerospace participates in 19 risk and revenue sharing partnerships across different engine OEMs, 17 of which are currently in the lucrative cash generating phase. The expected lifetime cash inflow on these risk and revenue sharing partnerships is approximately £18.5 billion.

Experienced leadership and management team

GKN Aerospace is run by an experienced leadership and management team, led by David Paja, Chief Executive of GKN Aerospace, and supported by best-in-class business line presidents and functional leaders, each with an average of at least 25 years of experience in the aerospace sector.

Strategy

The key elements of GKN Aerospace's strategy include:

- Within the Engines business line: Continuing its focus on its strong risk and revenue sharing partnerships portfolio to secure key positions on any upcoming next-generation single aisle engines, whilst proactively expanding its engine and parts repair offering, and introducing increasingly complex additive manufacturing to create further value. Commercially, the Engines business will seek to bolster its

strategic relationships with key engines manufacturers and, where appropriate, government customers such as the Swedish Ministry of Defence and Air Force.

- Within the Civil Airframe business line: Optimising its footprint and strengthening its production capacity to meet the demands of the accelerating ramp-up in civil aviation production schedules, particularly in narrow body aircraft. It will consolidate its footprint in China via its joint venture partnership, focused on domestic production, with a view to satisfying increasing market demand. As a technology leader in the aviation sector, it will continue to pursue opportunities from the electric aircraft market through support of multiple electric aircraft customers across the US, the UK and Europe.
- Within the Defence business line: Refocusing on design-to-build with the aim of substantially expanding the design-to-build rate, unlocking future value by optimising footprint, executing planned programmes to create a more focused and efficient defence business, and aligning the portfolio and core competencies to future markets.

Current trading and prospects for the Continuing Melrose Group business

In the year ended 31 December 2022, GKN Aerospace generated adjusted revenue of £2,957 million, adjusted operating profit of £186 million and adjusted operating margin of 6.3 per cent. As at 31 December 2022, GKN Aerospace had total assets of £6,692 million.

GKN Aerospace is experiencing continued strong momentum and market recovery with 11 per cent. sales increase in 2022 (based on like-for-like growth calculated at constant currency against 2021 results) and an increasingly positive outlook into 2023 and beyond.

In the year ended 31 December 2022, 19 per cent. of sales by manufacturing country of origin were in the United Kingdom, 44 per cent. were elsewhere in Europe, 33 per cent. were in North America, and the remaining 4 per cent. were in China and other parts of Asia.

The recovery in the aerospace sector is well under way. Demand is very robust, despite some sector supply challenges, with a blended market forecast growth rate of over 15 per cent. for 2023. The excellent Engines business, in particular, continues to outperform and is very well positioned to benefit from the recovery of the aerospace industry. Supported by pent up demand in civil aviation and increases in defence budgets, double digit revenue growth is expected again this year. GKN Aerospace remains well-placed to support near and medium-term volume ramp-ups, while continuing to execute on its longer-term growth and productivity initiatives. GKN Aerospace is fully committed to offsetting inflationary pressures and managing supply chain issues. The coming years are expected to deliver significant profit and cash generation from its best in class Engines platforms.

Looking further ahead, GKN Aerospace's technology investment and expertise will enable it to become a leader in the sustainable transformation of civil aviation, creating market opportunities and profitable growth for years to come.

3.2 The Dowlais Businesses

The Dowlais Businesses will include three businesses: GKN Automotive, GKN Powder Metallurgy and the early-stage growth business GKN Hydrogen. GKN Automotive and GKN Powder Metallurgy operate entirely or primarily in the automotive sector while, GKN Hydrogen is a business grown organically out of GKN Powder Metallurgy with exciting prospects. These businesses have benefitted from investment and improvements under Melrose ownership that have put them at the forefront of technology leadership and on the path to market-leading operating margins as the automotive sector recovery continues.

Separation into an independent platform with an independent board places Dowlais in a better position to create further value for its shareholders as it executes a three-pillar strategy for delivering attractive shareholder returns. First, to deliver higher adjusted operating margins by building on the investment, cost base and operational improvements already achieved by GKN Automotive and GKN Powder Metallurgy during Melrose ownership, which are expected to be further fuelled by the automotive sector's anticipated recovery in production volumes to pre-pandemic levels. Second, to capture further profitable growth opportunities from the automotive sector's shift to electrification. Third, to seek new, value-accretive merger and acquisition opportunities by way of automotive sector consolidation opportunities and strategic bolt-on acquisitions. Dowlais has committed to consider its future ownership of GKN Powder Metallurgy.

GKN Automotive

GKN Automotive is the global market leader in automotive drive systems and the trusted partner for over 90 per cent. of automotive Global OEMs. Under Melrose ownership, it has transformed its commercial strategy and restructured its cost base to position it to achieve significant margin expansion. Its leading and largely propulsion-agnostic core product portfolio is already well positioned to benefit from the growth potential offered by electrification and it is primed for further success under Dowlais to create more shareholder value.

The business has been transformed under Melrose ownership

GKN Automotive's commercial strategy has been overhauled and its cost base has been transformed for margin expansion, with a headcount reduction of approximately 3,000 full-time employees from operations and selling, general and administrative expenses, representing approximately 12 per cent. of the 2019 total full-time equivalents for the business. It has also reduced trade net working capital by more than £170 million and has generated £1.4 billion in pre-capital expenditure cash flow since 2019.

Clear structural growth in core business, regardless of powertrain mix, and technological leadership

Leveraging both its core Driveline products and all wheel drive ("AWD") products, GKN Automotive is well positioned with its ability to supply the automotive industry at every stage of the EV transition. This market leadership in both powertrain-agnostic and battery electric vehicle ("BEV"), mild and full hybrid vehicle (BEVs along with mild and full hybrid vehicles, "xEVs") products therefore positions Dowlais to continue to grow at a healthy rate, gaining content per vehicle in growing automotive markets.

Dowlais's strong track record of innovation and technological progress is expected to continue to be a key driver of further growth. GKN Automotive has had decades of product technology leadership which has culminated in its sidschaft and AWD system pre-eminence.

A driving force in the electrification of the automotive industry; well-positioned to capture incremental growth from electrification

GKN Automotive helped to pioneer the development and industrialisation of electric axle drives for use in plug-in hybrid and pure EVs, and is now a leader in the electrification of the automotive parts industry. Heritage AWD expertise, including industry-leading high efficiency transmission systems, lends both an advantage in the development of, and flexibility across the full range of, components and systems, including software development and system integration. The Dowlais Group already has relationships with all the key pure-play EV OEMs, and there is GKN Automotive eDrive content on over 2 million xEVs. Alongside Dowlais's xEV product offering, Dowlais's management have devised a clear strategy to position the GKN Automotive business to benefit from the industry shift towards electrification so that the GKN Automotive offering is adapted to maximise value.

Well-invested and strategically located global manufacturing footprint

GKN Automotive operates 47 manufacturing sites across the Americas, Europe and Asia (including in its joint venture in China), and as a result is able to offer its full product range for OEMs in any region. This large global footprint and ability to both develop technology and manufacture products with consistent quality and delivery in every region is a key differentiator, enabling it to better serve customers who are regionalising their own supply chains as well as to win new business. GKN Automotive has a particularly strong presence in Asia, with over 30 years of experience in the market, having been, in 1988, the first automotive supplier to establish a joint venture in China, the world's largest automotive market. GKN Automotive has rebalanced its footprint since Melrose's acquisition, closing seven factories in order to increase its use of best-cost manufacturing locations and better balance customer proximity against cost efficiency.

A well-balanced customer mix

GKN Automotive has developed longstanding relationships across a diversified blue-chip customer base. The business works closely with 90 per cent. of Global OEMs, and no customer represented more than 14 per cent. of GKN Automotive's 2022 revenues.

The global leader in automotive drive systems

GKN Automotive is a global market leader in automotive drive systems, and its components are present on 50 per cent. of individual nameplates of Global OEMs. The business's drive system business features

sideshafts, propshafts and constant velocity joints for passenger vehicles. GKN Automotive also produces AWD systems and eDrive systems, providing a full range from modular, component solutions to full systems, including control software to help automotive OEMs optimise mass, efficiency and performance.

GKN Automotive has a comprehensive drive system portfolio. Having secured nearly twice the market share of its nearest competitor in sideshafts and with a portfolio of sideshafts including more than 100 joint types and sizes, GKN Automotive has the ability to cater to any passenger or light commercial vehicle. Through its eDrive business, GKN Automotive provides a fully comprehensive offering of components and integrated eDrive systems for hybrid and EVs. GKN Automotive management expect eDrive to experience strong growth as the global automotive market transitions to EVs, lifting the contribution to revenue of GKN Automotive's incremental, EV-focused products.

Through decades of supplying automotive OEMs, GKN Automotive has developed longstanding relationships across a diversified blue-chip customer base.

Skilled management team on track to deliver an over 10 per cent. adjusted operating margin with substantial potential to increase its operating profit upon a market recovery

GKN Automotive is led by an experienced management team which has successfully driven significant operational improvements across the business under Melrose ownership. The internal work to transform GKN Automotive to achieve its adjusted operating margin target of 10 per cent. is complete, while the resultant run-rate benefits are yet to be fully realised due to the impact of supply chain disruptions experienced in recent years and pending the expected market recovery. In addition, further internal improvement and restructuring actions are under way with a view to generating adjusted operating margins of over 10 per cent. upon their completion and the expected market recovery.

GKN Powder Metallurgy

A leading global supplier of powder metals and precision powder metal parts

GKN Powder Metallurgy is a high-quality, market-leading supplier in powder metallurgy, being the number one global supplier of sintered metal products by revenue, with a production rate of 10 million parts per day, and is the number two global supplier of metal powders by revenue, with a production rate of 250,000 tons of powder per annum, according to management estimates. GKN Powder Metallurgy offers customers vertically integrated production capabilities that are unique among its competitors with a global presence, including iron powder, parts in sintered metal, metal injection moulding, special filters and additive manufacturing, both in metal and polymers.

GKN Powder Metallurgy has longstanding, well entrenched and strong relationships with a broad blue-chip customer base in the automotive sector (including both automotive OEM and automotive supply chain manufacturers) and the industrial sector. Within the automotive sector, GKN Powder Metallurgy produces core products of sintered metal parts, which already feature on internal combustion engine ("ICE") vehicles and largely transfer to xEVs, and intends to pursue incremental long-term growth opportunities which are not fitted on ICE vehicles such as magnets, which are integral to electric motors.

Core expansion of product platform, fuelled by global technology excellence and transformation under Melrose ownership

GKN Powder Metallurgy is utilising its strong market position and technological strengths to continually expand its product platform.

GKN Powder Metallurgy's strong relationships with customers span over 20 years on average. While under Melrose ownership, GKN Powder Metallurgy built on its leadership position to drive growth, remaining focussed on its core businesses such as sintered metal products on ICE vehicles and increasingly xEVs, and intends to expand into incremental, long-term growth opportunities such as magnets for xEVs, all while exercising commercial discipline.

Well-invested global manufacturing footprint that is strategically located to best serve its customers

GKN Powder Metallurgy operates 27 manufacturing sites and two global technology centres, located strategically across the Americas, Europe and Asia. The business' proximity to customers is optimised through this global presence, giving GKN Powder Metallurgy a strategic advantage versus competitors when competing to supply customers that operate globally. GKN Powder Metallurgy's core operations have been streamlined by the divestment of a business in the United States and the closure of non-core plants in Canada and Germany,

driving efficient utilisation of facilities and cost optimisation. Similar to the GKN Automotive business, GKN Powder Metallurgy has a strong position in China, a key automotive and industrial end market. With over 16 years of experience in the region, GKN Powder Metallurgy serves both local customers and international customers. The business operates out of four production sites in China, three of which are wholly-owned GKN Powder Metallurgy sites and one of which is a joint venture site.

GKN Powder Metallurgy has created a digital culture that drives continuous improvement and competitive advantage. Its manufacturing sites feature more than 1,800 connected machines and over 800 digital, connected measurement stations. Personalised action items direct employees to the next work topic in real time and on demand. Additionally, the business's optical quality control utilises artificial intelligence machine learning.

On track to deliver a 14 per cent. adjusted operating margin with substantial profit uplift potential upon a market recovery

GKN Powder Metallurgy is led by a separate management team that has successfully driven significant operational improvements under Melrose ownership. The internal work to transform GKN Powder Metallurgy to achieve its adjusted operating margin target of 14 per cent. has been completed, with two thirds of the business already performing at that level. The business expects to enjoy full run-rate benefits as the end markets recover.

GKN Hydrogen

Growth opportunities in emerging green markets

GKN Hydrogen is an early-stage growth business focused on developing and commercialising proprietary metal hydride technology to store and secure hydrogen in a safe, compact and green manner that can be used in a wide range of industrial and commercial applications. The business was grown organically out of GKN Powder Metallurgy to provide the focus necessary to successfully deliver on its commercialisation strategy.

GKN Hydrogen's modular products are positioned to benefit from the growth of renewable energy sources, with applications in micro grids and residential building, industry and transportation, power back-up, and in off-grid standalone energy storage. With safety requirements, sustainability, and flexibility of great importance to this expansion of energy storage, GKN Hydrogen's technologies have the potential for rapid growth in their application as they provide reliable and secure hydrogen storage.

Current trading and prospects for the Dowlais Businesses

The Melrose Board believes that Dowlais has attractive prospects as an independently listed company and benefits from a strong financial position.

Some of the main macroeconomic challenges experienced by the Dowlais Group in the year ended 31 December 2022, such as the volatility of the automotive supply chain and inflationary pressures, have continued to impact the financial performance of the Dowlais Group in the year ending 31 December 2023, although to a lower extent. Inflationary pressures have made a subtle shift in impact from predominantly commodities in the year ended 31 December 2022 to labour in the year ending 31 December 2023 (with the inflationary pressures on energy costs experiencing about similar levels of impact in both these periods).

Global light vehicle production is forecast to increase by approximately three per cent. in the year ending 31 December 2023 compared to the year ended 31 December 2022, according to S&P Global (December 2022), which assumes a general easing of semiconductor availability shortages. This is largely driven by forecasted growth in Europe (approximately six per cent.) and North America (approximately five per cent.). Chinese automotive production levels have been significantly impacted so far in the year ending 31 December 2023, primarily due to a combination of the renewed outbreak of COVID-19 and the continuing impacts of the removal of purchase tax benefits that occurred at the end of the year ended 31 December 2022.

Global electric vehicle penetration is also expected to increase in the year ending 31 December 2023, according to S&P Global (December 2022). The Dowlais Group is carefully positioning itself to benefit from this forecasted trend, as it has developed a largely propulsion agnostic product portfolio, with the additional benefit that BEVs offer a higher content value and technology differentiation opportunity for core products.

GKN Automotive and GKN Powder Metallurgy delivered a strong operating performance in the year ended 31 December 2022 by offsetting inflationary cost pressures and delivering operating margin expansion with strong cash generation. Dowlais management expect GKN Automotive and GKN Powder Metallurgy to repeat this financial performance in 2023, taking further steps towards delivering the operating margin targets, and the

operating performance of GKN Automotive and GKN Powder Metallurgy so far in the year ending 31 December 2023 supports this view.

3.3 Dowlais corporate governance

The Proposal will enable both Melrose and Dowlais to benefit from separate and independent boards of directors each focused on driving sustained operational performance and long term shareholder value creation.

A new independent Dowlais Board has been designed and established to support the delivery and growth strategy for Dowlais, under the leadership of its Chair, Simon Mackenzie Smith. His appointment followed an extensive external search process with clear criteria on the leadership requirements. Simon has also been appointed as Chair of the Nomination Committee of Dowlais.

Simon has a wealth of experience in corporate finance and M&A, following an investment banking career of over 35 years. Before retiring in 2021, he was Chair of Corporate and Investment Banking UK and Ireland at Bank of America Merrill Lynch. Simon joined Merrill Lynch in 1996 from Morgan Grenfell. He has advised on some of the UK's largest mergers and acquisitions including Royal Dutch Shell Plc's \$52 billion takeover of BG Group Plc in 2016. He qualified as a chartered accountant with KPMG in 1985.

Simon currently serves as Chair of Trustees at the children's mental health charity Place2Be, and he is a director of the restructuring and advisory business Interpath Limited and a number of other private companies.

Liam Butterworth and Roberto Fioroni have been appointed as Chief Executive Officer and Chief Financial Officer of the Dowlais Group respectively. They were previously the CEO and CFO of GKN Automotive, with Liam joining the business in 2018 and Roberto in 2019.

To help ensure Dowlais is well-positioned to execute on the opportunities presented to it, Simon Peckham, Chief Executive of Melrose, and Geoffrey Martin, Group Finance Director of Melrose, have each been appointed as executive directors on the Dowlais Board. Both will also continue to perform their current roles at Melrose.

A further five non-executive directors have been appointed to the Dowlais Board. Together, these appointments offer a strong blend of skills, functional and industry experience, diversity and continuity for Dowlais.

Celia Baxter has been appointed as the Senior Independent Director of Dowlais and Chair of the Remuneration Committee and Philip Harrison has been appointed as a non-executive director of Dowlais and Chair of the Audit Committee. In accordance with the recommendations of the UK Corporate Governance Code, Celia has previously served on a remuneration committee for at least 12 months, and Philip has recent and relevant financial experience.

Alexandra Innes, Fiona MacAulay, and Shali Vasudeva have each been appointed as independent non-executive directors of Dowlais and, together with the other members of the Dowlais Board, will form a skilled and experienced Board, overseeing a management team with a strong track record of developing and producing sustainable technology aligned to customer needs, delivering robust long term cash generation, and forging a clear pathway to achieving clear, ambitious target operating margins.

4. FINANCIAL EFFECTS OF THE DEMERGER

The expected benefits of the Demerger are set out in Section 3 (*Information on the Continuing Melrose Group business and the Dowlais Businesses*) above.

As at 31 December 2022, the Melrose Group had consolidated net assets of £7,168 million (extracted without adjustment from the 2022 Results Announcement). As at 31 December 2022, the Dowlais Group had consolidated net assets of £4,965 million (prepared on the basis set out in Part V (*Financial information relating to the Dowlais Group*)). The illustrative consolidated net assets of the Melrose Group as at 31 December 2022, on a pro forma basis after giving effect to the pre-Demerger distribution, the Dowlais Group refinancing and transaction expenses, as though each of these transactions had taken place on 31 December 2022, would have been £3,887 million. See Part VI (*Unaudited Pro Forma Financial Information of the Continuing Melrose Group*).

The Melrose Group's loss after tax from continuing operations for the year ended 31 December 2022 was £223 million (extracted without adjustment from the 2022 Results Announcement). The Dowlais Group's loss after tax for the year ended 31 December 2022 was £77 million (prepared on the basis set out in Part V (*Financial information relating to the Dowlais Group*)). On a pro forma basis, after giving effect to the pre-Demerger distribution, the Dowlais Group refinancing and transaction expenses, as though each of these

transactions had taken place on 1 January 2022, the profit after tax for the Melrose Group is expected to decrease. This pro forma financial information is presented for illustrative purposes only and no adjustment has been made to reflect the trading results of the Dowlais Group since 31 December 2022 or any other changes in its financial position or results of operations for this period.

Businesses under Melrose ownership are run on a decentralised basis, each with their own independent management teams. The Board therefore does not expect the Demerger to result in any material disruption to Dowlais, Melrose or GKN Aerospace. Furthermore, while additional costs will be incurred in running Dowlais as a standalone business, the Board does not expect these costs to be material at this time. The Dowlais Group expects to incur incremental annual costs of approximately £30 million (calculated on a full run-rate basis) in the medium term to operate as an independent listed company. Approximately £10 million of these estimated incremental annual costs represent central costs that were previously borne by the Melrose Group. These costs are expected to include, among others, central head office costs, costs in relation to the executive teams (treasury, tax, legal and compliance, company secretarial and communications) and costs in relation to sustainability measures and reporting. This estimate of incremental costs is net of estimated cost savings expected to be realised by the Dowlais Group each year in the medium term.

The estimated total costs and expenses for the Melrose Group that are directly attributable to the Demerger are £70 million.

5. MELROSE SHARE CONSOLIDATION

Recognising that the Demerger involves the extraction of the Dowlais Businesses from the Melrose Group, which account for a significant proportion of the Melrose market capitalisation, it is considered appropriate to undertake the Melrose Share Consolidation in order to enable the post-Demerger share price of both Melrose and Dowlais to initiate at sensible levels. To this effect, it is proposed that Melrose will consolidate its existing share capital in order to reduce the total number of shares in issue (while increasing the nominal value of such shares).

The Melrose Share Consolidation is expected to take place following 6:00 p.m. on 19 April 2023. It is expected that admission and dealings in the New Melrose Shares on the London Stock Exchange (following the Melrose Share Consolidation and the Demerger) will commence at 8.00 a.m. on 20 April 2023.

The Melrose Share Consolidation is conditional upon the approval by Shareholders of the Resolution at the General Meeting.

The ratio for the Melrose Share Consolidation shall be one for three, such that Shareholders will receive one New Melrose Share in exchange for every three Existing Melrose Shares held at the Consolidation Record Time. Individual fractional entitlements to the New Melrose Shares will be aggregated and the resulting New Melrose Shares sold in the open market. The net proceeds (which are expected to be less than £5.00 per holding) will be consolidated and donated to a charity chosen by the Board.

To effect the Melrose Share Consolidation, it will be necessary for the Company to issue two additional Existing Melrose Shares so that the number of the Company's Existing Melrose Shares is exactly divisible by three. These two additional Existing Melrose Shares will be issued to Investec following close of trading on 19 April 2023 fully paid up in cash, at the closing middle-market price on such date. For the avoidance of doubt, the Existing Melrose Shares to be issued to Investec will result in fractional entitlements, and will therefore be treated in the same way as described in Section 6 below.

The Consolidation Record Time will be at 6:00 p.m. on 19 April 2023. The Directors may change the Consolidation Record Time if they consider this to be in Shareholders' interests. If this time or date does change, Melrose will give notice of the change by issuing an announcement through a Regulatory Information Service.

The proportion of the issued ordinary share capital of Melrose held by each Shareholder following the Melrose Share Consolidation will, save for any impact from fractional entitlements, remain unchanged. Apart from having a different nominal value, each New Melrose Share will carry the same rights that attach to the Existing Melrose Shares prior to the Melrose Share Consolidation and all New Melrose Shares will rank *pari passu* in all respects.

6. FRACTIONAL ENTITLEMENTS IN CONNECTION WITH THE MELROSE SHARE CONSOLIDATION

Any holding of Existing Melrose Shares which is not exactly divisible by three will result in an entitlement to a fraction of a New Melrose Share. Entitlements to fractions of New Melrose Shares will be aggregated and the resulting New Melrose Shares sold in the open market. Net proceeds from the sale (which are expected to be less than £5.00 per holding) will be donated to a charity chosen by the Board.

If a Shareholder holds fewer than three Existing Melrose Shares then, as a result of the Melrose Share Consolidation, such Shareholder will receive no New Melrose Shares and will no longer be a Shareholder. Consequently, such Shareholder shall not participate in the Demerger Distribution.

7. EFFECT OF THE MELROSE SHARE CONSOLIDATION

For illustrative purposes, examples of how the Melrose Share Consolidation would affect Shareholders are set out below.

A. Number of Existing Melrose Shares held at the Consolidation Record Time	B. Number of New Melrose Shares held after the Melrose Share Consolidation	C. Fractional entitlement to a New Melrose Share
1	0	$\frac{1}{3}$
2	0	$\frac{2}{3}$
100	33	$\frac{1}{3}$
125	41	$\frac{2}{3}$

Although the number of Melrose Shares held by each Shareholder will be reduced, following the Melrose Share Consolidation each Shareholder will continue to own the same proportion of the issued share capital of the Company as immediately before the Melrose Share Consolidation, save for any impact from fractional entitlements. Individual fractional entitlements to the New Melrose Shares will be aggregated and the resulting New Melrose Shares sold in the open market. The net proceeds (which are expected to be less than £5.00 per holding) will be consolidated and donated to a charity chosen by the Board.

8. LISTING AND CORPORATE GOVERNANCE

Melrose Shares will continue to be listed on the premium listing segment of the Official List and will continue to be traded on the main market for listed securities of the London Stock Exchange following the Demerger and the Melrose Share Consolidation. The Melrose Group will therefore continue to maintain a governance structure based on the UK Corporate Governance Code. The governance framework established by the Melrose Group, which includes the key mechanisms through which the Melrose Group sets its strategy, plans its objectives, monitors performance and considers risk management, will remain in place post-Demerger. Melrose will maintain the same Board committees following the Demerger.

9. LISTING, DEALINGS, SHARE CERTIFICATES AND CREST

9.1 Listing

Applications will be made to the FCA for all of the Dowlais Shares and the New Melrose Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the Dowlais Shares and the New Melrose Shares to be admitted to trading on its main market for listed securities. No application has been made for admission of Dowlais Shares or New Melrose Shares to trading on any other stock exchange (nor is it the current intention of Melrose or Dowlais to make any such application in the future).

It is expected that admission of the Dowlais Shares will become effective and that dealings will commence at 8.00 a.m. on 20 April 2023. It is expected that admission of the New Melrose Shares will also become effective and that dealings will commence at 8.00 a.m. on 20 April 2023.

On Dowlais Admission, the Dowlais Shares will be registered with ISIN number GB00BMWRZ071 and SEDOL number BMWRZ07. The current ISIN (GB00BNR5MZ78) in relation to Existing Melrose Shares will be disabled in CREST at 6:00 p.m. on 19 April 2023. The New Melrose Shares will be registered with ISIN number GB00BNGDN821 and SEDOL number BNGDN82 with effect from 8.00 a.m. on 20 April 2023.

9.2 Dealings

The Demerger Record Time is 10:00 p.m. on 19 April 2023 (or such other time and date as the Directors (or any duly authorised committee of them) may decide).

To be on the Melrose share register at the Demerger Record Time, transfers of Existing Melrose Shares in uncertificated form must take place by 6:00 p.m. on 19 April 2023 and transfers in certificated form must be received by the Registrar by 6:00 p.m. on 19 April 2023.

9.3 Share certificates and CREST accounts

Share certificates in respect of Dowlais Shares are expected to be posted, at the risk of Shareholders, by 5 May 2023 to those Shareholders who, at the Demerger Record Time, hold their Melrose Shares in certificated form.

Share certificates in respect of New Melrose Shares are expected to be posted, at the risk of Shareholders, by 5 May 2023 to those Shareholders who, at the Consolidation Record Time, hold their Melrose Shares in certificated form. Please note that share certificates in respect of any New Melrose Shares held by a Qualifying Shareholder who has been identified by the Registrar as having moved from their current address (a “**Gone Away Shareholder**”) will not be issued until the Gone Away Shareholder has contacted the Registrar.

Temporary documents of title will not be issued. Pending despatch of the certificates, transfers of Dowlais Shares and New Melrose Shares will be certified against the register of members of Dowlais or Melrose (as applicable).

Shareholders who, at the Demerger Record Time and the Consolidation Record Time, hold their Melrose Shares in uncertificated form through CREST will (subject to rounding down fractional entitlements) receive uncertificated Dowlais Shares and New Melrose Shares into the same CREST account on 20 April 2023.

9.4 CREST transformation of Melrose Share trades

The settlement of any trades of Shareholders who hold their Melrose Shares in uncertificated form through CREST, which occur prior to the Melrose Share Consolidation Record Time and are not due to settle until after the Melrose Share Consolidation has been effected, may be delayed by up to one Business Day. This is beyond Melrose’s control and is to enable Euroclear to put in place arrangements to enable transformation of the relevant trades to take place.

10. PENSIONS

Melrose

The Melrose Group operates certain defined benefit plans in the UK for qualifying employees of certain subsidiaries. The most significant defined benefit plans in the Melrose Group are the GKN Group Pension Schemes (Numbers 1 and 4).

The GKN Consolidated Pension Plan in the US was split into divisionally aligned independent plans effective 1 January 2023 and the Melrose plan is the GKN Aerospace Pension Plan, sponsored by GKN Aerospace, Inc.

On 9 February 2023, the Trustees of the GKN Group Pension Scheme Number 4 signed a contract with a pension annuity provider to fully secure members’ benefits. After a period of data cleansing, this will result in a full buy-out of the scheme and therefore gross liabilities of £433 million leaving the Melrose Group balance sheet. The Melrose Group contributed £45 million to the scheme during February 2023 to facilitate this buy-out.

All of the defined benefit pension plans are closed to new members and the UK and US plans are closed to future accrual. As at 31 December 2022, the GKN Group Pension Scheme Number 1 had a net deficit of £39 million, the GKN Group Pension Scheme Number 4 had a net surplus of £52 million (but will be bought-out, as described above). Other retirement benefit plans in the UK, US, Germany and Sweden had a combined net liability of £40 million.

Dowlais

The Dowlais Group operates certain defined benefit pension plans which benefit qualifying employees and former employees of certain subsidiaries. The most significant defined benefit plans in the Dowlais Group are the GKN Group Pension Schemes (Numbers 2 and 3) in the UK, the GKN Driveline Pension Plan and the GKN Sinter Metals Pension Plan in the US and the GKN defined benefit pension plans offered in Germany.

All of the defined benefit pension plans are closed to new members and the UK and US plans are closed to future accrual. As at 31 December 2022, the GKN Group Pension Schemes (Numbers 2 and 3) had a net surplus of £15 million on an accounting basis (after deducting post-retirement liabilities of £2 million), the GKN Driveline Pension Plan and the GKN Sinter Metals Pension Plan had an aggregate deficit of £54 million (after deducting post-retirement liabilities of £33 million) and the GKN defined benefit pension plans offered in Germany had an unfunded liability of £405 million. Smaller schemes in the rest of the world had a net liability of £17 million.

In addition to the above, the Dowlais Group sponsors defined contribution plans for qualifying employees of certain subsidiaries in a number of jurisdictions including, but not limited to, Brazil, Germany, India, Italy, Japan, Malaysia, Mexico, Romania, Thailand, the UK and the US.

11. TAXATION

Any discussion of taxation and related matters contained within this Circular does not purport to be a comprehensive description of all the tax considerations that may be relevant to the Melrose Share Consolidation or the receipt of Dowlais Shares and, in particular, does not address the tax considerations in any jurisdiction not specifically covered below. Shareholders in jurisdictions outside of the United Kingdom or the United States should consult with their own legal and tax advisers with respect to the tax consequences in their particular circumstances under the relevant legislation and regulations.

Certain United Kingdom (“UK”) Tax Considerations

The following comments are intended only as a general guide to current UK tax law and what is understood to be the current published practice of HM Revenue and Customs (“HMRC”) as at the date of this Circular (both of which are subject to change at any time, possibly with retrospective effect). They relate only to certain limited aspects of the UK tax consequences of holding or disposing of Existing Melrose Shares and New Melrose Shares.

Except where otherwise specifically stated, the comments below are intended to apply only to Shareholders: (i) who are resident (and, in the case of individuals, domiciled) in (and only in) the UK for UK tax purposes; (ii) to whom “split-year” treatment does not apply; (iii) who are and will be the absolute beneficial owners of their Existing Melrose Shares and New Melrose Shares and any dividends paid in respect of them; (iv) who hold, and will hold, their Existing Melrose Shares and New Melrose Shares as investments (otherwise than through an individual savings account or a pension arrangement) and not as securities to be realised in the course of a trade; and (v) to whom the UK tax rules concerning carried interest do not apply in relation to their holding or disposal of Existing Melrose Shares or New Melrose Shares.

The comments below may not apply to certain Shareholders, such as (but not limited to) persons who are connected with the Company or Dowlais, dealers in securities, intermediaries, broker dealers, insurance companies, charities, collective investment schemes, pension schemes, Shareholders who are exempt from UK taxation and Shareholders who acquire or acquired (or are deemed to have acquired) their Melrose Shares by virtue of an office or employment. Such Shareholders may be subject to special rules.

The material set out in the paragraphs below does not constitute tax advice. Shareholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction other than the UK should consult an appropriate professional adviser. In particular, non-UK resident or domiciled persons are advised to consider the potential impact of any relevant double tax agreements.

11.1 Melrose Share Consolidation (UK taxation considerations)

Subject to the below statements in respect of any fractional entitlements, Shareholders should not be treated, by virtue of the Melrose Share Consolidation, as having made a disposal or part disposal of their Existing Melrose Shares for the purposes of UK tax on chargeable gains.

Rather, the New Melrose Shares held by Shareholders following the Melrose Share Consolidation should be treated as the same asset, and as having been acquired at the same time, as the Existing Melrose Shares held by such Shareholders immediately prior to the Melrose Share Consolidation. The aggregate base cost of the New Melrose Shares held by a Shareholder immediately following the Melrose Share Consolidation should be the same as the base cost of such Shareholder’s Existing Melrose Shares immediately prior to the Melrose Share Consolidation. Accordingly, Shareholders should not incur any liability to UK chargeable gains tax in respect of the Melrose Share Consolidation.

To the extent that a Shareholder receives cash, by virtue of a sale on their behalf of any New Melrose Shares to which they have a fractional entitlement, the Shareholder will not in practice normally be treated as making a part disposal of their holding of Existing Melrose Shares if the amount received is small in comparison with the value of that Shareholder's Melrose Shares. Rather, the cash entitlement will be treated as reducing the relevant Shareholder's base cost in the New Melrose Shares.

HMRC have issued guidance which states that any cash payment of £3,000 or less or which is five per cent. or less of the value of the Shareholder's new holding will generally be treated as "small" for these purposes. Shareholders may be treated as having made a disposal for the purposes of UK tax on chargeable gains in respect of any fractional entitlement if: (i) any cash entitlement is not "small"; (ii) any cash entitlement exceeds the relevant Shareholder's base cost in the Existing Melrose Shares; and/or (iii) the Shareholder will not receive any New Melrose Shares as a result of the Melrose Share Consolidation.

11.2 Demerger (UK taxation considerations)

Income

The Company has applied to and received clearance from HMRC under section 1091 of the Corporation Tax Act 2010 ("CTA 2010") that the distribution of the Dowlais Shares to Shareholders will qualify as an "exempt distribution" for the purposes of section 1075 CTA 2010 (the "Clearance").

Accordingly, Shareholders should not incur any liability to UK tax on income in respect of the receipt of their Dowlais Shares on the Demerger.

Chargeable gains

As HMRC has provided the Clearance, Shareholders should not be treated, by virtue of the receipt of Dowlais Shares on the Demerger, as having made a disposal or part disposal of their New Melrose Shares for the purposes of UK tax on chargeable gains.

Rather, the Dowlais Shares distributed to Shareholders pursuant to the Demerger should be treated as the same asset, and as having been acquired at the same time, as the New Melrose Shares held by such Shareholders immediately prior to the Demerger. The aggregate base cost of the New Melrose Shares and Dowlais Shares held by a Shareholder immediately following the Demerger should be the same as the base cost of such Shareholder's New Melrose Shares immediately prior to the Demerger, apportioned by reference to the market value of the New Melrose Shares and the Dowlais Shares immediately following the Demerger. Accordingly, Shareholders should not incur any liability to UK chargeable gains tax in respect of the Demerger.

Liability to UK stamp duty and stamp duty reserve tax

Shareholders should not incur any liability to UK stamp duty or stamp duty reserve tax as a result of the distribution to them of the Dowlais Shares pursuant to the Demerger.

Certain United States ("US") Federal Income Tax Considerations

The following is a summary of certain US federal income tax considerations generally applicable to US Holders of Dowlais Shares as a result of the Demerger and the Melrose Share Consolidation. For the purposes of this summary, a "US Holder" is a beneficial owner of Melrose Shares that, following the Melrose Share Consolidation and the Demerger, will own Dowlais Shares that is, for US federal income tax purposes, (i) a citizen or individual resident of the United States, (ii) a corporation (or other entity that is treated as a corporation for US federal income tax purposes) created or organised in or under the laws of the United States, any state therein or the District of Columbia, or (iii) an estate or trust the income of which is subject to US federal income taxation regardless of its source.

This summary is based on provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial interpretations thereof, as well as the Convention between the United Kingdom of Great Britain and Northern Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital Gains (as amended by any subsequent protocols) (the "Treaty"), all as of the date hereof. Those authorities may be changed at any time, possibly with retroactive effect, so as to result in US federal income tax consequences different from those summarised below.

This summary is limited to US federal income tax considerations relevant to US Holders that hold Melrose Shares and, following the Melrose Share Consolidation and the Demerger, will hold Dowlais Shares, as "capital assets" within the meaning of section 1221 of the Code (generally, property held for investment). This

summary does not address particular tax consequences that may be applicable to US Holders subject to special tax rules such as banks, brokers or dealers in securities or currencies, traders in securities electing to mark to market, financial institutions, life insurance companies, tax-exempt entities, regulated investment companies, persons who actually or constructively own five per cent. or more of Melrose Shares, by vote or value, or who will hold five per cent. or more of Dowlais Shares, by vote or value, persons holding Melrose Shares, or will hold Dowlais Shares, as part of a hedging or conversion transaction or a straddle, or persons whose functional currency is not US dollars. In addition, this summary is applicable only to US Holders (i) that are residents of the United States for the purposes of the Treaty, (ii) whose shares are not, for the purposes of the Treaty, effectively connected with a permanent establishment in the United Kingdom and (iii) who otherwise qualify for the full benefits of the Treaty. Moreover, this summary does not address state, local or non-US taxes, US federal estate and gift taxes, Medicare contribution tax applicable to net investment income of certain non-corporate US Holders, or alternative minimum tax consequences of acquiring, holding or disposing of Melrose Shares or Dowlais Shares.

If a partnership (or other entity or arrangement treated as a partnership for US federal income tax purposes) holds Melrose Shares or will hold Dowlais Shares, the tax treatment of such partnership and its partners will generally depend on the status of the partners and the activities of the partnership. Partnerships that hold any Melrose Shares, or that will hold Dowlais Shares, and their partners should consult their tax advisers as to the particular US federal income tax consequences of the Melrose Share Consolidation and the Demerger.

The Dowlais Prospectus contains a discussion of certain US federal income tax consequences of holding and disposing of Dowlais Shares.

The Company has not sought and does not intend to seek any ruling from the US Internal Revenue Service (the “IRS”) regarding any aspect of the Demerger or the Melrose Share Consolidation. There can be no assurance that the IRS will not take positions that are inconsistent with those discussed below or that any such positions, if challenged, would not be sustained by a court.

The summary of US federal income tax consequences set out below is for general information only and does not purport to be a comprehensive analysis or description of all potential US federal income tax consequences of the Demerger or the Melrose Share Consolidation. You should consult your own tax advisers about the consequences to you of the Demerger and the Melrose Share Consolidation including the relevance to your particular situation of the considerations discussed below and any consequences arising under federal, state, local, or non-US tax laws.

11.3 Melrose Share Consolidation (US taxation considerations)

The Company believes that the exchange of New Melrose Shares for Existing Melrose Shares pursuant to the Melrose Share Consolidation should be treated as a tax-free exchange under section 368(a)(1)(E) and/or section 1036 of the Code. Assuming the exchange qualifies for such tax-free treatment, a US Holder receiving New Melrose Shares generally (i) will not recognise any gain or loss upon the receipt of New Melrose Shares and (ii) whose adjusted basis and holding period in its New Melrose Shares should be the same as its adjusted basis and holding period in the Existing Melrose Shares exchanged therefor.

11.4 Demerger (US taxation considerations)

The rules for determining whether a transaction such as the Demerger qualifies for tax-free treatment for US federal income tax purposes are complex and such determination would depend on all relevant facts and circumstances. Although no assurance can be given, the Company believes the Demerger should qualify as a tax-free reorganisation under section 368(a)(1)(D) of the Code and/or a tax-free distribution under section 355 of the Code (a “**Tax-Free Distribution**”). Neither the Company nor Dowlais has sought or obtained a ruling from the IRS, or requested or received an opinion of US federal income tax counsel, that the Demerger qualifies as a Tax-Free Distribution.

Assuming that the Demerger qualifies as a Tax-Free Distribution, the following US federal income tax consequences will generally apply to a US Holder receiving Dowlais Shares in the Demerger:

- The US Holder will not recognise income, gain or loss on the receipt of Dowlais Shares in the Demerger.
- The aggregate adjusted tax basis in the New Melrose Shares (received in the Melrose Share Consolidation, as described above) and Dowlais Shares held by the US Holder immediately after the Demerger will be the same as the adjusted tax basis in the New Melrose Shares held by such US Holder immediately before the Demerger, allocated between such New Melrose Shares and Dowlais Shares in proportion to their relative fair market values.

- The holding period of the Dowlais Shares received in the Demerger will include the holding period of the New Melrose Shares (and, by extension, the Existing Melrose Shares) with respect to which such Dowlais Shares were received.

If a US Holder acquired different blocks of Melrose Shares at different times and/or at different prices, the tax basis and holding period rules described in the second and third bullets above must be applied separately to each identifiable block of Melrose Shares. Such US Holder should consult its tax adviser regarding the allocation of its adjusted tax basis in, and the holding period of, the Dowlais Shares received with respect to any such block of Melrose Shares.

If the Demerger does not qualify as a Tax-Free Distribution, then a US Holder will be treated as receiving a taxable distribution with respect to the Melrose Shares on the day of Completion. Assuming the Company is not and has not been a passive foreign investment company (“PFIC”) in the current taxable year or any prior year, a US Holder generally will be required to include in gross income as a dividend an amount equal to the fair market value of the Dowlais Shares (determined at the time of the Demerger) received in the Demerger to the extent the Company has sufficient current or accumulated earnings and profits (as determined under US federal income tax principles). If the amount of such distribution exceeds the Company’s earnings and profits, the excess generally will first be applied against and reduce the US Holder’s adjusted tax basis in its Melrose Shares (but not below zero) and, to the extent in excess of such basis, will be treated as a gain from the sale or exchange of such Melrose Shares. The Company does not currently determine its earnings and profits in accordance with US federal income tax principles. Therefore, US Holders should expect that the entire distribution of Dowlais Shares will generally be reported as a dividend for US federal income tax purposes. Such dividend will be taxable to a corporate US Holder at regular corporate tax rates and will not be eligible for the dividends-received deduction generally allowed to domestic corporations in respect of dividends received from other domestic corporations. Subject to applicable limitations (including a minimum holding period requirement), dividends received by a non-corporate US Holder from a qualified foreign corporation may be treated as “qualified dividend income” that is subject to reduced rates of taxation. A qualified foreign corporation includes a foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States which the United States Treasury Department determines to be satisfactory for these purposes and which includes an exchange of information provision. The United States Treasury Department has determined that the Treaty meets these requirements, and the Company believes it is eligible for the benefits of the Treaty. Thus, the Company believes that the dividends paid in respect of the Melrose Shares in the Demerger will potentially be eligible for these reduced tax rates. The dividends would generally be treated as income from sources outside the United States for foreign tax credit purposes. US Holders should consult their own tax advisers regarding the application of these rules to their particular circumstances.

Based on the past and projected composition of the Company’s income and assets, and the valuation of its assets, including goodwill, the Company does not believe it was a PFIC for its most recent taxable year or any prior year, and does not expect to become a PFIC in the current taxable year, although there can be no assurance in this regard. If, contrary to its self-determination, the Company is or has been a PFIC in any year, the US federal income tax consequences of any distribution with respect to Melrose Shares could be materially different, and possibly adverse to US Holders, compared to those described herein. US Holders are urged to consult their own tax advisers regarding the PFIC rules and the particular tax consequences to them.

12. OVERSEAS SHAREHOLDERS

The implications of the Proposal for Overseas Shareholders may be affected by the laws of the jurisdiction in which they are resident or otherwise located. Overseas Shareholders should inform themselves about and observe all applicable legal requirements.

It is the responsibility of any person into whose possession this document comes to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the Proposal, including the obtaining of any governmental, exchange control or other consents which may be required and/or compliance with other necessary formalities which are required to be observed and the payment of any taxes or levies due in such jurisdiction.

13. GENERAL MEETING AND ACTION TO BE TAKEN

A notice convening the General Meeting to be held at Investec Bank plc, 30 Gresham St, London EC2V 7QN at 10:00 a.m. on 30 March 2023 for the purpose of seeking Shareholder approval for the Resolution is set out at the end of this Circular.

Shareholders are reminded that voting is on a poll, and votes may be cast by proxy who may be appointed ahead of the meeting to ensure your vote is counted (as detailed in the explanatory notes starting on page 94). Shareholders are strongly encouraged to make use of proxies to exercise their voting rights.

If you receive hard copy documents, you will find enclosed with this document a Form of Proxy for use in respect of the Resolution to be proposed at the General Meeting. You are requested to complete the Form of Proxy in accordance with the instructions printed on it, and return it as soon as possible, but in any event so as to be received by Equiniti, at Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, no later than 10:00 a.m. on 28 March 2023. Shareholders who receive an email broadcast will be directed to this Circular on the Company's website at www.melroseplc.net.

You may alternatively register your vote online by visiting Equiniti's website at www.sharevote.co.uk. In order to register your vote online, you will need to enter the Voting ID, Task ID and your Shareholder Reference Number which are all set out on the enclosed Form of Proxy, and you will need to ensure that your vote is registered online no later than 10:00 a.m. on 28 March 2023.

If you are an institutional investor, you may be able to appoint a proxy electronically via Proxymity, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 10:00 a.m. on 28 March 2023 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

If you hold your Melrose Shares in CREST, and you wish to appoint a proxy or proxies through the CREST electronic proxy appointment service, you may do so by using the procedures described in the CREST Manual (available via www.euroclear.com). In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST Proxy Instruction must be properly authenticated in accordance with Euroclear's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Equiniti, ID RA19, no later than 10:00 a.m. on 28 March 2023.

The return of a completed Form of Proxy, the registration of your vote online or the giving of a CREST Proxy Instruction will not prevent you from attending the General Meeting and voting in person if you so wish and are so entitled.

PART III
QUESTIONS AND ANSWERS ON THE PROPOSAL

The following questions and answers have been prepared to help you understand what the Proposal involves. You should read the whole of this document and not rely solely on the questions and answers set out below.

1. The Demerger

1.1 What is the Demerger?

The Demerger is the separation of the Dowlais Group (being the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses) from the Melrose Group. This will result in two separately listed companies, each with its own distinct investment prospects.

1.2 Why is Melrose proposing the Demerger?

The Dowlais Businesses have been successfully transformed under Melrose's ownership, and are equipped and structured to independently achieve their further potential better than ever before. Today both Dowlais and Melrose enjoy strong financial positions to achieve their target operating margins. The Board believes that separating the Dowlais Businesses will unlock further shareholder value creation potential, driven by long term sustainable growth opportunities, and independent platforms to execute transformative M&A.

The Board recommends that you vote in favour of the Proposal at the General Meeting and is fully supportive of the Proposal.

1.3 How will the Demerger be implemented?

The Demerger is conditional upon, among other things, the passing of the Resolution to be proposed as an ordinary resolution at the General Meeting by a simple majority. The Demerger will be implemented in accordance with the Demerger Agreement. Further details of the terms and conditions to the Demerger are set out in the description of the Demerger Agreement in Section 9.1(A) (*Demerger Agreement*) of Part VIII (*Additional Information*).

Assuming the conditions are satisfied, the demerger of the Dowlais Group from the Melrose Group will be effected by Melrose making an interim *in specie* distribution of 97 per cent. of the Dowlais Shares to Shareholders.

All Dowlais Shares will rank *pari passu* in all respects, there being no conversion or exchange rights attaching to them, and all Dowlais Shares will have equal rights to participate in capital, dividends and profit distributions by Dowlais.

1.4 Will there be any ongoing relationship between the Dowlais Group and the Melrose Group?

Melrose and Dowlais will operate as separate independent companies following the Demerger.

Pursuant to the Transitional Services Agreement, Melrose has agreed to provide (or procure that relevant members of the Melrose Group provide) certain transitional services to Dowlais and relevant members of the Dowlais Group for a transitional period following the Demerger, including finance and treasury, company secretariat and legal, tax and certain strategic advisory services. Further information on the Transitional Services Agreement is set out in Section 9.1(D) (*Transitional Services Agreement*) of Part VIII (*Additional Information*).

In addition, Dowlais and Melrose have entered into the Demerger Agreement, which governs aspects of the relationship between the Dowlais Group and the Melrose Group following Completion.

Certain existing trading arrangements are also expected to continue on ordinary course arm's length terms between the Continuing Melrose Group and the Dowlais Group following Completion.

In addition, three per cent. of the share capital of Dowlais will be retained by Melrose, of which (i) one per cent. will be used to cover costs, including those relating to the performance and provision of services by the Melrose Group to the Dowlais Group under the Transitional Services Agreement, as well as other costs; and (ii) two per cent. will be placed into a Melrose employee share ownership trust for the purposes of satisfying awards under the Melrose Automotive Share Plan. Further information on the Melrose Automotive Share Plan is set out in Section 4 (*Rewarding further value creation in GKN Automotive and GKN Powder Metallurgy*) of Part VII (*Proposed Melrose Incentive Adjustments*).

1.5 What is Dowlais Admission?

Dowlais Admission involves Dowlais applying to the FCA for all of the Dowlais Shares to be admitted to the premium listing segment of the Official List. Application will also be made to the London Stock Exchange for all of the Dowlais Shares to be admitted to trading on its main market for listed securities. No application has been made for admission of Dowlais Shares to trading on any other stock exchange (nor is it the current intention of Dowlais to make any such application in the future).

It is expected that the Demerger will be completed, Dowlais Admission will become effective and that dealings in Dowlais Shares will commence on the London Stock Exchange by no later than 8.00 a.m. on 20 April 2023.

2. The Melrose Share Consolidation

2.1 What is the Melrose Share Consolidation?

Recognising that the Demerger involves the extraction of the Dowlais Businesses from the Melrose Group, which account for a significant proportion of the Melrose market capitalisation, it is necessary to undertake the Melrose Share Consolidation in order to enable the post-Demerger share price of both Melrose and Dowlais to initiate at sensible levels. To this effect, it is proposed that Melrose will consolidate its existing share capital in order to reduce the total number of shares in issue (while increasing the nominal value of such shares).

The ratio for the Melrose Share Consolidation shall be one for three, such that Shareholders will receive one New Melrose Share in exchange for every three Existing Melrose Shares held at the Consolidation Record Time, subject to such adjustments as the Directors may agree to deal with fractional entitlements, rounding or other matters that may result from such consolidation.

To effect the Melrose Share Consolidation, it will be necessary for the Company to issue two additional Existing Melrose Shares so that the number of the Company's Existing Melrose Shares is exactly divisible by three. These two additional Existing Melrose Shares will be issued to Investec following close of trading on 19 April 2023 fully paid up in cash, at the closing middle-market price on such date. For the avoidance of doubt, the Existing Melrose Shares to be issued to Investec will result in fractional entitlements and will therefore be treated in the same way as described in question 2.3 below.

The Consolidation Record Time will be at 6:00 p.m. on 19 April 2023. The Directors may change the Consolidation Record Time if they consider this to be in Shareholders' interests. If this time or date does change, Melrose will give notice of the change by issuing an announcement through a Regulatory Information Service.

The proportion of the issued ordinary share capital of Melrose held by each Shareholder following the Melrose Share Consolidation will, save for any impact from fractional entitlements, remain unchanged. Apart from having a different nominal value, each New Melrose Share will carry the same rights that attach to the Existing Melrose Shares prior to the Melrose Share Consolidation and all New Melrose Shares will rank *pari passu* in all respects.

The Melrose Share Consolidation is conditional upon the approval by Shareholders of the Resolution at the General Meeting.

2.2 Why is Melrose undertaking the Melrose Share Consolidation?

Recognising that the Demerger involves the extraction of the Dowlais Businesses from the Melrose Group, which account for a significant proportion of the Melrose market capitalisation, it is necessary to undertake the Melrose Share Consolidation in order to enable the post-Demerger share price of both Melrose and Dowlais to initiate at sensible levels. To this effect, it is proposed that Melrose will consolidate its existing share capital in order to reduce the total number of shares in issue (while increasing the nominal value of such shares). As a result of the Melrose Share Consolidation, and the decrease to the total number of issued Melrose Shares, it is likely that the impact of the Demerger (as referenced above) on the trading price of the Melrose Shares immediately following the Demerger (subject to interim market movements) will be offset in full or in part. However, this outcome cannot be guaranteed as there is no certainty that the share price of New Melrose Shares will not be impacted by market conditions immediately prevailing after the Demerger.

2.3 What will happen to fractional entitlements resulting from the Melrose Share Consolidation?

Any holding of Existing Melrose Shares which is not exactly divisible by three will result in an entitlement to a fraction of a New Melrose Share. Individual fractional entitlements to the New Melrose Shares will be aggregated and the resulting New Melrose Shares sold in the open market. The net proceeds (which are expected to be less than £5.00 per holding) will be consolidated and donated to a charity chosen by the Board.

If you hold fewer than three Existing Melrose Shares then, as a result of the Melrose Share Consolidation, you will receive no New Melrose Shares and will no longer be a Shareholder. Consequently, you will not participate in the Demerger Distribution.

2.4 What will happen to the New Melrose Shares?

If the Melrose Share Consolidation proceeds, the New Melrose Shares will be listed on the premium listing segment of the Official List and admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that admission of the New Melrose Shares will become effective and that dealings will commence at 8.00 a.m. on 20 April 2023. It is expected that Qualifying Shareholders who hold their Melrose Shares in CREST will have their CREST accounts credited in respect of their entitlements to New Melrose Shares on 20 April 2023 and new share certificates for entitlements to New Melrose Shares will be despatched to Qualifying Shareholders (except to Gone Away Shareholders) who hold their Melrose Shares in certificated form by 5 May 2023.

2.5 What does this mean for me?

Assuming that the Resolution is passed, Qualifying Shareholders (being Shareholders on the Melrose Share Register at the Consolidation Record Time) will receive:

one New Melrose Share

for every three Existing Melrose Shares held at the Consolidation Record Time

The ratio for the Melrose Share Consolidation shall be one for three, such that Shareholders will receive one New Melrose Share in exchange for every three Existing Melrose Shares held at the Consolidation Record Time, subject to fractional entitlements.

You will not need to take any further action after Completion and no payment is required from you in connection with the Demerger, the Melrose Share Consolidation and Dowlais Admission.

3. Proposed Incentive Adjustments

3.1 Why are the Incentive Adjustments being proposed?

The Melrose Group currently consists of three key businesses and the 2020 Employee Share Plan (the "MESP") incentivises the creation of value in the Melrose Group for the benefit of Shareholders. As a result of splitting the Melrose Group through the Demerger, with Shareholders receiving shares in each of the Continuing Melrose Group and the Dowlais Group, there are three key adjustments required to properly reflect the Demerger on the existing Melrose incentive arrangements. The first adjustment is to reflect the Demerger in the MESP by allocating the Invested Capital between the Continuing Melrose Group and the Dowlais Group. Secondly, recognising that the timelines of both the Demerger and the crystallisation date of the MESP coincide, the Incentive Adjustments will extend the MESP Performance Period by one year to 31 May 2024. Thirdly, in order to recognise the platform prepared for the Dowlais Businesses whilst part of the Melrose Group, the portion of the Invested Capital allocated to GKN Automotive and GKN Powder Metallurgy will form the basis from which the creation of further value in Dowlais will be rewarded in accordance with the terms of the Melrose Automotive Share Plan. Part VII (*Proposed Melrose Incentive Adjustments*) contains further details of the proposed Incentive Adjustments.

3.2 Will the 2020 Directors' Remuneration Policy be revised?

The 2020 Directors' Remuneration Policy will, subject to Shareholder approval, be revised in order to implement the Incentive Adjustments, as described in question 3.1 (*Why are the Incentive Adjustments being proposed?*) of Part III (*Questions and answers on the Proposal*). Part VII (*Proposed Melrose Incentive Adjustments*) contains further details of the proposed Incentive Adjustments and the text of the sections of the 2020 Directors' Remuneration Policy proposed to be revised is set out in the Appendix to

the Notice of General Meeting (*Proposed Revisions to the 2020 Directors' Remuneration Policy*) contained in this Circular.

4. Voting and eligibility

4.1 Why am I being sent this document?

Due to the collective size of the Dowlais Businesses, the Demerger is a “Class 1” transaction under the Listing Rules and so requires the approval of Shareholders at the General Meeting. In addition, the Demerger Distribution (being an interim *in specie* distribution) requires the approval of Shareholders under the Articles. The Melrose Share Consolidation and the Incentive Adjustments also require approval by Shareholders and, together with the Demerger, they make up the Proposal.

The General Meeting is to be held at Investec Bank plc, 30 Gresham St, London EC2V 7QN on 30 March 2023 at 10:00 a.m. The Notice of General Meeting is set out at the end of this document.

4.2 Who is eligible to vote at the General Meeting?

To be entitled to vote at the General Meeting, Shareholders must be entered on the Company’s register of members by 6:30 p.m. on 28 March 2023. Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

An explanation of how Qualifying Shareholders can vote is set out in the answer to question 4.5 (*How do I vote?*).

4.3 Who is eligible to participate in the Demerger?

Shareholders recorded on the Melrose Share Register at the Demerger Record Time (following the Melrose Share Consolidation) will be Qualifying Shareholders who are able to participate in the Demerger.

4.4 When must a transfer of Existing Melrose Shares to me be recorded on the Melrose Share Register if I am to be a registered holder of Melrose Shares and able to participate in the Demerger?

The transfer of Melrose Shares must be recorded on the Melrose Share Register by 6:00 p.m. on 19 April 2023 (or such other time and/or date as the Directors may determine) if you are to be the registered holder of Melrose Shares by the Demerger Record Time and able to participate in the Demerger (provided you remain on the Melrose Share Register following the Melrose Share Consolidation as described in question 2.3 (*What will happen to fractional entitlements resulting from the Melrose Share Consolidation?*)).

To be on the Melrose Share Register at the Demerger Record Time, transfers of Existing Melrose Shares in uncertificated form must take place by 6:00 p.m. on 19 April 2023 and transfers in certificated form must be received by the Registrar by 6:00 p.m. on 19 April 2023.

4.5 How do I vote?

Shareholders should read the Notice of General Meeting at the end of this document for the full text of the Resolution. Shareholders are reminded that voting is on a poll.

Even if you cannot attend the General Meeting, you can still make your vote count by voting by proxy.

If you receive hard copy documents, you will find enclosed with this document a Form of Proxy for use in respect of the Resolution to be proposed at the General Meeting. You are requested to complete the Form of Proxy in accordance with the instructions printed on it, and return it as soon as possible, but in any event so as to be received by Equiniti, at Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, by no later than 10:00 a.m. on 28 March. Shareholders who receive an email broadcast will be directed to this Circular on the Company’s website at www.melroseplc.net.

You may alternatively register your vote online by visiting Equiniti’s website at www.sharevote.co.uk. In order to register your vote online, you will need to enter the Voting ID, Task ID and your Shareholder Reference Number which are all set out on the enclosed Form of Proxy, and you will need to ensure that your vote is registered online not later than 10:00 a.m. on 28 March 2023.

If you are an institutional investor, you may be able to appoint a proxy electronically via Proxymity, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 10:00 a.m. on

28 March 2023 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proximity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

If you hold your Melrose Shares in CREST, and you wish to appoint a proxy or proxies through the CREST electronic proxy appointment service, you may do so by using the procedures described in the CREST Manual (available via www.euroclear.com). In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST Proxy Instruction must be properly authenticated in accordance with Euroclear's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Equiniti, ID RA19, no later than 10:00 a.m. on 28 March 2023.

The appointment of a proxy will not prevent a member from subsequently attending, voting and speaking at the General Meeting, in which case any votes of the proxy will be superseded.

4.6 What will happen if the Resolution is not approved by Shareholders?

If the Resolution is not approved by Shareholders, the Dowlais Group will not separate from the Melrose Group and will continue to form a part of the Melrose Group. As long as the Dowlais Group remains a part of the Melrose Group, Melrose Shares will also represent an interest in the Dowlais Group, as they do today.

If the Proposal does not proceed, the potential benefits of the Proposal will not be realised and there may be an adverse impact on the reputation of the Melrose Group due to the increased publicity arising in connection with any perceived failure to implement the Proposal. Any such reputational risk could adversely affect the Melrose Group's business, financial condition and operating results. Risks relating to failure to complete the Proposal are considered in more detail in the risk factor in Section 1.1 (*Completion of the Proposal is subject to conditions which may not be satisfied or waived*) of Part IV (*Risk Factors relating to the Proposal*).

If the Resolution is not passed and the Demerger does not proceed, the Melrose Share Consolidation and the Incentive Adjustments will similarly not proceed.

4.7 Will I receive a prospectus relating to Dowlais?

The Dowlais Prospectus is available online at www.dowlais.com. The Dowlais Prospectus will also be published in printed form and available on request and free of charge, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) until the date of Dowlais Admission at the registered office of Dowlais at 2nd Floor Nova North, 11 Bressenden Place, London SW1E 5BY and at the offices of Simpson Thacher & Bartlett LLP, CityPoint, One Ropemaker Street, London EC2Y 9HU, England.

4.8 Will I have to pay any tax as a result of the Demerger?

A summary of certain tax consequences of the Demerger and the Melrose Share Consolidation is set out in Section 11 of Part II (*Information on the Proposal*). The summary is intended as a guide only. Shareholders who are in doubt about their tax position are strongly advised to contact an appropriate professional, independent adviser immediately.

5. Melrose Shares and Dowlais Shares

5.1 When will admission of the New Melrose Shares and the Dowlais Shares occur?

Applications will be made to the FCA for all of the Dowlais Shares and the New Melrose Shares to be admitted to the premium listing segment of the Official List. Applications will also be made to the London Stock Exchange for the Dowlais Shares and the New Melrose Shares to be admitted to trading on its main market for listed securities. No application has been made for admission of Dowlais Shares or New Melrose Shares to trading on any other stock exchange (nor is it the current intention of Melrose or Dowlais to make any such application in the future).

It is expected that admission of the Dowlais Shares will become effective and that dealings will commence at 8.00 a.m. on 20 April 2023. It is expected that admission of the New Melrose Shares will also become effective and that dealings will commence at 8.00 a.m. on 20 April 2023.

On Dowlais Admission, the Dowlais Shares will be registered with ISIN number GB00BMWRZ071 and SEDOL number BMWRZ07. The current ISIN (GB00BNR5MZ78) in relation to Existing Melrose Shares will be disabled in CREST at 6:00 p.m. on 19 April 2023. The New Melrose Shares will be registered with ISIN number GB00BNGDN821 and SEDOL number BNGDN82 with effect from 8.00 a.m. on 20 April 2023.

5.2 What will be the price of Melrose Shares and Dowlais Shares upon completion of the Demerger and Dowlais Admission?

There is no certainty as to the price of Melrose Shares or Dowlais Shares following the Demerger and the Melrose Share Consolidation. The price at which Melrose Shares and Dowlais Shares may be traded will be influenced by a large number of factors. Some of these may be specific to either the Continuing Melrose Group or the Dowlais Group and their respective operations, and others may affect the industries in which they operate, other comparable companies or publicly traded companies as a whole.

Recognising that the Demerger involves the extraction of the Dowlais Businesses from the Melrose Group, which account for a significant proportion of the Melrose market capitalisation, it is necessary to undertake the Melrose Share Consolidation in order to enable the post-Demerger share price of both Melrose and Dowlais to initiate at sensible levels. To this effect, it is proposed that Melrose will consolidate its existing share capital in order to reduce the total number of shares in issue (while increasing the nominal value of such shares). As a result of the Melrose Share Consolidation, and the decrease to the total number of issued Melrose Shares, it is likely that the impact of the Demerger (as referenced above) on the trading price of the Melrose Shares immediately following the Demerger (subject to interim market movements) will be offset in full or in part. However, this outcome cannot be guaranteed as there is no certainty that the share price of New Melrose Shares will not be impacted by market conditions immediately prevailing after the Demerger.

5.3 Can the New Melrose Shares and the Dowlais Shares be held in CREST?

Yes. Dowlais's articles of association (effective from Dowlais Admission) permit the holding of Dowlais Shares in CREST. Dowlais will apply for its shares to be enabled in CREST with effect immediately upon Dowlais Admission. Qualifying Shareholders who hold their Melrose Shares in CREST will continue to hold New Melrose Shares in CREST. It is expected that CREST accounts for Qualifying Shareholders will be credited in respect of Dowlais Shares and New Melrose Shares in uncertificated form on 20 April 2023.

5.4 How soon can I trade my New Melrose Shares following the Demerger if I hold them in CREST?

It is expected that admission of the New Melrose Shares will become effective at 8.00 a.m. on 20 April 2023. Qualifying Shareholders who hold their New Melrose Shares in CREST will be able to trade their New Melrose Shares from 8:00 a.m. on 20 April 2023 after their respective CREST accounts have been credited in respect of their entitlements to New Melrose Shares.

5.5 How soon can I trade my Dowlais Shares following the Demerger if I hold them in CREST?

It is expected that admission of the Dowlais Shares will become effective at 8.00 a.m. on 20 April 2023. Qualifying Shareholders who hold their Dowlais Shares in CREST will be able to trade their Dowlais Shares from 8:00 a.m. on 20 April 2023 after their respective CREST accounts have been credited in respect of their entitlements to Dowlais Shares.

5.6 Can the New Melrose Shares and the Dowlais Shares be held in certificated form?

Yes. Dowlais Shares will be capable of being held in certificated or uncertificated form. No share certificates will be issued in respect of the Dowlais Shares in uncertificated form. If any such Dowlais Shares are converted to be held in certificated form, share certificates will be issued in respect of those Dowlais Shares in accordance with applicable legislation. Qualifying Shareholders who hold their Melrose Shares in certificated form will continue to hold New Melrose Shares in certificated form.

5.7 When can I expect to receive a share certificate if I will hold New Melrose Shares and Dowlais Shares in certificated form?

It is expected that definitive certificates in respect of Dowlais Shares and New Melrose Shares will be posted to entitled holders of Dowlais Shares and New Melrose Shares (who hold their shares in certificated form) at their registered address on the Melrose Share Register by 5 May 2023 for the Dowlais Shares and the New Melrose Shares. Please note that share certificates in respect of New Melrose Shares held by a Gone Away Shareholder will not be issued until the relevant Gone Away Shareholder has contacted the Registrar.

Temporary documents of title will not be issued. Pending despatch of the certificates, transfers of New Melrose Shares and Dowlais Shares will be certified against the register of members of Melrose or Dowlais (as applicable) by the Registrar. Share certificates will be despatched to Shareholders and Dowlais Shareholders at their own risk.

5.8 What if I want to sell my New Melrose Shares or Dowlais Shares before I receive my share certificate?

You will be able to sell your New Melrose Shares or Dowlais Shares once they have been issued to you and registered in your name. Any transfers made after the New Melrose Shares or Dowlais Shares have been issued and registered in your name but before share certificates have been despatched (if applicable) will be registered by the Registrar against Melrose's or Dowlais's register of members (as applicable) once a valid transfer form is received. Separate share certificates will then be despatched to the new holders of those New Melrose Shares or Dowlais Shares.

5.9 Can I receive cash instead of Dowlais Shares as a result of the Proposal?

No, this is not an option under the Proposal. All Shareholders will be entitled to sell their Existing Melrose Shares or, following completion of the Melrose Share Consolidation, their New Melrose Shares, or, following their receipt, their Dowlais Shares, in the usual course. It should be noted however, that if you transfer or sell all of your Existing Melrose Shares prior to the Demerger Record Time, you will not receive any Dowlais Shares as part of the Proposal.

5.10 Do I need to provide any details to the Registrar in order to receive dividends or distributions paid or made in respect of my New Melrose Shares or Dowlais Shares?

Qualifying Shareholders entitled to receive dividends or distributions paid or made in respect of their New Melrose Shares or Dowlais Shares after the Demerger becomes effective do not need to provide any additional information to receive such dividends or distributions. Melrose, on behalf of Dowlais, will notify Shareholders that all mandates relating to the monetary payment of dividends and, if applicable, a Shareholder's dividend reinvestment plan election ("**DRIP Election**") (and other account preferences as indicated in such Shareholder's Shareview Account) which are in force at the Consolidation Record Time relating to their holding of Existing Melrose Shares will be deemed from the time of Dowlais Admission to be an effective mandate or instruction to both Melrose, in respect of the corresponding New Melrose Shares, and Dowlais, in respect of the corresponding Dowlais Shares.

Please note that, following Completion, and until the published close of election date for the first dividend from Dowlais, Qualifying Shareholders will be able to cancel their DRIP Election, if applicable. Qualifying Shareholders can do this either by updating their election choices electronically by logging on to their portfolio at www.shareview.co.uk or by contacting the Registrar. The terms and conditions of the Dowlais dividend re-investment plan are available at www.shareview.co.uk/info/drip or a copy can be requested to be posted to you by contacting the Registrar between 8.30 a.m. and 5.30 p.m. (London time), Monday to Friday (excluding public holidays in England and Wales) on +44 (0)333 207 6385 (calls from outside the UK will be charged at the applicable international rate and different charges may apply to calls from mobile telephones)

5.11 Will I receive Dowlais Shares if I am a US Shareholder?

The Dowlais Shares may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined under Regulation S) except to Eligible US Holders (as described further in the Important Information section of this Circular).

Any US persons who are recipients of Dowlais Shares may be required to make such acknowledgements and representations to, and agreements with, the Company as the Company may require to establish that they are Eligible US Holders.

If you are an “accredited investor” as defined in Rule 501(a) under the US Securities Act but are not an Institutional Accredited Investor, please contact the Company as soon as possible to discuss your options.

The Dowlais Shares will not be transferred to any US person that, so far as the Company is aware, is not an Eligible US Holder, but will instead be sold in the market on behalf of Melrose and the net cash proceeds of such sale will be remitted by cheque to such US person based on the number of the Dowlais Shares they would otherwise have been entitled to hold in connection with the Demerger.

5.12 Who is the registrar for Dowlais?

Dowlais’s registrar is Equiniti Limited.

6. Further questions

If you have any queries in connection with this Circular or the Proposal, or if you have received this document in electronic form and you want to request a hard copy of this document and/or any information incorporated into this document by reference to another source, you can contact the Registrar at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, or between 8.30 a.m. and 5.30 p.m. (London time), Monday to Friday (excluding public holidays in England and Wales) on +44 (0)333 207 6385 (calls from outside the UK will be charged at the applicable international rate and different charges may apply to calls from mobile telephones), with your full name and the full address to which the hard copy may be sent (calls may be recorded and monitored for training and security purposes) if relevant. The helpline operators cannot provide advice on the merits of the Proposal nor give any financial, legal or tax advice.

PART IV RISK FACTORS RELATING TO THE PROPOSAL

This section describes the risk factors which are considered by the Melrose Directors to be material in relation to the Proposal, the new material risks to the Melrose Group as a result of the Proposal and the existing material risks which may be impacted by the Proposal, as well as the material risks to the Melrose Group if the Proposal were not to proceed. However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties not presently known to the Directors, or that the Board considers immaterial, or that the Board considers material to the Melrose Group but will not be impacted by the Proposal, may also adversely affect the Melrose Group's business, results of operations or financial condition. If any or a combination of the following risks materialise, the Melrose Group's business, financial condition, operational performance, future performance and share price could be materially adversely affected. In such circumstances, the market price of the Melrose Shares could decline and you may lose all or part of your investment. The information given is as of the date of this Circular and, except as required by the FCA, the London Stock Exchange, the Listing Rules, the Prospectus Regulation Rules, the Disclosure Guidance and Transparency Rules or any other applicable law or regulation, will not be updated.

You should consider carefully the risks and uncertainties described below, together with all other information contained in this Circular and the information incorporated by reference herein, before deciding whether to vote in favour of the Resolution.

1. RISKS RELATING TO THE PROPOSAL

1.1 Completion of the Proposal is subject to conditions which may not be satisfied or waived

The Proposal is subject to conditions, including the approval of the Resolution by Shareholders at the General Meeting and approval of the Demerger Distribution by the Board, as set out in the Demerger Agreement, a summary of which is set out in Section 9.1(A) (*Demerger Agreement*) of Part VIII (*Additional Information*). There can be no assurance that any or all of these conditions will be satisfied or, where relevant, waived. If any condition is not satisfied or waived, the Proposal will not complete.

Failure to complete the Proposal would result in the potential benefits of the Proposal not being realised and may have an adverse effect on the reputation of the Melrose Group and on the external perception of its ability to implement such transactions successfully. This may be the case even where the failure to implement the Proposal is due to factors outside the control of the Melrose Group.

In addition, if the Proposal does not complete, the Dowlais Group will remain part of the Melrose Group, which may: (i) result in a delay in, or even the prevention of, the execution of the strategic objectives of the Melrose Group and the Dowlais Group; (ii) have a disruptive effect on management and employees of the Melrose Group and/or the Dowlais Group; or (iii) prevent the anticipated benefits and opportunities that the Directors believe will result from the Proposal from being realised. There are also costs associated with the implementation of the Proposal which will still be payable if the Proposal does not proceed.

The aggregate consequences of a failure to complete the Proposal could have a material adverse effect on the reputation, prospects, results of operations, business and financial condition of the Melrose Group.

1.2 Completion of the Proposal is subject to further approval by the Melrose Board

Notwithstanding that, as at the date of this document, the Melrose Board supports the Proposal, it is entitled to decide not to proceed with the Proposal at any time prior to Completion. Therefore, the Proposal will not complete if circumstances change such that the Melrose Board no longer considers that the Proposal would be in the best interests of its Shareholders as a whole. Such circumstances could include a material adverse change in general market conditions or the specific conditions in the markets in which the Melrose Group operates. Furthermore, the Melrose Share Consolidation will be effected after 6:00 p.m. on 19 April 2023 and is not conditional on completion of the Demerger. Therefore, if the Melrose Board decides not to proceed with the Proposal at any time between completion of the Melrose Share Consolidation and Completion, then the Melrose Share Consolidation will already have been effected, notwithstanding that the Demerger itself will not proceed and the Incentive Adjustments will not be implemented.

A failure to complete the Proposal could have a material adverse impact on the reputation, prospects, results of operations, business and financial condition of the Melrose Group.

1.3 If the Proposal does not proceed, Shareholders, Melrose and Dowlais may be unable to realise the anticipated opportunities and benefits of the Proposal

The outcome of the strategic review conducted by Melrose in 2022 concluded that the Proposal should be implemented because there are a number of potential opportunities and benefits that both the Melrose Group and the Dowlais Group may be able to realise as a result of operating as distinct and legally separate groups with different strategic, operational and economic characteristics and their own dedicated management teams.

If Completion does not occur, the Dowlais Group will remain part of the Melrose Group, which may: (i) result in a delay in, or even the prevention of, the execution of the strategic objectives of the Melrose Group and the Dowlais Group; (ii) have a disruptive effect on management and employees of the Melrose Group and/or the Dowlais Group; or (iii) prevent the anticipated benefits and opportunities that the Directors believe will result from the Proposal from being realised. There are also costs associated with the implementation of the Proposal which will still be payable if the Proposal does not proceed. This could have a material adverse effect on the Melrose Group's reputation, prospects, results of operations, business and financial condition.

2. RISKS RELATING TO BOTH THE CONTINUING MELROSE GROUP AND THE DOWLAIS GROUP AS A RESULT OF THE PROPOSAL

2.1 The Continuing Melrose Group and the Dowlais Group may fail to realise any or all of the anticipated benefits of the Proposal

The realisation of the anticipated benefits of the Proposal is subject to a number of factors, including many which are outside the control of the Continuing Melrose Group and the Dowlais Group. There can be no guarantee that the anticipated benefits of the Proposal will be realised in full, in part or at all, or as to the timing of when any such benefits may be realised.

The Continuing Melrose Group and the Dowlais Group will each face a number of challenges relating to the implementation of the Proposal. There may be adverse financial, operational, regulatory, customer and reputational implications if either fails (in whole or in part) to meet these challenges. Additional costs and management resource may also be required to address any issues, whether they arise from any failure to meet the challenges of separation and operating successfully as independent businesses or from external factors. Such implications and issues could have an adverse effect on the ordinary course business of either the Continuing Melrose Group or the Dowlais Group and, consequently, their respective reputations, prospects, results of operations, business and financial condition.

2.2 The market price of Melrose Shares and Dowlais Shares may go down as well as up

Shareholders should be aware that the value of an investment in the Continuing Melrose Group and in the Dowlais Group may go down as well as up and can be highly volatile. The price at which Melrose Shares and Dowlais Shares may be quoted and the price which investors may realise for their Melrose Shares and Dowlais Shares will be influenced by a large number of factors, some specific to the Continuing Melrose Group or the Dowlais Group and their respective operations, and some which may affect their respective industries as a whole, other comparable companies or publicly traded companies as a whole.

The sentiments of the public market regarding the Proposal will be one such factor. Following Dowlais Admission, there may be a period of relatively high-volume trading in Dowlais Shares as the shareholder register of Dowlais finds its natural composition. For example, Dowlais Shares may be less attractive to certain classes of investors. The Directors are unable to predict whether substantial amounts of Dowlais Shares and/or Melrose Shares will be offered for sale in the open market following Dowlais Admission. Offers for sale of a substantial number of Dowlais Shares and/or Melrose Shares in the public market after Dowlais Admission at a given price in excess of offers to buy at that price, or the perception that such an imbalance of supply and demand in the public market might occur, could depress the market price of Dowlais Shares and/or Melrose Shares.

This potential factor, together with other factors including the actual or anticipated fluctuations in the financial performance of the Continuing Melrose Group, the Dowlais Group and its competitors, market fluctuations and/or factors generally affecting consumers could lead to the market price of Melrose Shares and/or Dowlais Shares going up or down.

3. RISKS RELATING TO THE CONTINUING MELROSE GROUP AS A RESULT OF THE PROPOSAL

3.1 Following the Demerger, the Continuing Melrose Group will form a smaller and less diversified group

Following the Demerger, Melrose will no longer own the companies and assets that comprise the Dowlais Group. Accordingly, Melrose's business will be smaller and less diversified than it is currently, its balance sheet will be smaller and its revenue will likely be lower. Such reductions in business size and diversification are, from time to time, regular consequences of the Melrose "Buy, Improve, Sell" strategy. Consequently, the businesses comprising the Dowlais Group will no longer contribute to the central cash balances and profits of the Continuing Melrose Group, and should any part of Melrose's business underperform, this may have a greater adverse impact on the Continuing Melrose Group than would have been the case prior to the Demerger. Due to its smaller overall size after the Demerger, and notwithstanding the fact that the Dowlais Businesses as members of the Melrose Group have been operated substantively separately from each other, the Continuing Melrose Group may face diseconomies of scale that could make funding its services less efficient. In addition, consistent with its smaller size, the overall amount of any future debt or equity financing which Melrose may obtain may be less, and the terms less favourable, than if the Proposal had not occurred.

Moreover, Melrose may be more susceptible to adverse developments in the remaining businesses and markets in which it operates. In particular, following Completion, the Continuing Melrose Group will have greater relative exposure to the aerospace industry.

3.2 Following the Demerger, the Continuing Melrose Group will continue to license the GKN brand to certain entities in the Dowlais Group, though it will no longer control the entities within the Dowlais Group

Following the Demerger, certain entities in the Dowlais Group – namely, the entities comprising the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses (the "**Dowlais Group GKN Entities**") – will continue to use the GKN brand under licence from the Continuing Melrose Group. Additionally, following the Demerger, the Continuing Melrose Group will not have the ability to control the Dowlais Group GKN Entities' strategic, financial and operational decisions. The Dowlais Group GKN Entities may conduct their business in a manner that differs from the manner in which the Continuing Melrose Group might have conducted the business had it retained control, may fail to develop its business or may fail to meet the expectations of investors. The Dowlais Group GKN Entities may also be subject to adverse publicity for any reason. The realisation of any of these effects may adversely affect the reputation of the Dowlais Group GKN Entities, which may in turn adversely affect the reputation of the Continuing Melrose Group through its continued licensing of the GKN brand, potentially adversely affecting its business, results of operations and financial condition.

4. RISKS RELATING TO THE DOWLAIS GROUP AS A RESULT OF THE PROPOSAL

4.1 The Dowlais Group will incur new costs in its transition to a standalone public company and its management team will be required to devote substantial time to new compliance matters

As a standalone public company, Dowlais will incur additional legal, accounting, financing and other expenses, including the costs of recruiting and retaining non-executive directors, costs resulting from complying with public company reporting obligations, costs associated with tax and treasury management and the rules and regulations regarding corporate governance practices, including the listing requirements of the FCA and the admission requirements of the London Stock Exchange.

If the time and/or financial resources needed to comply with these requirements are materially greater than expected, this could have a material adverse effect on the Dowlais Group's results of operations, business and financial condition.

4.2 For a period following the Demerger, the Dowlais Group will be reliant on the Continuing Melrose Group for the provision of certain services and any disruption to such services could be costly and disruptive and materially and adversely affect the Dowlais Group's results of operations, business, strategy, financial condition and prospects

In connection with the Demerger, Melrose and Dowlais have entered into the Transitional Services Agreement. Services to be procured by the Dowlais Group under the Transitional Services Agreement include finance and treasury, company secretariat and legal, tax and certain strategic advisory services, each of which shall be

provided as required by the Dowlais Group for an agreed transitional period. Dowlais has already put in place most of the additional resources and systems required to carry out these services independently of the Melrose Group.

Following the transitional periods set out in the Transitional Services Agreement, the Dowlais Group will be required to provide these services internally or obtain these services from a third-party provider. Whilst the Dowlais Group expects to have implemented these capabilities well ahead of the end of their respective transitional period as set out in the Transitional Services Agreement, if the Dowlais Group has not effectively developed and implemented these, and it is unable to extend the transitional periods or source further arrangements from third-party providers on a cost effective basis, its results of operations, business, financial condition and prospects could be materially and adversely affected.

PART V
FINANCIAL INFORMATION RELATING TO THE DOWLAIS GROUP

1. NATURE OF FINANCIAL INFORMATION

The following unaudited financial information in relation to the Dowlais Group has been extracted without material adjustment from the consolidation schedules used in preparing the Melrose Group's audited consolidated financial statements for the years ended 31 December 2020, 31 December 2021 and 31 December 2022. The financial information has been prepared consistently, applying the IFRS accounting principles adopted in Melrose's published consolidated financial statements for those years (including in the 2022 Results Announcement).

The financial information contained in this Part V (*Financial information relating to the Dowlais Group*) does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act. The consolidated statutory accounts of Melrose in respect of each of the years ended 31 December 2020 and 31 December 2021 have been delivered to the Registrar of Companies. For the year ended 31 December 2022, Melrose announced the audited results for the Melrose Group via RNS on 2 March 2023 and the consolidated statutory accounts will be delivered to the Registrar of Companies after the date of this Circular.

The auditors' reports in respect of Melrose for the years ended 31 December 2020, 31 December 2021 and 31 December 2022 were unqualified and did not contain statements under section 498(2) or (3) of the Companies Act (as applicable).

Deloitte LLP were the auditors for the Melrose Group in respect of each of the three years ended 31 December 2020, 31 December 2021 and 31 December 2022.

Shareholders should read the whole of this Circular and not rely solely on the financial information contained in this Part V (*Financial information relating to the Dowlais Group*).

Unaudited Income Statements of the Dowlais Group

	Year ended 31 December		
	2022	2021	2020
	£ millions		
Continuing Operations			
Revenue	4,595	4,123	4,126
Cost of sales	<u>(3,937)</u>	<u>(3,542)</u>	<u>(3,656)</u>
Gross profit	658	581	470
Share of results of equity accounted investments	49	38	32
Net operating expenses	<u>(649)</u>	<u>(740)</u>	<u>(758)</u>
Operating profit/(loss)	58	(121)	(256)
Finance costs	(272)	(208)	(107)
Finance income	<u>151</u>	<u>75</u>	<u>139</u>
Loss before tax	(63)	(254)	(224)
Tax	<u>(14)</u>	<u>(44)</u>	<u>28</u>
Loss after tax for the year	<u>(77)</u>	<u>(298)</u>	<u>(196)</u>

Unaudited Balance Sheet of the Dowlais Group

	Year ended 31 December <u>2022</u> <i>£ millions</i>
Non-current assets	
Goodwill and other intangible assets	3,075
Property, plant and equipment	1,813
Interests in equity accounted investments	424
Loans receivable from Related Parties ⁽¹⁾	2,826
Deferred tax assets	99
Derivative financial assets	9
Retirement benefit surplus	42
Other receivables	21
Total non-current assets	<u>8,309</u>
Current assets	
Inventories	498
Trade and other receivables	638
Derivative financial assets	24
Current tax assets	20
Cash and cash equivalents	270
Total current assets	<u>1,450</u>
Total assets	<u>9,759</u>
Current liabilities	
Trade and other payables	1,188
Loans payable to Related Parties ⁽¹⁾	2,176
Lease obligations	25
Derivative financial liabilities	10
Current tax liabilities	109
Provisions	140
Total current liabilities	<u>3,648</u>
Net current assets	<u>(2,198)</u>
Non-current liabilities	
Other payables	28
Lease obligations	134
Derivative financial liabilities	2
Deferred tax liabilities	293
Retirement benefit obligations	503
Provisions	186
Total non-current liabilities	<u>1,146</u>
Total liabilities	<u>4,794</u>
Net assets	<u>4,965</u>
Invested Capital	
Net investment by Melrose	4,885
Translation and hedging reserve	41
Equity attributable to owners of Melrose	<u>4,926</u>
Non-controlling interests	39
Total invested capital	<u>4,965</u>

(1) Related Parties comprise Melrose, or other entities outside of the Dowlais Group that are controlled by Melrose.

PART VI
UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE CONTINUING
MELROSE GROUP

PART 1: ACCOUNTANT'S REPORT ON PRO FORMA FINANCIAL INFORMATION OF THE
CONTINUING MELROSE GROUP

Deloitte.

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

The Board of Directors
on behalf of Melrose Industries PLC
11th Floor
The Colmore Building
Colmore Circus Queensway
Birmingham
B4 6AT
United Kingdom

N.M. Rothschild & Sons Limited
New Court, St Swithin's Lane
London
EC4N 8AL
United Kingdom

3 March 2023

Dear Sirs/Mesdames,

Melrose Industries PLC (the "Company")

We report on the pro forma financial information (the "Pro forma financial information") set out in Part 2 of Part VI of the class 1 circular dated 3 March 2023 (the "Circular"). This report is required by Annex 20, section 3 of the UK version of the Commission Delegated Regulation (EU) 2019/980 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended (the "Prospectus Delegated Regulation") as applied by Listing Rule 13.3.3R and is given for the purpose of complying with that regulation and for no other purpose.

Opinion

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Responsibilities

It is the responsibility of the directors of the Company (the "Directors") to prepare the Pro forma financial information in accordance with Annex 20 sections 1 and 2 of the Prospectus Delegated Regulation as applied by Listing Rule 13.3.3R.

It is our responsibility to form an opinion as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Annex 20 section 3 of the Prospectus Delegated Regulation as applied by Listing Rule 13.3.3R.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to Shareholders as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6), consenting to its inclusion in the Circular.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed at the date of their issue.

Basis of preparation

The Pro forma financial information has been prepared on the basis described in notes therein, for illustrative purposes only, to provide information about how the proposed demerger of Dowlais Group plc (“**Dowlais**”) and its subsidiaries, being the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen divisions of the Company might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 31 December 2022.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. We are independent of the Company and Dowlais in accordance with the Financial Reporting Council’s Ethical Standard as applied to Investment Circular Reporting Engagements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Yours faithfully

Deloitte LLP

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London, EC4A 3HQ, United Kingdom.

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PART 2: UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE CONTINUING MELROSE GROUP

The unaudited pro forma statement of net assets of the Melrose Group set out below (the “**Pro Forma Financial Information**”) has been prepared in accordance with Annex 20 of the Prospectus Delegated Regulation and on the basis of the notes set out below to illustrate the effect of the Demerger, pre-Demerger distribution, other separation items, Dowlais Group refinancing and transaction expenses (together, the “**Transactions**”) on the net assets of the Melrose Group as if the Transactions had taken place on 31 December 2022.

The Pro Forma Financial Information has been prepared on the basis of the financial information of the Melrose Group as at 31 December 2022, the date to which the latest financial information in relation to the Melrose Group was prepared, as set out in Note 1 of the notes to the financial statements section of the 2022 Results Announcement.

The Pro Forma Financial Information has been prepared in accordance with Annex 20 of the Prospectus Delegated Regulation and pursuant to Listing Rule 13.3.3R in a manner consistent with the accounting policies of Melrose.

The Pro Forma Financial Information is shown for illustrative purposes only and because of its nature addresses a hypothetical situation. It does not represent the Melrose Group’s actual financial position or results. It may not, therefore, give a true picture of the Melrose Group’s financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future.

The unaudited pro forma statement of consolidated net assets does not constitute financial statements within the meaning of section 434(3) of the Companies Act. Investors should read the whole of this document and not rely solely on the Pro Forma Financial Information contained in this Part VI (*Unaudited Pro Forma Financial Information of the Continuing Melrose Group*).

Deloitte LLP’s report on the unaudited Pro Forma Financial Information is set out in Part 1 of this Part VI (*Unaudited Pro Forma Financial Information of the Continuing Melrose Group*).

£’m	Melrose Group net assets at 31 December 2022 ⁽¹⁾	Dowlais Group net assets at 31 December 2022 ⁽²⁾	Pre demerger distribution ⁽³⁾	Other separation items ⁽⁴⁾	Repayment of related party loans by Dowlais Group ⁽⁴⁾	Transaction expenses ⁽⁵⁾	Continuing Melrose Group unaudited pro forma at 31 December 2022 ⁽⁶⁾
Non-current assets							
Goodwill and other intangible assets	6,846	(3,075)	—	—	—	—	3,771
Property, plant and equipment	2,599	(1,813)	—	—	—	—	786
Investments	62	—	—	—	—	—	62
Interests in equity accounted investments	435	(424)	—	—	—	—	11
Loans receivable from Related Parties	—	(2,826)	2,826	—	—	—	—
Deferred tax assets	373	(99)	—	—	—	—	274
Derivative financial assets	36	(9)	—	—	—	—	27
Other receivables	670	(21)	—	—	—	—	649
Retirement benefit surplus	93	(42)	—	—	—	—	51
	<u>11,114</u>	<u>(8,309)</u>	<u>2,826</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,631</u>
Current assets							
Inventories	1,025	(498)	—	—	—	—	527
Trade and other receivables	1,426	(638)	—	—	—	—	788
Derivative financial assets	38	(24)	—	—	—	—	14
Current tax assets	29	(20)	—	—	—	—	9
Cash and cash equivalents	355	(270)	—	—	—	—	85
	<u>2,873</u>	<u>(1,450)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,423</u>
Total assets	13,987	(9,759)	2,826	—	—	—	7,054
Current liabilities							
Trade and other payables	2,347	(1,188)	—	—	—	—	1,159
Loans payable to Related Parties	—	(2,176)	1,151	(79)	1,104	—	—
Interest bearing loans and borrowings	63	—	—	—	—	—	63
Lease obligations	60	(25)	—	—	—	—	35
Derivative financial liabilities	86	(10)	—	—	—	—	76

£'m	Melrose Group net assets at 31 December 2022 ⁽¹⁾	Dowlais Group net assets at 31 December 2022 ⁽²⁾	Pre demerger distribution ⁽³⁾	Other separation items ⁽⁴⁾	Repayment of related party loans by Dowlais Group ⁽⁴⁾	Transaction expenses ⁽⁵⁾	Continuing Melrose Group unaudited pro forma at 31 December 2022 ⁽⁶⁾
Current tax liabilities	141	(109)	—	—	—	—	32
Provisions	281	(140)	—	—	—	—	141
	2,978	(3,648)	1,151	(79)	1,104	—	1,506
Non-current liabilities							
Trade and other payables	431	(28)	—	—	—	—	403
Interest bearing loans and borrowings	1,433	—	—	—	(1,104)	70	399
Lease obligations	306	(134)	—	—	—	—	172
Derivative financial liabilities	141	(2)	—	—	—	—	139
Deferred tax liabilities	619	(293)	—	—	—	—	326
Retirement benefit obligations	581	(503)	—	—	—	—	78
Provisions	330	(186)	—	—	—	—	144
	3,841	(1,146)	—	—	(1,104)	70	1,661
Total liabilities	6,819	(4,794)	1,151	(79)	—	70	3,167
Net assets	7,168	(4,965)	1,675	79	—	(70)	3,887

- (1) The net assets of the Melrose Group have been extracted without material adjustment from the audited consolidated financial statements as at 31 December 2022, which were prepared in accordance with IFRS. The audit report has not yet been published.
- (2) These adjustments remove the assets and liabilities of the Dowlais Group (that will leave the Melrose Group in connection with the Demerger), and were extracted without material adjustment from the historical financial information of the Dowlais Group as at 31 December 2022 contained in Part V (*Financial information relating to the Dowlais Group*) of this document.
- (3) Pre-demerger distribution: On 23 February 2023, a dividend in an amount of £1,675 million was declared by G.K.N. Industries Limited (“**GKN Industries**”) (a Dowlais Group entity) in favour of GKN Enterprise Limited (“**GKN Enterprise**”) (a non-Dowlais Group entity and subsidiary of the Melrose Group), for the purpose of leaving the Dowlais Group with the agreed level of indebtedness. On 24 February 2023, an agreement was entered into between GKN Enterprise and GKN Industries to offset loans receivable from related parties and loans payable to related parties. The aggregate effect of these transactions was to reduce loans receivable from related parties by £2,826 million and reduce loans payable to related parties by £1,151 million, leaving a notional amount of £1,025 million outstanding as a payable from GKN Industries to GKN Enterprise. The actual amount of the net payable varies from the notional amount set out above, as a result of events taking place in the period following 31 December 2022 and prior to the Demerger.
- (4) Other separation items: Subsequent to 31 December 2022, as part of the Reorganisation steps (as described in Section 10 (*Related Party Transactions*) of Part VIII (*Additional Information*)) the Dowlais Group entered into two transactions, which resulted in a net increase of £79 million in loans payable to related parties by the Dowlais Group. The increase in loans payable to related parties is due to:
 - The ownership of certain trademarks for use by GKN Powder Metallurgy, GKN Hydrogen and Hoeganaes were novated on 27 January 2023 from GKN Investments II GP (a non-Dowlais Group entity and subsidiary of the Melrose Group) to Dowlais Group Headquarters Limited (a Dowlais Group entity) for £126 million.
 - This has been offset by the transfer of £47 million of 2022 profit from GKN Aerospace Sweden AB (a non-Dowlais Group entity and subsidiary of the Melrose Group) to GKN Driveline Koping AB (a Dowlais Group entity) in order to offset group losses against group profits on 3 February 2023.
- (5) Dowlais Group refinancing: Immediately following Dowlais Admission, the Dowlais Group will draw down on its banking facilities and use the proceeds to settle the remaining related party balance between GKN Industries and GKN Enterprise of £1,104 million (as described in Section 10 (*Related Party Transactions*) of Part VIII (*Additional Information*)). The cash received will be used to repay external borrowings held by the Melrose Group overall, reducing the external debt from £1,496 million to £471 million (prior to the adjustment for the transaction expenses discussed below). The actual repayment amounts and indebtedness levels vary from the notional amounts set out above, as a result of further events taking place in the period up to the Demerger.

- (6) Transaction expenses: The estimated total costs and expenses for the Melrose Group that are directly attributable to the Demerger are £70 million. This includes amounts that the Melrose Group have incurred on behalf of the Dowlais Group, which will not be recovered from the Dowlais Group.
- (7) No account has been taken of any trading or results of the Melrose Group since 31 December 2022.

PART VII PROPOSED MELROSE INCENTIVE ADJUSTMENTS

1. Introduction

Your Board strongly believes that the Demerger is the optimal strategy to deliver further value for Shareholders and Dowlais Shareholders. It is the next step in each of the GKN Businesses achieving their potential and the Melrose senior management team is focused on delivering this value for Shareholders, who will receive shares in each of the Continuing Melrose Group and the Dowlais Group at Completion. As set out in the Chairman's letter, in implementing the Demerger and separating the GKN Businesses, it is necessary to reflect the equivalent separation in the Melrose incentive arrangements so as to appropriately incentivise and reward performance and not penalise the Company, participants or Shareholders.

The current 2020 Melrose Employee Share Plan (the "MESP") provides for participants to receive (in the form of Melrose Shares) a proportion of the total additional value created for Shareholders above the initial invested capital balance in 2020, after applying a five per cent. annual charge (the "Charge") and adjusted for subsequent Ordinary Share Costs and Returns (each as defined below). With the impact of COVID-19 resulting in the previous incentive plan maturing with no award, the MESP represents the only incentive plan with possible benefits for Melrose management since 2017.

There are three key adjustments required to appropriately reflect the Demerger in the existing Melrose incentive arrangements: (a) the split of Invested Capital between the Continuing Melrose Group and the businesses comprising the Dowlais Group according to the Carve-Out Ratio (as defined below), to reflect the separation of the businesses themselves under the Demerger; (b) the extension of the MESP Performance Period by one year to 31 May 2024 to mitigate any potential initial market volatility on the measurement of long term performance in creating value in GKN Aerospace, the only business left in the Continuing Melrose Group; and (c) setting the terms for the Melrose management team to be rewarded for future value creation in the Dowlais Businesses demerged under Dowlais from Completion, based on the platform built under Melrose ownership.

These adjustments are set out in further detail below. In addition, we have included details below of certain consequential revisions to the 2020 Directors' Remuneration Policy that are necessary to accommodate the adjustments being proposed, for which approval is also being sought. Save for the adjustments described below (and related conforming changes), the existing Melrose remuneration structure and incentive arrangements shall remain in effect in accordance with their current terms, including the provisions relating to malus and clawback and cessation of employment.

2. Separation of Invested Capital between the businesses in the Continuing Melrose Group and the Dowlais Group

The amount of initial invested capital for the entire Melrose Group as at 31 May 2020 was £7,134,463,610 and, as at 31 December 2022, the Invested Capital was £6,651,391,566, which is calculated based on the initial invested capital (i) adjusted for any amounts paid up by Shareholders in subscribing for New Melrose Shares (subject to limited exceptions) ("Ordinary Share Costs"); (ii) adjusted for any dividends or distributions paid or made on or in respect of the Melrose Shares ("Returns"); and (iii) increased by the Charge up to that date. The potential award to participants upon crystallisation of the MESP is calculated in accordance with a formula set out in the MESP Rules (and summarised in the 2020 Employee Share Plan Circular), which determines the increase of value created for Shareholders in excess of the Invested Capital during the MESP Performance Period.

Therefore, the first adjustment necessary to implement the Demerger is to replicate the separation of the GKN Businesses by allocating the Invested Capital between the Continuing Melrose Group and the businesses comprising the Dowlais Group. At acquisition in 2018, the acquisition cost and net assets acquired were allocated in the 2018 Audited Financial Statements across the three GKN Businesses in the ratio of 53:47 between the businesses being separated by the Demerger into the Dowlais Group (GKN Automotive and GKN Powder Metallurgy) and the Continuing Melrose Group (GKN Aerospace) respectively (the "Carve-Out Ratio"). As a result, the portion of Invested Capital attributed to the Continuing Melrose Group as at 31 December 2022 is £3,126,154,036 and the portion of Invested Capital attributed to the Dowlais Group as at 31 December 2022 is £3,525,237,530. Subject to the ongoing application of the annual Charge that increases the Invested Capital over time and any adjustments for Ordinary Share Costs and Returns, this will set the floor for the measurement of value creation at the Crystallisation Date, below which no award accrues.

We have adopted the same approach and Carve-Out Ratio for the purposes of the Proposal to separate the incentive arrangements, since it reflects the actual assessed and independently audited proportionate values of

the GKN Businesses at acquisition, upon which any subsequent improvement should be judged. The Remuneration Committee has determined that this is the most equitable way to cater for the Demerger and will mean that, from Completion, the MESP will continue to incentivise performance in relation to only the business in the Continuing Melrose Group – i.e. GKN Aerospace.

3. Extension of Crystallisation Date for the MESP

The MESP is designed to incentivise management to deliver exceptional returns for Shareholders over a three-year performance period, which is due to end on 31 May 2023 (the “**Crystallisation Date**”). Participants have a right to receive a proportion of the total excess value created for Shareholders above the Charge during this period (as described in Section 2 (*Separation of Invested Capital between the businesses in the Continuing Melrose Group and the Dowlais Group*) of Part VII (*Proposed Melrose Incentive Adjustments*)). The total value created for Shareholders at the end of the MESP Performance Period is measured by reference to the average market value (in pounds sterling) of a Melrose Share for the 40 Business Days prior to (but excluding) the Crystallisation Date. If not amended, this measurement period would begin on 29 March 2023, a clear and material overlap with the proposed Demerger timeline.

Therefore, having separated the Invested Capital so that the MESP incentivises performance only in relation to the Continuing Melrose Group from Completion, the Proposal also seeks to extend the Crystallisation Date of the MESP by one year to 31 May 2024. The Remuneration Committee considers that this is necessary to avoid the Demerger having an unintended inappropriate effect in either direction and helps ensure that the calculation of any award under the MESP is based on a period without any volatility related to the Demerger.

Over this extended one year period, the five per cent. annual Charge will continue to operate as normal, further increasing the performance target required for participants to accrue any award. There will be some other minor adjustments to ensure consistency, but otherwise, the MESP will operate in accordance with its existing agreed terms. Therefore, if the proposed adjustments are approved, the MESP would continue to operate materially in accordance with its current terms as applied to the business of the Continuing Melrose Group, but using the original acquisition audited allocations of invested capital, as adjusted to take into account Ordinary Share Costs and Returns and increased by the annual Charge, and with a time period adjusted to avoid an inappropriate outcome.

4. Rewarding further value creation in GKN Automotive and GKN Powder Metallurgy

In connection with the proposal to separate the Dowlais Businesses from the MESP pursuant to the Demerger, the Remuneration Committee has then proposed the terms on which the portion of Invested Capital attributed to the Dowlais Businesses forms the basis for reward for value creation in GKN Automotive and GKN Powder Metallurgy from Completion. To properly recognise the platform built, the portion of the Invested Capital allocated to GKN Automotive and GKN Powder Metallurgy will continue to be the basis from which the creation of further value in Dowlais will be measured pursuant to a separate parallel structure, the Melrose Automotive Share Plan (the “**MASP**”), ensuring continuity of calculation. As with other aspects of the Demerger, the specific incentive arrangements will need to be different from the existing MESP, but will nonetheless operate in a similar economic manner.

All employees (including Executive Directors and new joiners) of Melrose or any of its subsidiaries are eligible for selection to participate in the MASP at the discretion of the Board. Under the MASP, the Board may grant an eligible employee options to acquire a certain number of Dowlais Shares, which are to be held by the ESOT, for nil consideration (a “**MASP Option**”). Exercise of each MASP Option would be conditional upon delivering the level of performance required to qualify for vesting of the relevant MASP Option.

The MASP shall have an initial invested capital equal to £3,525,237,530 (the “**Threshold MASP Crystallisation Value**”), being equal to the amount of invested capital deducted from the Invested Capital for the entire Melrose Group as at 31 December 2022. Performance will be measured on the creation of shareholder value in Dowlais above the Threshold MASP Crystallisation Value over a performance period (the “**MASP Performance Period**”) up to (but excluding) 31 May 2025 (the “**MASP Crystallisation Date**”), with such increase in value being calculated by reference to the average market capitalisation of Dowlais for the 40 Business Days prior to (but excluding) the MASP Crystallisation Date (the “**MASP Crystallisation Value**”).

The MASP Options shall vest in full if, on the MASP Crystallisation Date, the MASP Crystallisation Value is equal to or more than £4,500,000,000 (the “**Target MASP Crystallisation Value**”), equating to value creation for Dowlais shareholders of approximately £1.3 billion¹¹ from Completion. If, on the MASP Crystallisation

¹¹ Based on splitting the Melrose market capitalisation as at 28 February 2023 by the Carve-Out Ratio.

Date, the MASP Crystallisation Value is less than or equal to the Threshold MASP Crystallisation Value, then none of the MASP Options shall vest and they shall lapse with immediate effect. The MASP Options shall vest on a straight-line basis if the MASP Crystallisation Value exceeds the Threshold MASP Crystallisation Value but is less than the Target MASP Crystallisation Value. Each of the Threshold MASP Crystallisation Value and the Target MASP Crystallisation Value shall be adjusted to take into account the amount of any Dowlais Ordinary Share Costs and Dowlais Returns.

These are stretching targets, but ones that reflect the hopes of the Board for the Dowlais Businesses and the Remuneration Committee has structured the incentive accordingly, taking into account the existing incentive plan. The MASP has been designed to, if it achieves value, accrue at a similar percentage rate to the current plan and the participants will be substantially the same as those under the MESP. It is also a one-off plan, so to the extent to which the requisite performance is not delivered over the MASP Performance Period, some (or all) of the Dowlais Shares held by the ESOT will not be transferred to participants, but rather it is intended that they will be transferred back to Dowlais (or its nominee) and cancelled, after which the incentive plan will expire and not be renewed or replaced.

It is proposed that, shortly after Completion, two per cent. of the Dowlais Shares will be placed on trust with the ESOT. Upon exercise of a MASP Option (which exercise is subject to satisfaction of the vesting condition described above), the Company shall arrange for the transfer to the optionholder (or as it may direct) of the Dowlais Shares to which the MASP Option relates, together with all dividends, other distributions and any additional Dowlais Shares received by the ESOT in respect of such Dowlais Shares from the date of grant of the relevant MASP Option, after deducting such amount as is necessary to allow the Company or the trustees of the ESOT to account for any tax arising on the payment to it in respect of such dividends, returns of capital or other distributions and any reasonable costs and expenses incurred by the trustees of the ESOT.

Notwithstanding the vesting provisions described above, the MASP Options shall vest in full and become immediately exercisable if, at any time following Completion and prior to the MASP Crystallisation Date, the average market capitalisation of Dowlais for a period of 40 Business Days is equal to the Target MASP Crystallisation Value (adjusted to take into account the amount of any Dowlais Ordinary Share Costs and Dowlais Returns). For the purposes of the vesting provisions, the market capitalisation of Dowlais on a given date shall be calculated by multiplying the Dowlais Share Price by the number of Dowlais Shares in issue at close of trading on such date. Any MASP Options which have not vested on or prior to the MASP Crystallisation Date shall lapse with immediate effect.

The aggregate number of Dowlais Shares to which all MASP Options in issue relate may not exceed the aggregate number of Dowlais Shares then held by the ESOT. Consequently, the initial number of Dowlais Shares to which the MASP relates shall not exceed 27,865,471 Dowlais Shares, being two per cent. of the total issued ordinary shares of Dowlais as at Completion (with such number being adjusted for any capital issue, rights issue or open offer, sub-division or consolidation of shares or reduction of capital or any other variation of capital).

If, immediately after the MASP Crystallisation Date, there remain Dowlais Shares held by the ESOT in relation to which MASP Options have lapsed by operation of the vesting provisions, then it is intended that the relevant Dowlais Shares shall be transferred to Dowlais (or its nominee) and for such Dowlais Shares to then be cancelled. Any amounts held by the ESOT as a result of prior distributions received by the ESOT in respect of such Dowlais Shares shall remain the property of the ESOT.

The MASP shall operate in accordance with the MASP Rules. The Board may, at any time, amend the provisions of the MASP Rules in any respect. The prior approval of the Company's Shareholders will be required in the case of any adjustments to (i) the persons to whom MASP Options may be granted; (ii) the plan limit; (iii) the basis for determining a participant's entitlement to, and the terms of, the MASP Options and for the adjustment thereof (if any) if there is a capitalisation issue, rights issue or open offer, sub-division or consolidation of shares or reduction of capital or any other variation of capital; and (iv) the rule relating to this prior approval. There are however exceptions from this requirement to obtain Shareholder approval for any minor adjustments to benefit the administration of the MASP, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for any participant or member of the Melrose Group. The benefits received under the MASP are not pensionable.

In the event of a change of control, scheme of arrangement or winding up of Melrose (or, at the discretion of the Remuneration Committee, a demerger, distribution or other corporate event of the Melrose Group) (a "**Melrose Trigger Event**"), the date of the Melrose Trigger Event shall be treated as the MASP Crystallisation Date and the MASP Crystallisation Value shall be calculated accordingly, provided that, if the MASP Crystallisation Value as a result of such calculation is less than the mid-point between the Threshold MASP

Crystallisation Value and the Target MASP Crystallisation Value (each as adjusted to take into account the amount of any Dowlais Ordinary Share Costs and Dowlais Returns) (the “**MASP Crystallisation Value Mid-Point**”), it shall be deemed to be the MASP Crystallisation Value Mid-Point. For example, if, at the date of a Melrose Trigger Event, the Threshold MASP Crystallisation Value is £3,525,237,530 and the Target MASP Crystallisation Value is £4,500,000,000, then the MASP Crystallisation Value Mid-Point shall be £4,012,618,765 and, if the MASP Crystallisation Value is less than £4,012,618,765, then the MASP Crystallisation Value shall be deemed to be £4,012,618,765. The appropriate portion of the MASP Options shall vest on the basis of such calculation and shall become immediately exercisable, and shall be deemed automatically exercised, on the date of and immediately prior to such Melrose Trigger Event.

In the event of a change of control, scheme of arrangement or winding up of Dowlais (a “**Dowlais Trigger Event**”), the MASP Options shall vest in full and become immediately exercisable (and shall be deemed to be automatically exercised) upon the date of, and immediately prior to, the Dowlais Trigger Event.

Otherwise, the same operational provisions will apply to all Melrose incentive arrangements, including in relation to non-transferability, variations in capital, malus and clawback, corporate events, cessation of employment and discretion of the Remuneration Committee, as summarised in the 2020 Employee Share Plan Circular.

5. Adjustments to the 2020 Directors’ Remuneration Policy for implementation

The implementation of the Incentive Adjustments described above will require an adjustment to the current 2020 Directors’ Remuneration Policy, as set out in the 2019 Annual Report and Accounts and the 2020 Employee Share Plan Circular. Specifically, the proposed adjustments will (i) amend the definition of “Invested Capital” to record the invested capital allocated to the Continuing Melrose Group to be £3,126,154,036 as at 31 December 2022, from which point it shall continue to accrue the cost of capital Charge (as well as adjustments to take into account Ordinary Share Costs and Returns); (ii) amend the definition of “Crystallisation Date” to 31 May 2024; and (iii) include the above details and description for the MASP.

In parallel, the operation of the Share Capital Consolidation requires a reduction to the annual rolling cap on awards under the MESP (the “**Cap**”) so that it continues to have the same effect. Pursuant to the terms of the MESP, if there is a corporate event of the Melrose Group (including for the avoidance of doubt any Ordinary Share Costs and Returns) or variation of share capital of the Company (whether by rights issue, open offer, consolidation, subdivision, demerger, reduction of capital or otherwise), the Remuneration Committee may make such adjustments as it determines to be fair and appropriate with respect to the application of the Cap. Since the Cap is expressed as a fixed number of Melrose Shares, the Remuneration Committee has determined that it is appropriate that this number is adjusted to take into account the Demerger, the Share Capital Consolidation and previous Ordinary Share Costs and Returns. Taking into account each of these factors, the Remuneration Committee has determined that, conditional upon and with effect from the Demerger occurring, the Cap shall be reduced. This change ensures the Cap has the same economic effect and will otherwise operate unamended. It is not proposed that the Cap be increased to reflect the proposed extension of the term of the 2020 Employee Share Plan.

Otherwise the 2020 Directors’ Remuneration Policy will continue to operate on its current terms approved by Shareholders and as set out in the 2019 Annual Report and Accounts and the 2020 Employee Share Plan Circular. The 2020 Directors’ Remuneration Policy (as amended) is due for renewal at the Annual General Meeting on 8 June 2023. Full details will be published in the annual report and accounts prepared by Melrose for the year ended 31 December 2022, which will be published, along with the notice of annual general meeting, in due course.

**PART VIII
ADDITIONAL INFORMATION**

1. RESPONSIBILITY

Melrose and the Melrose Directors, whose names appear below at Section 4 (*The Directors*) of Part VIII (*Additional Information*), accept responsibility for the information contained in this Circular. To the best of the knowledge and belief of Melrose and the Melrose Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. INCORPORATION AND REGISTERED OFFICE

The Company is a public company limited by shares operating under the laws of England and Wales, which was incorporated and registered in England and Wales on 29 September 2015 under registered number 09800044.

The principal legislation under which the Company operates is the Companies Act and the regulations made under it.

The registered office of the Company and the business address of the Directors is 11th Floor, The Colmore Building, Colmore Circus Queensway, Birmingham B4 6AT. The head office and principal place of business of the Company is Stratton House, 5 Stratton Street, London W1J 8LA. The Company's telephone number at its registered office is +44 (0) 121 296 2800 and at its head office is +44 (0) 20 7647 4500.

3. MAJOR SHAREHOLDERS

As at the Latest Practicable Date, the Company had been notified of the following Shareholders who were, directly or indirectly, interested in three per cent. or more of the voting rights in Melrose:

<u>Name</u>	<u>Number of Existing Melrose Shares⁽¹⁾</u>	<u>Percentage of voting rights in Melrose</u>
The Capital Group Companies, Inc.	608,169,502	15.00%
BlackRock Inc.	269,565,459	6.65%
Select Equity Group, L.P.	204,456,695	5.04%
Norges Bank	163,601,346	4.04%
Aviva plc	134,928,387	3.33%

(1) Where the holding of Melrose Shares has not been re-notified to Melrose since the previous share capital consolidation became effective in August 2021, the number of Melrose Shares is as notified to Melrose prior to this consolidation. In addition, where the holding of Melrose Shares has not been re-notified to Melrose since the share buyback by Melrose in August 2022, the number of Melrose Shares is as notified to Melrose prior to the share buyback.

4. THE DIRECTORS

The Directors of Melrose are:

Justin Dowley	Non-Executive Chairman
Christopher Miller	Executive Vice-Chairman
Simon Peckham	Chief Executive
Geoffrey Martin	Group Finance Director
Peter Dilnot	Chief Operating Officer
David Lis	Senior Independent Director
Charlotte Twyning	Independent Non-Executive Director
Funmi Adegoke	Independent Non-Executive Director
Heather Lawrence	Independent Non-Executive Director
Victoria Jarman	Independent Non-Executive Director

5. DIRECTORS' INTERESTS IN SHARES

5.1 Interests in Melrose Shares

Set out below are the interests of the Melrose Directors in the voting rights in Melrose as at the Latest Practicable Date:

<u>Directors</u>	<u>Number of Existing Melrose Shares</u>	<u>Percentage of voting rights in Melrose</u>
Justin Dowley	1,523,844	0.0380%
Christopher Miller	22,777,659	0.5620%
Simon Peckham	12,071,895	0.3000%
Geoffrey Martin	6,655,730	0.1640%
Peter Dilnot	100,000	0.0020%
David Lis	448,052	0.0110%
Charlotte Twyning	86,842	0.0020%
Funmi Adegoke	11,556	0.0003%
Heather Lawrence	45,000	0.0010%
Victoria Jarman	33,500	0.0010%

5.2 Interests under the MESP

The Executive Directors hold Conditional Awards under the MESP as set out below as at the Latest Practicable Date. Further details in respect of the MESP, which was approved by Shareholders on 21 January 2021, are contained in the 2020 Employee Share Plan Circular.

Further details of the Incentive Adjustments which are proposed to be made pursuant to the Proposal are set out in Part VII (*Proposed Melrose Incentive Adjustments*) of this Circular.

<u>Executive Directors</u>	<u>Participation Rate Percentage</u>
Christopher Miller	14%
Simon Peckham	16%
Geoffrey Martin	16%
Peter Dilnot	12%

6. SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

Details of the terms of each Executive Director's service agreements are set out below:

<u>Name</u>	<u>Date of Initial Appointment⁽¹⁾</u>	<u>Leave (days)⁽²⁾</u>	<u>Benefits on Termination</u>	<u>Notice Period</u>	<u>Confidentiality Obligations</u>
Christopher Miller	9 November 2015	25	None other than payment in lieu of untaken holiday entitlement	12 months	During and after employment
Simon Peckham	9 November 2015	25	None other than payment in lieu of untaken holiday entitlement	12 months	During and after employment
Geoffrey Martin	9 November 2015	25	None other than payment in lieu of untaken holiday entitlement	12 months	During and after employment
Peter Dilnot	1 January 2021	25	None other than payment in lieu of untaken holiday entitlement	12 months	During and after employment

(1) Dates relate to the initial appointment to the Board of the Company. Each of Christopher Miller, Simon Peckham and Geoffrey Martin were previously appointed to the boards of previous holding companies of the Melrose Group.

(2) In addition to bank and public holidays.

The details of the terms of appointment of each non-executive Melrose Director are set out below:

<u>Name</u>	<u>Date of Initial Appointment</u>	<u>Expenses</u>	<u>Confidentiality Obligations</u>	<u>Termination Provisions</u>
Justin Dowley	1 September 2011 ⁽¹⁾	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	Without notice and/or compensation if removed from office by Shareholders in a general meeting or not re-appointed by Shareholders at an annual general meeting of the Company.
David Lis	12 May 2016	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	Without notice and/or compensation if removed from office by Shareholders in a general meeting or not re-appointed by Shareholders at an annual general meeting of the Company.
Charlotte Twynning	1 October 2018	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	Without notice and/or compensation if removed from office by Shareholders in a general meeting or not re-appointed by Shareholders at an annual general meeting of the Company.
Funmi Adegoke	1 October 2019	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	Without notice and/or compensation if removed from office by Shareholders in a general meeting or not re-appointed by Shareholders at an annual general meeting of the Company.
Heather Lawrence	1 June 2021	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	Without notice and/or compensation if removed from office by Shareholders in a general meeting or not re-appointed by Shareholders at an annual general meeting of the Company.
Victoria Jarman	1 June 2021	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	Without notice and/or compensation if removed from office by Shareholders in a general meeting or not re-appointed by Shareholders at an annual general meeting of the Company.

(1) This date of appointment relates to the appointment to a previous holding company of the Melrose Group.

Save as set out above, there are no existing or proposed service agreements between any Melrose Director and any member of the Melrose Group providing for benefits upon termination of employment.

For the year ended 31 December 2022, the amount of remuneration paid (including any contingent or deferred compensation) and benefits in kind granted to each of the Melrose Directors by the Melrose Group for services in all capacities to the Melrose Group were as follows:

<u>Name</u>	<u>Total salary and fees (£000)</u>	<u>Taxable benefits (£000)</u>	<u>Bonus (£000)</u>	<u>Pension related benefits⁽¹⁾ (£000)</u>	<u>Total (£000)⁽²⁾</u>
Justin Dowley	383	n/a	n/a	n/a	383
Christopher Miller	567	2	n/a	85	654
Simon Peckham	567	1	567	85	1,221
Geoffrey Martin	464	12	464	70	1,008
Peter Dilnot	464	2	464	70	998
David Lis	115	n/a	n/a	n/a	115
Charlotte Twynning	97	n/a	n/a	n/a	97
Funmi Adegoke	82	n/a	n/a	n/a	82
Heather Lawrence	102	n/a	n/a	n/a	102
Victoria Jarman	82	n/a	n/a	n/a	82

(1) All amounts attributable to pension contributions were paid as a supplement to base salary in lieu of pension arrangements.

(2) The “Total” figures in the above table may not add up to the sum of the component parts due to rounding.

7. KEY INDIVIDUALS IMPORTANT TO DOWLAIS

Details of the key individuals important to Dowlais are listed below:

<u>Name of key individual</u>	<u>Position</u>
Simon Mackenzie Smith	Independent Non-Executive Chair of the Dowlais Board
Liam Butterworth	Chief Executive Officer
Roberto Fioroni	Chief Financial Officer
Simon Peckham	Executive Director
Geoffrey Martin	Executive Director

8. LITIGATION

8.1 The Continuing Melrose Group

There are no, nor have there been any, governmental, legal or arbitration proceedings (nor is Melrose aware of any such proceedings which are pending or threatened) which may have, or during the last twelve months prior the date of this Circular have had, a significant effect on Melrose and/or the Continuing Melrose Group’s financial position or profitability.

8.2 Dowlais Group

There are no, nor have there been any, governmental, legal or arbitration proceedings (nor is Melrose aware of any such proceedings which are pending or threatened) which may have, or during the last twelve months prior the date of this Circular have had, a significant effect on the Dowlais Group’s financial position or profitability.

9. MATERIAL CONTRACTS

9.1 Continuing Melrose Group

Save as disclosed below, no contracts have been entered into (other than contracts entered into in the ordinary course of business) by any member of the Continuing Melrose Group either (i) within the period of two years immediately preceding the date of this Circular which are or may be material to the Continuing Melrose Group; or (ii) which contain any provisions under which any member of the Continuing Melrose Group has any obligation or entitlement which is material to the Continuing Melrose Group as at the date of this Circular:

A. Demerger Agreement

On 2 March 2023, Dowlais and Melrose entered into the Demerger Agreement to effect the Demerger and to govern aspects of the relationship between Dowlais and Melrose following Completion.

The Demerger Agreement is conditional on (among other things):

- (a) the passing of the Resolution by Shareholders at the General Meeting;
- (b) the approval of the Demerger Distribution by the Board;
- (c) the FCA having acknowledged to Dowlais or its agent (and such acknowledgement not having been withdrawn) that the application for admission of the Dowlais Shares to the premium listing segment of the Official List: (i) has been approved; and (ii) will become effective as soon as a dealing notice has been issued by the FCA and any listing conditions have been satisfied; and
- (d) the London Stock Exchange having acknowledged to Dowlais or its agent (and such acknowledgement not having been withdrawn) that the Dowlais Shares will be admitted to trading on its main market for listed securities.

Melrose has the right in its absolute discretion by notice to Dowlais at any time prior to Completion to terminate the Demerger Agreement in connection with an abandonment of the Demerger.

The Demerger Agreement contains certain customary mutual reimbursement obligations under which Melrose undertakes to reimburse Dowlais and Dowlais undertakes to reimburse Melrose in respect of liabilities, losses, demands, claims, costs and damages arising, directly or indirectly, from or in consequence of certain claims.

The Demerger Agreement also sets out how (i) guarantees given by the Melrose Group for the benefit of companies in the Dowlais Group (or vice versa), (ii) contractual arrangements with third parties (to the extent not dealt with by other material contracts), and (iii) assets owned or possessed by the Melrose Group which were used by the Dowlais Group, exclusively or otherwise (or vice versa), will be dealt with following the Demerger.

B. Specific Matters Agreement

On 2 March 2023, Dowlais and Melrose entered into a specific matters agreement (the “**Specific Matters Agreement**”), which contains cross-indemnities and undertakings for certain specific, known risks.

C. Tax Matters Agreement

Overview of agreement

On 2 March 2023, Dowlais and Melrose entered into a tax matters agreement to govern certain aspects of the tax affairs of the Dowlais Group and the Melrose Group following completion of the Demerger (the “**Tax Matters Agreement**”).

The Tax Matters Agreement contains provisions relating to (amongst other things) (i) the allocation of certain specific tax liabilities between the Dowlais Group and the Melrose Group; (ii) access to and use of tax reliefs by members of each group in relation to tax periods up to completion of the Demerger; (iii) the basis on and manner in which each group will prepare tax returns and other tax documents; and (iv) the conduct of each group’s tax affairs (including the sharing of tax information and the manner in which any disputes with any tax authorities will be dealt with).

Overview of terms

Subject to certain exclusions and limitations, if and to the extent that a tax liability arises in the Dowlais Group following the Demerger in respect of a period up to Completion (including, without limitation, any tax liability properly attributable to the Melrose Group), then:

- (a) the Dowlais Group shall use and/or surrender (as relevant) any available tax reliefs to mitigate or reduce such tax liability;
- (b) if and to the extent that there are insufficient tax reliefs available to eliminate the relevant tax liability in full, any tax reliefs which: (i) have not already been utilised by the Melrose Group; and (ii) are capable of being surrendered by the Melrose Group, shall be surrendered for no consideration to reduce such tax liability; and
- (c) if and to the extent following (b) there are insufficient tax reliefs available to eliminate the relevant tax liability in full, the remainder of any such tax liability shall be borne by the Dowlais Group.

The inverse applies to any tax liability arising in the Melrose Group following the Demerger.

The Tax Matters Agreement does not contain a general reimbursement or indemnity provision in respect of tax liabilities: (i) incurred by the Dowlais Group which relate to the business of the Melrose Group or to the assets of the Melrose Group; or (ii) incurred by the Melrose Group which relate to the business of the Dowlais Group or to the assets of the Dowlais Group. Indemnities have been provided for a small number of specifically identified tax issues.

The Tax Matters Agreement also provides that each of the Dowlais Group and the Melrose Group shall be responsible for its own tax administration (including, without limitation, the filing of its own tax returns), subject to granting the other party the ability to review and comment on certain tax documents in certain circumstances.

The Tax Matters Agreement also sets out how (i) tax grouping (including without limitation group payment) arrangements, (ii) transfer pricing arrangements, and (iii) certain other specifically identified tax issues, will be dealt with following the Demerger.

D. Transitional Services Agreement

Overview of agreement

On 2 March 2023, Melrose entered into the Transitional Services Agreement with Dowlais under which Melrose has agreed to provide, or procure the provision of, certain transitional services to the Dowlais Group for an agreed term following completion of the Demerger. The Transitional Services Agreement will continue until the date that the last service term expires (subject to any extension as described below). The services that are to be provided under the Transitional Services Agreement include finance and treasury, company secretariat and legal, tax and certain strategic advisory services.

Overview of terms

Melrose is bound to provide or procure the provision of the services to the Dowlais Group for the relevant term. Melrose must use its reasonable endeavours to provide the services in accordance with all lawful and reasonable directions, instructions and requests from the Dowlais Group, provided that any such direction, instruction or request shall not run contrary to anything agreed between the parties under the Transitional Services Agreement.

Melrose is also bound to ensure each service is performed to the substantially equivalent standard as such service is provided within the Melrose Group during the term based on Melrose's actual performance of, and its internal policies and procedures in relation to, such equivalent services where applicable.

Melrose is not obliged to provide any service to the extent the provision of such service would be materially more onerous than the provision of the service corresponding to that service as was provided by the Melrose Group to the Dowlais Group during the 12 months prior to the Demerger.

Upon completion of the Demerger, Melrose will retain a stake of one per cent. of the issued share capital of Dowlais as consideration for the expected costs of the performance and provision of the services by the Melrose Group to the Dowlais Group under the Transitional Services Agreement, as well as other costs.

At any time after Completion, Dowlais may terminate early or reduce the provision, level or volume of any service on prior written notice in accordance with the relevant notice period. The term of any service under the Transitional Services Agreement may be extended by the mutual agreement of both parties.

There will be no adjustment to the consideration in the event of any early termination or reduction to scope of any service. If the costs of performing and providing the services are expected to materially exceed that which is anticipated as at the date of the Transitional Services Agreement, the parties will discuss in good faith and agree such further costs as are necessary to adequately compensate Melrose.

E. Sponsor's Agreement

In connection with the Demerger and Dowlais Admission, the Company, Dowlais and the Sponsor entered into a sponsor's agreement on 3 March 2023 (the "**Sponsor's Agreement**"). Pursuant to the terms of the Sponsor's Agreement:

- (a) the Company has appointed the Sponsor as sponsor in connection with the Demerger and the application for approval of the Circular and the Sponsor accepted such appointment. Dowlais has appointed the Sponsor as sponsor in connection with the Demerger, the application for approval of the Dowlais Prospectus and Dowlais Admission, and the Sponsor accepted such appointment;

- (b) the Sponsor has been granted all powers, authorities and discretions which are reasonably necessary for or reasonably incidental to the performance of its responsibilities under the Listing Rules;
- (c) each of the Company and Dowlais has agreed to deliver certain documents, in so far as the documents relate to them, to the Sponsor relating to this Circular, the Dowlais Prospectus and the application for Dowlais Admission and the Sponsor's responsibilities under the Listing Rules;
- (d) each of the Company and Dowlais has given customary representations, warranties, undertakings and indemnities to the Sponsor; and
- (e) the Sponsor has the right to terminate the Sponsor's Agreement in certain circumstances prior to Completion. These circumstances include, among others: (i) if any statement in this Circular and/or the Dowlais Prospectus (and/or certain other documents or announcements) is or has become or has been discovered to be untrue, incorrect or misleading which in the opinion of the Sponsor (acting reasonably and in good faith) is material in the context of its obligations as sponsor under the Listing Rules; and (ii) the breach by the Company or Dowlais of any of their respective representations, warranties or undertakings contained in the Sponsor's Agreement which in the opinion of the Sponsor (acting reasonably and in good faith) is material and adverse in the context of its obligations as sponsor under the Listing Rules. In addition, the Sponsor's Agreement will automatically terminate if the Demerger Agreement is terminated in accordance with its provisions.

F. Melrose existing debt arrangements

On 17 January 2018, Melrose and Melrose IntermediateCo, among others, entered into a senior term and revolving facilities agreement (the "**Existing Senior Facilities Agreement**") pursuant to which certain term and revolving credit facilities (the "**Existing Facilities**") are made available. The commitments under the Existing Facilities are provided by certain financial institutions named therein as lenders (together, the "**Existing Lenders**").

The original borrower under each of the Existing Facilities is Melrose IntermediateCo. The original guarantors of each of the Existing Facilities are Melrose and Melrose IntermediateCo. Certain other members of the Melrose Group have acceded to the Existing Senior Facilities Agreement as guarantors. Subject to certain limitations, each guarantor jointly and severally guarantees the obligations of each borrower and each guarantor under the Existing Senior Facilities Agreement and related finance documents.

The Existing Facilities made available by the Existing Lenders under the Existing Senior Facilities Agreement comprise:

- (a) a term facility originally comprising a £1,500,000,000 tranche denominated in Sterling, which facility has been prepaid and cancelled in part and now comprises a £30,000,000 tranche denominated in Sterling and a \$788,000,000 tranche denominated in US Dollars, in each case with a maturity date of 30 June 2024, subject to the extension option described below,

such term loan facility being "**Existing Facility A**"; and

- (b) a £1,100,000,000 multicurrency revolving credit facility denominated in Sterling, with a maturity date of 30 June 2024, subject to the extension option described below ("**Existing Facility B-1**");
- (c) a \$2,000,000,000 multicurrency revolving credit facility denominated in US Dollars, with a maturity date of 30 June 2024, subject to the extension option described below ("**Existing Facility B-2**"); and
- (d) a €500,000,000 multicurrency revolving credit facility denominated in Euro, with a maturity date of 30 June 2024, subject to the extension option described below ("**Existing Facility B-3**"),

such multicurrency revolving credit facilities together being "**Existing Facility B**".

Melrose may extend the maturity date in respect of each of Existing Facility A and/or Existing Facility B once (in each case by no more than one year) by giving notice to the agent under the Existing Senior Facilities Agreement (the "**Existing Agent**") not less than 30 days' prior to original maturity date.

Utilisation of the Existing Facilities is subject to certain conditions precedent typical for facilities of this type.

As at 2 March 2023, the outstanding principal amounts under the Existing Facilities were as follows:

- (a) Existing Facility A: £30 million and \$788 million

- (b) Existing Facility B-1: £260 million
- (c) Existing Facility B-2: \$339 million
- (d) Existing Facility B-3: €320 million

Subject to certain exceptions, loans made available under each of Existing Facility A and Existing Facility B bear interest at a rate per annum equal to the aggregate of: (i) the applicable base rate (which for loans drawn in Sterling is the Bank of England's Sterling Overnight Index Average ("SONIA"), for loans drawn in US Dollars is the Federal Reserve Bank of New York's Secured Overnight Financing Rate ("SOFR") and for loans drawn in Euro is the Euro Interbank Offered Rate administered by the European Money Markets Institute ("EURIBOR")); and (ii) a margin, which is subject to a ratchet based on the total net leverage ratio of the Melrose Group (as set out in the Existing Senior Facilities Agreement). The margin in respect of Existing Facility A and Existing Facility B is 1.20 per cent. per annum as at the date of this Circular.

The proceeds of Existing Facility A were made available for, among other things: (i) refinancing amounts outstanding under certain former financing arrangements made available to, among others, Melrose IntermediateCo under a senior term and revolving facilities agreement originally dated 6 July 2016; (ii) financing cash consideration payable in connection with the acquisition of GKN plc in 2018; and (iii) paying certain fees, costs and/or expenses in connection with such acquisition.

The proceeds of Existing Facility B are available for financing the Melrose Group's working capital requirements and general corporate purposes.

Pursuant to the terms of the Existing Senior Facilities Agreement, each obligor (including Melrose and Melrose IntermediateCo and each member of the Melrose Group which has acceded to the Existing Senior Facilities Agreement as a guarantor), is required to make certain customary representations and warranties at various times throughout the term of the Existing Senior Facilities Agreement. In addition, the terms of the Existing Senior Facilities Agreement contain certain restrictions on the operations of the Melrose Group. These include customary positive and negative covenants including, without limitation, restrictions on mergers, acquisitions, disposals, incurrence of financial indebtedness and/or loans to persons outside of the Melrose Group (subject in certain cases to exceptions and/or *de minimis* baskets), a negative pledge in respect of the Melrose Group's assets and certain guarantor coverage requirements. Melrose is also required to comply with certain information covenants, including delivery to the Existing Agent (for distribution to the Existing Lenders) of financial information relating to the Melrose Group.

The Existing Senior Facilities Agreement contains the following financial covenants:

- (a) Interest Cover: the ratio of consolidated EBITDA of the Melrose Group to the consolidated net finance charges of the Melrose Group not to be less than 4.00:1.0; and
- (b) Debt Cover: the ratio of consolidated total net debt of the Melrose Group to consolidated EBITDA of the Melrose Group not to exceed (i) for the relevant period ending 31 December 2022, 3.75:1.0; and (ii) for each relevant period thereafter, 3.50:1.0.

Each financial covenant is tested bi-annually by reference to each set of half-year or annual financial statements of the Melrose Group and/or each compliance certificate delivered pursuant to the terms of the Existing Senior Facilities Agreement.

The Existing Senior Facilities Agreement contains certain events of default including, without limitation, in respect of (i) non-payment (subject to a grace period); (ii) breach of financial covenant; (iii) misrepresentation (subject to a materiality threshold and a grace period); (iv) cross-default (subject to a *de minimis* exemption basket); (v) insolvency; and (vi) insolvency proceedings. Certain of the other events of default are also subject to exceptions, *de minimis* baskets, materiality thresholds and/or grace periods. The occurrence of any event of default under the Existing Senior Facilities Agreement would permit, among other things, the acceleration of any loan and cancellation of commitments made available under the Existing Facilities.

G. Melrose new debt arrangements

On 22 February 2023, Melrose and Melrose IntermediateCo, among others, entered into a senior term and revolving facilities agreement between, among others, Melrose as the original parent, Melrose IntermediateCo as the company and HSBC Bank plc as the agent (the "**Melrose Agent**") (the "**Melrose Senior Facilities Agreement**") pursuant to which certain term and revolving credit facilities

(the “**Melrose Facilities**”) are made available. The initial commitments under the Melrose Facilities are provided by the financial institutions named therein as lenders (together, the “**Melrose Lenders**”).

The original borrower of each of the Melrose Facilities is Melrose IntermediateCo (the “**Melrose Borrower**”). The original guarantors of each of the Melrose Facilities are Melrose and Melrose IntermediateCo. Certain other members of the Melrose Group will, on or around the date of the Demerger and at certain other times as determined pursuant to the minimum guarantor coverage requirements (referred to below), accede to the Melrose Senior Facilities Agreement as guarantors. Subject to certain limitations, each guarantor jointly and severally guarantees the obligations of each borrower and each guarantor under the Melrose Senior Facilities Agreement and the related finance documents.

The Melrose Facilities made available by the Melrose Lenders under the Melrose Senior Facilities Agreement comprise:

- (a) a \$300,000,000 term loan facility denominated in US Dollars, with a maturity date falling three years after the date of drawdown of Melrose Facility A, which is expected to be at Completion (the “**Drawdown Date**”); and
- (b) a €100,000,000 term loan facility denominated in Euro, with a maturity date falling three years after the Drawdown Date,

such term loan facilities together being “**Melrose Facility A**”;

- (c) a £300,000,000 multicurrency revolving credit facility denominated in Sterling, with an initial maturity date falling three years after the Drawdown Date, subject to the extension option described below;
- (d) a \$550,000,000 multicurrency revolving credit facility denominated in US Dollars, with an initial maturity date falling three years after the Drawdown Date, subject to the extension option described below; and
- (e) a €300,000,000 multicurrency revolving credit facility denominated in Euro, with an initial maturity date falling three years after the Drawdown Date, subject to the extension option described below,

such multicurrency revolving credit facilities together being “**Melrose Facility B**”;

- (f) a \$250,000,000 multicurrency revolving credit facility denominated in US Dollars, with a maturity date falling three years after the Drawdown Date (“**Melrose Facility C**”).

The Melrose Borrower may extend the maturity date in respect of Melrose Facility B up to twice (in each case by no more than one year) by giving notice to the Melrose Agent not less than 30 days’ prior to original maturity date (or, following the first extension of the original maturity date (if applicable), the first anniversary of the original maturity date).

Utilisation of the Melrose Facilities is subject to certain conditions precedent typical for facilities of this type.

As at the Latest Practicable Date, each of Melrose Facility A, Melrose Facility B and Melrose Facility C is undrawn. Melrose Facility A and Melrose Facility C are expected to be drawn on or around Completion.

Subject to certain exceptions, loans made available under each of Melrose Facility A, Melrose Facility B and Melrose Facility C shall bear interest at a rate per annum equal to the aggregate of: (i) the applicable base rate (which for loans drawn in Sterling is SONIA, for loans drawn in US Dollars is SOFR (or, if applicable, the term SOFR reference rate administered by CME Group Benchmark Administration Limited (a “**Term SOFR**”)) and for loans drawn in Euro is EURIBOR); and (ii) a margin, which is subject to a ratchet based on the total net leverage ratio of the Melrose Group (as set out in the Melrose Senior Facilities Agreement). The opening margin in respect of Facility A and Facility C shall be 1.30 per cent. per annum and the opening margin in respect of Facility B shall be 1.55 per cent. per annum.

The proceeds of Melrose Facility A are available for, among other things: (i) refinancing amounts outstanding under the Existing Senior Facilities Agreement (which are proposed to be prepaid in full at Completion); (ii) paying certain fees, costs and/or expenses in connection with the Demerger; and (iii) general corporate purposes.

The proceeds of Melrose Facility B and Melrose Facility C are available for financing the Melrose Group’s working capital requirements and general corporate purposes (which may include refinancing amounts outstanding under the Existing Senior Facilities Agreement).

Pursuant to the terms of the Melrose Senior Facilities Agreement, each obligor (including Melrose, Melrose IntermediateCo and each member of the Melrose Group required to accede to the Melrose Senior Facilities Agreement as a guarantor), is required to make certain customary representations and warranties at various times throughout the term of the Melrose Senior Facilities Agreement. In addition, the terms of the Melrose Senior Facilities Agreement contain certain restrictions on the operations of the Melrose Group. These include customary positive and negative covenants including, without limitation, restrictions on mergers, acquisitions, disposals, incurrence of financial indebtedness and/or loans to persons outside of the Melrose Group (subject in certain cases to exceptions and/or *de minimis* baskets), a negative pledge in respect of the Melrose Group's assets and certain guarantor coverage requirements. Melrose is also required to comply with certain information covenants, including delivery to the Melrose Agent (for distribution to the Melrose Lenders) of financial information relating to the Melrose Group.

The Melrose Senior Facilities Agreement contains the following financial covenants:

- (a) Interest Cover: the ratio of consolidated EBITDA of the Melrose Group to the consolidated net finance charges of the Melrose Group not to be less than 4.0:1.0; and
- (b) Debt Cover: the ratio of consolidated total net debt of the Melrose Group to consolidated EBITDA of the Melrose Group not to exceed 3.5:1.0.

Each financial covenant is tested bi-annually, by reference to each set of half-year or annual financial statements and/or each compliance certificate delivered pursuant to the terms of the Melrose Senior Facilities Agreement. The interest cover financial covenant shall first be tested in respect of the 12-month period ending 30 June 2024. The debt cover financial covenant shall first be tested in respect of the 12-month period ending 31 December 2023.

When determining consolidated EBITDA for the purposes of testing the financial covenants referred to above, Melrose shall be permitted to, among other things: (i) include the operating profits of any entity or business acquired during the relevant period; (ii) exclude the operating profits of any entity or business sold during the relevant period; (iii) include certain pro forma adjustments in respect of acquisitions and disposals (and certain group initiatives implemented during the relevant period) in each case projected by Melrose after taking into account the run rate effect of cost savings and other synergies which Melrose believes can be achieved within a specified timeframe following the relevant acquisition, disposal and/or group initiative referred to above, provided that the aggregate amount of pro forma adjustments included in respect of any relevant period must not exceed 15 per cent. of consolidated EBITDA.

The Melrose Senior Facilities Agreement contains certain events of default including, without limitation, in respect of (i) non-payment (subject to a grace period), (ii) breach of financial covenant, (iii) misrepresentation (subject to a materiality threshold and a grace period), (iv) cross default (subject to a *de minimis* exemption basket), (v) insolvency and (vi) insolvency proceedings. Certain of the other events of default are subject to exceptions, *de minimis* baskets, materiality thresholds and/or grace periods. The occurrence of any event of default under the Melrose Senior Facilities Agreement would permit, among other things, the acceleration of any loan and cancellation of commitments made available under the Melrose Facilities.

H. Bulk Annuity Contract

On 9 February 2023, the Trustee of the GKN Group Pension Scheme Number 4 signed a contract with a pension annuity provider to fully secure members' benefits. After a period of data cleansing, this will result in a full buy-out of the scheme and therefore gross liabilities of £433 million leaving the Melrose Group balance sheet. The Melrose Group contributed £45 million to the scheme during February 2023 to facilitate this buy-out.

9.2 Dowlais Group

Other than the Demerger Agreement, the Specific Matters Agreement, the Tax Matters Agreement, the Transitional Services Agreement and the Sponsor's Agreement and save as disclosed below, no contracts have been entered into (other than contracts entered into in the ordinary course of business) by any member of the Dowlais Group either (i) within the period of two years immediately preceding the date of this Circular which are or may be material to the Dowlais Group; or (ii) which contain any provisions under which any member of the Dowlais Group has any obligation or entitlement which is material to the Dowlais Group as at the date of this Circular.

A. Dowlais Senior Facilities Agreement

On 22 February 2023, Dowlais and GKN Industries entered into a senior term and revolving facilities agreement between, among others, Dowlais as the original parent, GKN Industries as the company and HSBC Bank plc as the agent (the “**Dowlais Agent**”) (the “**Dowlais Senior Facilities Agreement**”) pursuant to which certain term and revolving credit facilities (the “**Dowlais Facilities**”) are made available. The initial commitments under the Dowlais Facilities are provided by the financial institutions named therein as lenders (together, the “**Dowlais Lenders**”).

The original borrower of each of the Dowlais Facilities is GKN Industries (the “**Dowlais Borrower**”). The original guarantors of each of the Dowlais Facilities are Dowlais and GKN Industries. Certain other members of the Dowlais Group will, on or around Completion and at certain other times as determined pursuant to the minimum guarantor coverage requirements (referred to below), accede to the Dowlais Senior Facilities Agreement as guarantors. Subject to certain limitations, each guarantor jointly and severally guarantees the obligations of each borrower and each guarantor under the Dowlais Senior Facilities Agreement and the other finance documents (together, the “**Dowlais Facilities Documents**”).

The Dowlais Facilities made available by the Dowlais Lenders under the Dowlais Senior Facilities Agreement comprise:

- (a) a £100,000,000 term loan facility denominated in Sterling, with a maturity date falling three years after the date of drawdown of Dowlais Facility A, which is expected to be at Completion (the “**Dowlais Drawdown Date**”);
- (b) a \$400,000,000 term loan facility denominated in US Dollars, with a maturity date falling three years after the Dowlais Drawdown Date; and
- (c) a €100,000,000 term loan facility denominated in Euro, with a maturity date falling three years after the Dowlais Drawdown Date,

such term loan facilities together being “**Dowlais Facility A**”; and

- (d) a £350,000,000 multicurrency revolving credit facility denominated in Sterling, with an initial maturity date falling three years after the Dowlais Drawdown Date, subject to the extension option described below;
- (e) a \$660,000,000 multicurrency revolving credit facility denominated in US Dollars, with an initial maturity date falling three years after the Dowlais Drawdown Date, subject to the extension option described below; and
- (f) a €450,000,000 multicurrency revolving credit facility denominated in Euro, with an initial maturity date falling three years after the Dowlais Drawdown Date, subject to the extension option described below,

such multicurrency revolving credit facilities together being “**Dowlais Facility B**”.

The Dowlais Borrower may extend the maturity date in respect of Dowlais Facility B up to two times (in each case by no more than one year) by giving notice to the Dowlais Agent not less than 30 days’ prior to the original maturity date (or, following the first extension of the original maturity date (if applicable), the first anniversary of the original maturity date).

Utilisation of the Dowlais Facilities is subject to certain conditions precedent typical for facilities of this type.

As at the Latest Practicable Date, each of Dowlais Facility A and Dowlais Facility B is undrawn. Dowlais Facility A and Dowlais Facility B are expected to be drawn on or around Completion.

Subject to certain exceptions, loans made available under each of Dowlais Facility A and Dowlais Facility B shall bear interest at a rate per annum equal to the aggregate of: (i) the applicable base rate (which for loans drawn in Sterling is SONIA, for loans drawn in US Dollars is SOFR (or, if applicable, the Term SOFR) and for loans drawn in Euro is EURIBOR) and (ii) a margin, which is subject to a ratchet based on the total net leverage ratio of the Dowlais Group (as set out in the Dowlais Senior Facilities Agreement). The opening margin in respect of Dowlais Facility A shall be 1.40 per cent. per annum and the opening margin in respect of Dowlais Facility B shall be 1.60 per cent. per annum.

The proceeds of Dowlais Facility A are available for, among other things: (i) refinancing amounts outstanding under the Existing Senior Facilities Agreement (which are proposed to be prepaid in full);

(ii) paying certain fees, costs and/or expenses in connection with the Demerger; and/or (iii) general corporate purposes. The proceeds of Dowlais Facility B are available for financing the Dowlais Group's working capital requirements and general corporate purposes (which may include refinancing amounts outstanding under the Existing Senior Facilities Agreement).

Pursuant to the terms of the Dowlais Senior Facilities Agreement, each obligor (including Dowlais, GKN Industries and each member of the Dowlais Group required to accede to the Dowlais Senior Facilities Agreement as a guarantor), is required to make certain customary representations and warranties at various times throughout the term of the Dowlais Senior Facilities Agreement. In addition, the terms of the Dowlais Senior Facilities Agreement contain certain restrictions on the operations of the Dowlais Group. These include customary positive and negative covenants including, without limitation, restrictions on mergers, acquisitions, disposals, incurrence of financial indebtedness and/or loans to persons outside of the Dowlais Group (subject in certain cases to exceptions and/or *de minimis* baskets), a negative pledge in respect of the Dowlais Group's assets and certain guarantor coverage requirements. Dowlais is also required to comply with certain information covenants, including delivery to the Dowlais Agent (for distribution to the Dowlais Lenders) of financial information relating to the Dowlais Group.

The Dowlais Senior Facilities Agreement contains the following financial covenants:

- (a) Interest Cover: the ratio of consolidated EBITDA of the Dowlais Group to the consolidated net finance charges of the Dowlais Group not to be less than 4.0:1.0; and
- (b) Debt Cover: the ratio of consolidated total net debt of the Dowlais Group to consolidated EBITDA of the Dowlais Group not to exceed 3.5:1.0.

Each financial covenant is tested bi-annually, by reference to each set of half-year or annual financial statements and/or each compliance certificate delivered pursuant to the terms of the Dowlais Senior Facilities Agreement. The interest cover financial covenant shall first be tested in respect of the 12-month period ending 30 June 2024. The debt cover financial covenant shall first be tested in respect of the 12-month period ending 31 December 2023.

When determining consolidated EBITDA for the purposes of testing the financial covenants referred to above, Dowlais shall be permitted to, among other things: (i) include the operating profits of any entity or business acquired during the relevant period; (ii) exclude the operating profits of any entity or business sold during the relevant period; (iii) include certain *pro forma* adjustments in respect of acquisitions and disposals (and certain group initiatives implemented during the relevant period) in each case projected by Dowlais after taking into account the run rate effect of cost savings and other synergies which Dowlais believes can be achieved within a specified timeframe following the relevant acquisition, disposal and/or group initiative referred to above, provided that the aggregate amount of pro forma adjustments included in respect of any relevant period must not exceed 15 per cent. of consolidated EBITDA.

The Dowlais Senior Facilities Agreement contains certain events of default including, without limitation, in respect of (i) non-payment (subject to a grace period); (ii) breach of financial covenant; (iii) misrepresentation (subject to a materiality threshold and a grace period); (iv) cross default (subject to a *de minimis* exemption basket); (v) insolvency; and (vi) insolvency proceedings. Certain of the other events of default are also subject to exceptions, *de minimis* baskets, materiality thresholds and/or grace periods. The occurrence of any event of default under the Dowlais Senior Facilities Agreement would permit, among other things, the acceleration of any loan and cancellation of commitments made available under the Dowlais Facilities.

B. Trade Mark Agreements

The GKN Trade Marks are owned by the Melrose Group and are licensed to the Dowlais Group.

In addition to the GKN Trade Marks, certain entities within the GKN Powder Metallurgy business, namely entities within the Hoeganaes metal powders business (which forms part of GKN Powder Metallurgy), are licensed to use certain trade marks and logos owned by Hoeganaes Corporation, another company within the Dowlais Group.

Pursuant to the Reorganisation, various intragroup agreements were entered into by entities within the Melrose Group in relation to the GKN Trade Marks, which included certain novations of existing intragroup trade mark licence agreements on 27 January 2023 for £126 million (the "**Trade Mark Agreements**"). The Trade Mark Agreements were entered into in order to restructure the licensing arrangements in light of the separation of the Dowlais Group from the Melrose Group.

On completion of the Demerger, certain of the Trade Mark Agreements are to be amended and restated to provide a long term framework to legislate for the future use of the GKN Trade Marks following the Demerger. This framework has been agreed amongst the GKN Businesses to protect each parties' interests in the GKN Trade Marks, and the Dowlais Group will be granted a tailored perpetual licence to use the GKN Trade Marks (subject to only limited termination rights, including on insolvency).

10. RELATED PARTY TRANSACTIONS

Details of related party transactions (which for these purposes are those set out in the IFRS standards) into which Melrose has entered and are disclosed in accordance with IFRS standards:

- (a) For the year ended 31 December 2020 are set out in note 29 on page 191 of the 2020 Annual Report and Accounts.
- (b) For the year ended 31 December 2021 are set out in note 29 on page 188 of the 2021 Annual Report and Accounts.
- (c) For the year ended 31 December 2022 are set out below:
 - (i) transactions between Melrose and its subsidiaries, which are related parties, are eliminated on consolidation. Sales to and purchases from the companies within the Melrose Group are priced on an arm's length basis and generally are settled on 30-day terms;
 - (ii) in the ordinary course of business, sales and purchases of goods take place between subsidiaries and equity accounted investment companies priced on an arm's length basis. Sales by subsidiaries to equity accounted investments in the year ended 31 December 2022 totalled £17 million (2021: £21 million). Purchases by subsidiaries from equity accounted investments in the year ended 31 December 2022 totalled £8 million (2021: £10 million). At 31 December 2022, amounts receivable from equity accounted investments totalled £3 million (31 December 2021: £2 million) and amounts payable to equity accounted investments totalled £2 million (31 December 2021: £2 million); and
 - (iii) the remuneration of the Directors, who are the key management personnel of the Melrose Group, in aggregate for each of the categories specified in IAS 24: "Related Party Disclosures" is:
 - (i) short-term employee benefits in the year ended 31 December 2022 totalled £5 million (2021: £5 million); and
 - (ii) share-based payments in the year ended 31 December 2022 totalled £10 million (2021: £10 million). Share-based payments represent non-cash accounting charges, rather than actual share issuances to Directors.

Save as disclosed in Section 9 (*Material Contracts*) of this Part VIII (*Additional Information*) and steps taken in relation to the Reorganisation, there have been no other related party transactions requiring disclosure under the IFRS standards during the period between 1 January 2020 and the Latest Practicable Date. A summary of the key Reorganisation steps are included below:

- (a) During February 2023, certain steps were carried out to consolidate and, where applicable, offset certain intercompany balances between entities within the Melrose Group (which are not part of the Dowlais Group) and entities within the Dowlais Group. In addition, on 3 February 2023, GKN Aerospace Sweden AB (being an entity within the Melrose Group (but which is not part of the Dowlais Group)) contributed £47 million of taxable profits to GKN Driveline Koping AB (being an entity within the Dowlais Group) in order to allow these profits to be offset against tax losses in the Dowlais Group;
- (b) On 23 February 2023, GKN Industries declared a dividend in an amount of £1,674,621,829.33 in favour of its then sole shareholder, GKN Enterprise. On 24 February 2023, the debt outstanding as a result of the dividend was partially offset against certain intercompany receivables, leaving an amount of £1,205,276,546.95 outstanding as a payable from GKN Industries to GKN Enterprise. On 24 February 2023, this outstanding payable was documented in the form of loan notes issued by GKN Industries to GKN Enterprise in the amounts of £309,675,487, €316,038,101 and \$739,053,294 (with a portion of the outstanding Sterling payable amount being converted to Euros and US Dollars at rates of (i) Sterling to Euros 1:1.1257; and (ii) Sterling to US Dollars 1:1.2020) (the "**Pre-Demerger Distribution Payables**"). The Pre-Demerger Distribution Payables will be repaid immediately following Dowlais Admission using proceeds of Dowlais Facility A and Dowlais Facility B under the Dowlais Senior Facilities Agreement;

- (c) On 28 February 2023, Dowlais sub-divided the 50,000 ordinary shares of £1.00 each then in issue into 5,000,000 ordinary shares of one pence each pursuant to a resolution of the member of Dowlais (the “**Sub-divided Shares**”);
- (d) On 28 February 2023, GKN Enterprise transferred its beneficial interest in 100% of the issued share capital in GKN Powder Metallurgy Holdings Limited (“**GKN PM**”) (the “**PM Shares**”) to Melrose pursuant to a declaration of trust for consideration equal to the book value of GKN PM as at 31 December 2022, which was left outstanding on intercompany balance. The transfer of the bare legal title to the PM Shares from GKN Enterprise to Melrose occurred on 28 February 2023;
- (e) On 28 February 2023, GKN Enterprise transferred its beneficial interest in 100% of the issued share capital in GKN Industries (the “**Auto Shares**”) to Melrose pursuant to a declaration of trust for consideration equal to the book value of GKN Industries as at 31 December 2022, which was left outstanding on intercompany balance. The transfer of the bare legal title to the Auto Shares from GKN Enterprise to Melrose occurred on 28 February 2023; and
- (f) On 28 February 2023, Melrose contributed 100% of the issued share capital in GKN Industries and GKN PM to Dowlais by way of a share-for-share exchange. Dowlais issued 1,388,273,527 ordinary shares of one pence each, which, together with the Sub-divided Shares, comprises the total number of Dowlais Shares expected to be in issue at the Demerger Record Time.

11. OVERSEAS SHAREHOLDERS

The implications of the Proposal for Overseas Shareholders may be affected by the laws of the jurisdiction in which they are resident or otherwise located. Overseas Shareholders should inform themselves about and observe all applicable legal requirements.

It is the responsibility of any person into whose possession this document comes to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the Proposal, including the obtaining of any governmental, exchange control or other consents which may be required and/or compliance with other necessary formalities which are required to be observed and the payment of any taxes or levies due in such jurisdiction.

12. WORKING CAPITAL STATEMENT

The Company is of the opinion that, taking into account the banking and other facilities available to the Continuing Melrose Group, the Continuing Melrose Group has sufficient working capital available for its present requirements, that is, for at least the next twelve months from the date of publication of this Circular.

13. SIGNIFICANT CHANGE

13.1 Continuing Melrose Group

There has been no significant change in the financial position or financial performance of the Continuing Melrose Group since 31 December 2022, being the end of the last financial period for which audited financial statements for the Melrose Group have been published.

13.2 Dowlais Group

There has been no significant change in the financial position or financial performance of the Dowlais Group since 31 December 2022, being the date to which the financial information in Part V (*Financial information relating to the Dowlais Group*) of this Circular has been prepared.

14. CONSENTS

Rothschild & Co has given and has not withdrawn its written consent to the inclusion in this Circular of the references to its name in the form and context in which they are included.

Citigroup has given and has not withdrawn its written consent to the inclusion in this Circular of the references to its name in the form and context in which they are included.

JP Morgan has given and has not withdrawn its written consent to the inclusion in this Circular of the references to its name in the form and context in which they are included.

Investec has given and has not withdrawn its written consent to the inclusion in this Circular of the references to its name in the form and context in which they are included.

Deloitte has given and has not withdrawn its written consent to the inclusion of its report set out in Part 1 of Part VI (*Unaudited Pro Forma Financial Information of the Continuing Melrose Group*) of this Circular in the form and context in which it is included for the purposes of Listing Rule 13.4.1R(6).

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at (i) the offices of Simpson Thacher & Bartlett LLP, CityPoint, One Ropemaker Street, London EC2Y 9HU; and (ii) the registered office of the Company, in each case upon request during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), and (with the exception of the Demerger Agreement, the MESP Rules and the MASP Rules) on the Company’s website at www.melroseplc.net from the date of this Circular up to and including the date of the General Meeting, and at the place of the General Meeting from 15 minutes prior to its commencement until its conclusion:

- (a) the Articles;
- (b) the 2018 Audited Financial Statements;
- (c) the 2019 Annual Report and Accounts;
- (d) the 2020 Annual Report and Accounts;
- (e) the 2021 Annual Report and Accounts;
- (f) the 2022 Results Announcement;
- (g) the report on the unaudited Pro Forma Financial Information of the Melrose Group from Deloitte as set out in Part 1 of Part VI (*Unaudited Pro Forma Financial Information of the Continuing Melrose Group*) of this Circular;
- (h) the 2020 Employee Share Plan Circular;
- (i) the MESP Rules;
- (j) the MASP Rules;
- (k) the consent letters referred to in Section 14 (*Consents*) of this Part VIII (*Additional Information*);
- (l) the Demerger Agreement; and
- (m) this Circular.

Please contact ir@melroseplc.net to request to physically inspect any of the above listed documents.

A copy of the MESP Rules and the MASP Rules will be uploaded to the National Storage Mechanism in due course.

16. INFORMATION INCORPORATED BY REFERENCE

The information set out in the following table has been incorporated by reference into this Circular:

Documents containing information incorporated by reference	Section of this Circular which refers to the document containing information incorporated by reference	Where the information can be accessed by Shareholders
2019 Annual Report and Accounts . . .	Part VII (<i>Proposed Melrose Incentive Adjustments</i>)	www.melroseplc.net
2020 Annual Report and Accounts . . .	Part VIII (<i>Additional Information</i>), Section 10 (<i>Related Party Transactions</i>)	www.melroseplc.net
2021 Annual Report and Accounts . . .	Part VIII (<i>Additional Information</i>), Section 10 (<i>Related Party Transactions</i>)	www.melroseplc.net
2020 Employee Share Plan Circular . .	Part VII (<i>Proposed Melrose Incentive Adjustments</i>); Part VIII (<i>Additional Information</i>), Section 5.2 (<i>Interests under the MESP</i>)	www.melroseplc.net
2022 Results Announcement	Part VI (<i>Unaudited Pro Forma Financial Information of the Continuing Melrose Group</i>)	www.melroseplc.net

A copy of each of the documents listed above is available for inspection on the Company’s website at www.melroseplc.net, from the date of this Circular.

Dated: 3 March 2023

PART IX
DEFINITIONS

The following definitions apply throughout this Circular, unless the context requires otherwise:

2018 Audited Financial Statements	the consolidated financial statements of the Melrose Group for the year ended 31 December 2018
2019 Annual Report and Accounts	the annual report and accounts prepared by Melrose for the year ended 31 December 2019 and published by Melrose on 3 April 2020
2020 Annual Report and Accounts	the annual report and accounts prepared by Melrose for the year ended 31 December 2020 and published by Melrose on 31 March 2021
2020 Directors' Remuneration Policy	the current Directors' Remuneration Policy, approved by Shareholders on 7 May 2020 and amended on 21 January 2021, and as set out on pages 103 to 111 of the 2019 Annual Report and Accounts and pages 15 to 24 of the 2020 Employee Share Plan Circular
2020 Employee Share Plan Circular	the Circular distributed to Shareholders giving notice of a General Meeting of Melrose held on 21 January 2021 at which the MESP was approved
2021 Annual Report and Accounts	the annual report and accounts prepared by Melrose for the year ended 31 December 2021 and published by Melrose on 31 March 2022
2022 Results Announcement	the announcement released by the Company on 2 March 2023 containing the audited results for the Melrose Group for the year ended 31 December 2022
Admission and Disclosure Standards	the current edition of the Admission and Disclosure Standards produced by the London Stock Exchange
Agent	as set out in Section 9.2(A) (<i>Dowlais Senior Facilities Agreement</i>) of Part VIII (<i>Additional Information</i>)
Articles	the articles of association of Melrose as amended from time to time
Auto Shares	as set out in Section 10 (<i>Related Party Transactions</i>) of Part VIII (<i>Additional Information</i>)
Award	as set out in the 2020 Employee Share Plan Circular
AWD	all wheel drive
BEV	battery electric vehicle
Board or Melrose Board	the board of directors of Melrose
Borrower	as set out in Section 9.2(A) (<i>Dowlais Senior Facilities Agreement</i>) of Part VIII (<i>Additional Information</i>)
Business Day	a day (other than a Saturday or Sunday or public holiday) on which banks are open for business in London
Cap	as set out in Section 3 (<i>Extension of Crystallisation Date for MESP</i>) of Part VII (<i>Proposed Melrose Incentive Adjustments</i>)
Carve-Out Ratio	as set out in Section 2 (<i>Separation of Invested Capital between the businesses in the Continuing Melrose Group and the Dowlais Group</i>) of Part VII (<i>Proposed Melrose Incentive Adjustments</i>)
Charge	as set out in Section 1 (<i>Separation of Dowlais from the 2020 Employee Share Plan</i>) of Part VII (<i>Proposed Melrose Incentive Adjustments</i>)
Circular or this document	this Shareholder circular dated 3 March 2023

Citigroup	Citigroup Global Markets Limited, financial adviser to Melrose
Clearance	as set out in Section 11.2 (<i>Dermerger (UK taxation considerations)</i>) of Part II (<i>Information on the Proposal</i>)
Code	as set out in Section 11 (<i>Taxation</i>) of Part II (<i>Information on the Proposal</i>)
Commencement Date	as set out in the 2020 Employee Share Plan Circular
Companies Act	the Companies Act 2006, as amended from time to time
Completion	the completion of the Demerger in accordance with the terms, and subject to the conditions, of the Demerger Agreement
Conditional Awards	the conditional awards having the terms set out in the 2020 Employee Share Plan Circular
Consolidation Record Time	6:00 p.m. on 19 April 2023 (or such other time and/or date as the Directors may determine), being the time at which Shareholders are required to be on the Melrose Share Register in order to participate in the Melrose Share Consolidation and by reference to which the Melrose Share Consolidation is to be effected
Continuing Melrose Group	the Melrose Group with effect from Completion
CREST	the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear is the operator
CREST Manual	the manual, as amended from time to time, produced by Euroclear describing the CREST system and supplied by Euroclear to users and participants thereof
CREST Proxy Instruction	the instruction whereby CREST members send a CREST message appointing a proxy for the General Meeting and instructing the proxy how to vote and containing the information set out in the CREST Manual
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), as amended
Crystallisation Date	as set out in Section 3 (<i>Extension of Crystallisation Date for MESP</i>) of Part VII (<i>Proposed Melrose Incentive Adjustments</i>), subject to the proposed extension described in that section
CTA 2010	Corporation Tax Act 2010
Deloitte	Deloitte LLP, auditor to Melrose
Demerger	the proposed demerger of the Dowlais Group from the Melrose Group to be implemented through the Demerger Distribution and on the terms and subject to the conditions set out in the Demerger Agreement
Demerger Agreement	the demerger agreement dated 2 March 2023 between Melrose and Dowlais, further details of which are set out in Section 2.1 (<i>Demerger Agreement</i>) of Part II (<i>Information on the Proposal</i>) and Section 9 (<i>Material Contracts</i>) of Part VIII (<i>Additional Information</i>)
Demerger Distribution	the <i>in specie</i> distribution of the Dowlais Shares by Melrose (other than the Dowlais Shares to be retained by Melrose) as more fully described in this Circular
Demerger Record Time	10:00 p.m. on 19 April 2023 (or such other time and/or date as the Directors may determine), being the time at which Shareholders are required to be on the Melrose Share Register in order to be entitled to the Demerger Distribution and by reference to which the Demerger Distribution is to be effected

Directors	the directors of the Company as at the date of this Circular, and “Director” means any one of them
Disclosure Guidance and Transparency Rules	the Disclosure Guidance and Transparency Rules made by the FCA under Part VI of FSMA as amended from time to time
Dowlais	as set out in the Introduction of Part I (<i>Letter from the Chairman of Melrose Industries PLC</i>)
Dowlais Admission	the admission of the Dowlais Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities becoming effective in accordance with, respectively, the Listing Rules and the Admission and Disclosure Standards
Dowlais Board	the board of directors of Dowlais
Dowlais Businesses	the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses
Dowlais Drawdown Date	as set out in Section 9.2(A) (<i>Dowlais Senior Facilities Agreement</i>) of Part VIII (<i>Additional Information</i>)
Dowlais Facilities	as set out in Section 9.2(A) (<i>Dowlais Senior Facilities Agreement</i>) of Part VIII (<i>Additional Information</i>)
Dowlais Facility Documents	as set out in Section 9.2(A) (<i>Dowlais Senior Facilities Agreement</i>) of Part VIII (<i>Additional Information</i>)
Dowlais Group	Dowlais and its subsidiaries and subsidiary undertakings and a “member of the Dowlais Group” shall be construed accordingly
Dowlais Group GKN Entities	the entities comprising the GKN Automotive, GKN Powder Metallurgy and GKN Hydrogen businesses
Dowlais Ordinary Share Costs	the total amount (in pounds sterling) paid up (as to nominal value and any premium) on any allotment of Dowlais Shares in the period, provided that (I) if any part of such amount paid up on any Dowlais Share is paid up otherwise than in cash the amount paid up on that Dowlais Share shall be deemed to be the price certified by a broker for the time being of the Company to be the average closing middle market quotation (in pounds sterling) of a Dowlais Share as derived from the Daily Official List for the ten business days immediately preceding the announcement of a transaction, where the terms of the transaction are agreed at the time of such announcement (and would require an announcement to be made pursuant to Chapter 10 of the Listing Rules were such Chapter to be applicable) or where the announcement constitutes an announcement of a firm intention to make an offer, pursuant to Rule 2.7 of the Takeover Code (or its equivalent in other jurisdictions), and (II) if any Dowlais Shares shall be allotted credited as fully paid by way of capitalisation of profits or reserves the amount paid up on such Dowlais Shares shall be excluded from the calculation of Dowlais Ordinary Share Cost
Dowlais Prospectus	the document dated on or around the date of this Circular, comprising a prospectus relating to Dowlais for the purpose of Dowlais Admission
Dowlais Returns	the amount of any dividends or distributions of any kind paid or made on or in respect of the Dowlais Shares, including (i) a purchase by Dowlais of any of its own shares (whether or not out of the proceeds of any fresh issue of shares or out of unrealised profits), (ii) a reduction by Dowlais of share capital by repaying paid up share capital, and (iii) any other returns of capital in the period, whether in cash or otherwise and however described, excluding:

	<p>a) any issue of shares credited as fully paid to Dowlais Shareholders by way of capitalisation of profits or reserves which is to be, or may at the election of the Dowlais Shareholders be, issued instead of the whole or any part of a cash dividend which the Dowlais Shareholders concerned would or could otherwise have received; and</p> <p>b) any issue of Dowlais Shares credited as fully paid to the Dowlais Shareholders (or as they may direct) by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve)</p>
Dowlais Senior Facilities Agreement	as set out in Section 9.2(A) (<i>Dowlais Senior Facilities Agreement</i>) of Part VIII (<i>Additional Information</i>)
Dowlais Shareholders	the holders of Dowlais Shares
Dowlais Share Price	the closing middle market quotation for a Dowlais Share (as derived from the Daily Official List of the London Stock Exchange or the equivalent list or record for the recognised stock exchange on which the Dowlais Shares are listed) on the relevant date
Dowlais Shares	the ordinary shares of £0.01 each in the capital of Dowlais
Drawdown Date	as set out in Section 9.1(G) (<i>Melrose new debt arrangements</i>) of Part VIII (<i>Additional Information</i>)
DRIP Election	as set out in Section 5 (<i>Melrose Shares and Dowlais Shares</i>) of Part III (<i>Questions and Answers on the Proposal</i>)
EBITDA	earnings before interest, tax, depreciation and amortisation
Eligible US Holders	as set out in the US Considerations in the Important Information section of this Circular
Employee Share Plans	has the meaning given to such term in Part I (<i>Letter from the Chairman of Melrose Industries PLC</i>)
Equiniti	Equiniti Limited, a private company limited by shares incorporated in England and Wales with registered number 06226088
EURIBOR	the Euro Interbank Offered Rate administered by the European Money Markets Institute
ESOT	an employee share ownership trust established by Melrose for the purposes of satisfying awards under the Melrose Automotive Share Plan
EU	the economic and political confederation of European nations which share a common foreign and security policy and co-operate on justice and home affairs known as the European Union
Euro or €	the lawful currency of the EU member states that comprise the euro area
Euroclear	Euroclear UK & International Limited, a company incorporated under the laws of England and Wales, the operator of CREST (as defined in the CREST Regulations)
EV	electric vehicle
Executive Directors	the executive Directors of the Company as at the date of this Circular
Existing Agent	as set out in Section 9.1(F) (<i>Melrose existing debt arrangements</i>) of Part VIII (<i>Additional Information</i>)
Existing Facilities	as set out in Section 9.1(F) (<i>Melrose existing debt arrangements</i>) of Part VIII (<i>Additional Information</i>)
Existing Facility A	as set out in Section 9.1(F) (<i>Melrose existing debt arrangements</i>) of Part VIII (<i>Additional Information</i>)

Existing Facility B	as set out in Section 9.1(F) (<i>Melrose existing debt arrangements</i>) of Part VIII (<i>Additional Information</i>)
Existing Facility B-1	as set out in Section 9.1(F) (<i>Melrose existing debt arrangements</i>) of Part VIII (<i>Additional Information</i>)
Existing Facility B-2	as set out in Section 9.1(F) (<i>Melrose existing debt arrangements</i>) of Part VIII (<i>Additional Information</i>)
Existing Facility B-3	as set out in Section 9.1(F) (<i>Melrose existing debt arrangements</i>) of Part VIII (<i>Additional Information</i>)
Existing Lenders	as set out in Section 9.1(F) (<i>Melrose existing debt arrangements</i>) of Part VIII (<i>Additional Information</i>)
Existing Melrose Shares	the existing ordinary shares of 160/21 pence each in the capital of Melrose
Existing Senior Facilities Agreement	as set out in Section 9.1(F) (<i>Melrose existing debt arrangements</i>) of Part VIII (<i>Additional Information</i>)
Facility A	as set out in Section 9.2(A) (<i>Dowlais Senior Facilities Agreement</i>) of Part VIII (<i>Additional Information</i>)
Facility B	as set out in Section 9.2(A) (<i>Dowlais Senior Facilities Agreement</i>) of Part VIII (<i>Additional Information</i>)
Financial Conduct Authority or FCA	the United Kingdom Financial Conduct Authority
Form of Proxy	the form of proxy for use at the General Meeting which accompanies this Circular
FSMA	the Financial Services and Markets Act 2000, as amended from time to time
General Meeting	the general meeting of Melrose to be held at Investec Bank plc, 30 Gresham St, London EC2V 7QN at 10:00 a.m. on 30 March 2023 to consider and, if thought fit, pass the Resolution, notice of which is set out in this Circular, and any adjournment thereof
GKN Businesses	the GKN Aerospace, GKN Automotive and GKN Powder Metallurgy businesses
GKN Enterprise	GKN Enterprise Limited
GKN Industries	G.K.N. Industries Limited
GKN PM	as set out in Section 10 (<i>Related Party Transactions</i>) of Part VIII (<i>Additional Information</i>)
GKN Trade Marks	the trade mark “GKN” and relevant logos used in connection therewith
Global OEM	an OEM with manufacturing locations in more than one region
Gone Away Shareholder	as set out in Section 9 (<i>Listings, dealings, share certificates and CREST</i>) of Part II (<i>Information on the Proposal</i>)
HMRC	HM Revenue and Customs
ICE	internal combustion engine
IFRS	International Financial Reporting Standards, as issued by the International Accounting Standards Board and as adopted by the UK
IRS	US Internal Revenue Service
Incentive Adjustments	the proposed adjustments to the Melrose incentive arrangements, as described in Part VII (<i>Proposed Melrose Incentive Adjustments</i>)
Institutional Accredited Investor	as set out in the US Considerations in the Important Information section of this Circular
Investec	Investec Bank plc, joint corporate broker to Melrose

Invested Capital	the initial invested capital under the 2020 Employee Share Plan (being £7,134,463,610 as at 31 May 2020), as adjusted for any Ordinary Share Costs and Returns and after applying the annual Charge of five per cent.
Issued Melrose Share Capital	the issued Melrose Shares
JP Morgan	J.P. Morgan Securities plc (which conducts its UK investment banking business as J.P. Morgan Cazenove), financial adviser and joint corporate broker to Melrose
Latest Practicable Date	2 March 2023, being the latest practicable date prior to the publication of this Circular
Lenders	as set out in Section 9.2(A) (<i>Dowlais Senior Facilities Agreement</i>) of Part VIII (<i>Additional Information</i>)
Listing Rules	the listing rules made by the FCA under section 73A and Part VI of FSMA (as set out in the FCA Handbook), as amended from time to time
London Stock Exchange	London Stock Exchange plc
MASP or Melrose Automotive Share Plan	as set out in Section 4 (<i>Rewarding further value creation in GKN Automotive and GKN Powder Metallurgy</i>) of Part VII (<i>Proposed Melrose Incentive Adjustments</i>)
MASP Crystallisation Date	as set out in Section 4 (<i>Rewarding further value creation in GKN Automotive and GKN Powder Metallurgy</i>) of Part VII (<i>Proposed Melrose Incentive Adjustments</i>)
MASP Crystallisation Value	as set out in Section 4 (<i>Rewarding further value creation in GKN Automotive and GKN Powder Metallurgy</i>) of Part VII (<i>Proposed Melrose Incentive Adjustments</i>)
MASP Crystallisation Value Mid-Point	as set out in Section 4 (<i>Rewarding further value creation in GKN Automotive and GKN Powder Metallurgy</i>) of Part VII (<i>Proposed Melrose Incentive Adjustments</i>)
MASP Option	as set out in Section 4 (<i>Rewarding further value creation in GKN Automotive and GKN Powder Metallurgy</i>) of Part VII (<i>Proposed Melrose Incentive Adjustments</i>)
MASP Performance Period	the period ending on the MASP Crystallisation Date or, where an exceptional corporate event affecting the Company or Dowlais occurs prior to that event (such as a change of control or winding up), an earlier date as determined in accordance with the MASP Rules
MASP Rules	the plan rules relating to the MASP
Melrose or the Company	Melrose Industries PLC, a public limited company incorporated in England and Wales, with registered number 09800044
Melrose Admission	the admission of the New Melrose Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities becoming effective in accordance with, respectively, the Listing Rules and the Admission and Disclosure Standards
Melrose Agent	as set out in Section 9.1(G) (<i>Melrose new debt arrangements</i>) of Part VIII (<i>Additional Information</i>)
Melrose Borrower	as set out in Section 9.1(G) (<i>Melrose new debt arrangements</i>) of Part VIII (<i>Additional Information</i>)
Melrose Directors or Directors	the directors of Melrose
Melrose IntermediateCo	Melrose PLC, a public company limited by shares incorporated in England and Wales, with registered number 04763064

Melrose Facility A	as set out in Section 9.1(G) (<i>Melrose new debt arrangements</i>) of Part VIII (<i>Additional Information</i>)
Melrose Facility B	as set out in Section 9.1(G) (<i>Melrose new debt arrangements</i>) of Part VIII (<i>Additional Information</i>)
Melrose Facility C	as set out in Section 9.1(G) (<i>Melrose new debt arrangements</i>) of Part VIII (<i>Additional Information</i>)
Melrose Group or Group	Melrose, its subsidiaries and subsidiary undertakings from time to time, which prior to Completion will be deemed to include the Dowlais Group and, following Completion, will be deemed to be the Continuing Melrose Group
Melrose Lenders	as set out in Section 9.1(G) (<i>Melrose new debt arrangements</i>) of Part VIII (<i>Additional Information</i>)
Melrose Senior Facilities Agreement	as set out in Section 9.1(G) (<i>Melrose new debt arrangements</i>) of Part VIII (<i>Additional Information</i>)
Melrose Shares	prior to the Melrose Share Consolidation, the Existing Melrose Shares, and after the Melrose Share Consolidation, the New Melrose Shares
Melrose Share Consolidation	the consolidation of the Existing Melrose Shares, to be carried out by Melrose, as further described in Section 5 (<i>Melrose Share Consolidation</i>) of Part II (<i>Information on the Proposal</i>)
Melrose Share Register	the share register of Melrose
MESP or 2020 Employee Share Plan	the long-term incentivisation plan of Melrose approved by an ordinary resolution of Shareholders at a General Meeting of Melrose on 21 January 2021
MESP Performance Period	the period beginning on 31 May 2020 and ending on the Crystallisation Date, subject to the proposed extension described in Section 3 (<i>Extension of Crystallisation Date for the MESP</i>) of Part VII (<i>Proposed Melrose Incentive Adjustments</i>)
MESP Rules	the “Plan Rules”, as set out in the 2020 Employee Share Plan Circular
New Melrose Shares	the proposed new ordinary shares of 160/7 pence each in the capital of Melrose arising from the Melrose Share Consolidation
Notice of General Meeting	the notice of General Meeting contained in this Circular
OEM	original equipment manufacturer
Official List	the Official List of the FCA
Ordinary Share Costs	as set out in Section 2 (<i>Separation of Invested Capital between the businesses in the Continuing Melrose Group and the Dowlais Group</i>) of Part VII (<i>Proposed Melrose Incentive Adjustments</i>)
Overseas Shareholders	the holders of Melrose Shares with a registered address outside the UK or who are citizens or residents of countries that are not the UK
Participation Rate Percentage	as set out in the 2020 Employee Share Plan Circular
pence, £, pounds sterling or Sterling	the lawful currency of the United Kingdom
PFIC	passive foreign investment company
PM Shares	as set out in Section 10 (<i>Related Party Transactions</i>) of Part VIII (<i>Additional Information</i>)
Pre-Demerger Distribution Payables	as set out in Part 2 of Part VI (<i>Unaudited Pro Forma Financial Information of the Continuing Melrose Group</i>)
Pro Forma Financial Information	as set out in Section 10 (<i>Related Party Transactions</i>) of Part VIII (<i>Additional Information</i>)

Proposal	the Demerger, the Melrose Share Consolidation and the Incentive Adjustments as described in this Circular
Prospectus Delegated Regulation	the UK version of the Commission Delegated Regulation (EU) 2019/980 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended
Prospectus Regulation Rules	the prospectus regulation rules made by the FCA under section 73A of FSMA (as set out in the FCA Handbook)
Proximity	the platform available at www.proximity.io as set out in the Important Information section of this Circular
Qualifying Shareholders	Shareholders who are registered on the Melrose Share Register at the Demerger Record Time
Registrar	Equiniti, or any other registrar appointed by the Company from time to time
Regulation S	as set out in the US Considerations under the Important Information section of this Circular
Regulatory Information Service	one of the regulatory information services authorised by the FCA to receive, process, and disseminate regulatory information from listed companies
Remuneration Committee	the remuneration committee of the Company
Resolution	the ordinary resolution to be proposed and considered at the General Meeting to approve the Proposal, as set out in the Notice of General Meeting forming part of this Circular
Returns	as set out in Section 2 (<i>Separation of Invested Capital between the businesses in the Continuing Melrose Group and the Dowlais Group</i>) of Part VII (<i>Proposed Melrose Incentive Adjustments</i>)
Reorganisation	the reorganisation of the corporate structure of the Melrose Group completed prior to the Demerger to bring all of the companies that comprise the Dowlais Businesses under the ownership of Dowlais
Rothschild & Co	N.M. Rothschild & Sons Limited, sole sponsor and financial adviser to Melrose
Shareholders	holders of Melrose Shares
SOFR	the Federal Reserve Bank of New York's Secured Overnight Financing Rate
SONIA	the Bank of England's Sterling Overnight Index Average
Specific Matters Agreement	the specific matters agreement dated 2 March 2023 between Melrose and Dowlais, further details of which are set out in Section 9(B) (<i>Specific Matters Agreement</i>) of Part VIII (<i>Additional Information</i>)
Sponsor's Agreement	the sponsor's agreement dated 3 March 2023 between Melrose, Dowlais and Rothschild & Co, further details of which are set out in Section 9(E) (<i>Sponsor's Agreement</i>) of Part VIII (<i>Additional Information</i>)
Sub-divided Shares	as set out in Section 10 (<i>Related Party Transactions</i>) of Part VIII (<i>Additional Information</i>)
Target MASP Crystallisation Value	as set out in Section 4 (<i>Rewarding further value creation in GKN Automotive and GKN Powder Metallurgy</i>) of Part VII (<i>Proposed Melrose Incentive Adjustments</i>)
Tax-Free Distribution	as set out in Section 11 (<i>Taxation</i>) of Part II (<i>Information on the Proposal</i>)

Tax Matters Agreement	the tax matters agreement dated 2 March 2023 between Melrose and Dowlais, further details of which are set out in Section 9(C) (<i>Tax Matters Agreement</i>) of Part VIII (<i>Additional Information</i>)
Threshold MASP Crystallisation Value	as set out in Section 4 (<i>Rewarding further value creation in GKN Automotive and GKN Powder Metallurgy</i>) of Part VII (<i>Proposed Melrose Incentive Adjustments</i>)
Trade Mark Agreements	the various agreements entered into by entities within the Melrose Group in relation to the GKN Trade Marks, further details of which are set out in Section 9.2(B) (<i>Trade Mark Agreements</i>) of Part VIII (<i>Additional Information</i>)
Transactions	as set out in Part 2 of Part VI (<i>Unaudited Pro Forma Financial Information of the Continuing Melrose Group</i>)
Transitional Services Agreement	the transitional services agreement dated 2 March 2023 between Melrose and Dowlais, a summary of the principal terms of which is set out in Section 9.1(D) (<i>Transitional Services Agreement</i>) of Part VIII (<i>Additional Information</i>)
Treaty	as set out in Section 11 (<i>Taxation</i>) of Part II (<i>Information on the Proposal</i>)
UK Corporate Governance Code	the UK Corporate Governance Code published in July 2018 by the Financial Reporting Council, as amended from time to time
UK or United Kingdom	United Kingdom of Great Britain and Northern Ireland
US Holder	as set out in Section 11 (<i>Taxation</i>) of Part II (<i>Information on the Proposal</i>)
US or United States	United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia
US Securities Act	as set out in the US Considerations in the Important Information section of this Circular
xEV	BEVs along with mild and full hybrid vehicles

All references to legislation in this Circular are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

For the purpose of this Circular, “subsidiary” and “subsidiary undertaking” have the meanings given by the Companies Act.

Words importing the singular shall include the plural and *vice versa*, and words importing the masculine gender shall include the feminine or neutral gender.

NOTICE OF GENERAL MEETING

MELROSE INDUSTRIES PLC

(incorporated and registered in England and Wales under the Companies Act 2006 with registered number 09800044)

NOTICE OF GENERAL MEETING

NOTICE IS GIVEN that a General Meeting of Melrose Industries PLC (“**Melrose**” or the “**Company**”) will be held at Investec Bank plc, 30 Gresham Street, London EC2V 7QN at 10:00 a.m. on 30 March 2023 to consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution:

ORDINARY RESOLUTION

THAT:

- each holding of three Existing Melrose Shares as shown in the register of members of Melrose at a record date and time to be determined by the board of directors of the Company (the “**Board**”) (or a duly appointed committee thereof), at the discretion of the Board (or a duly appointed committee thereof), be consolidated into one ordinary share of 160/7 pence each in the capital of the Company (each resulting share being a “**New Melrose Share**”) and in such ratio for any other number of Existing Melrose Shares so held, **PROVIDED THAT** where such consolidation results in any member being entitled to a fraction of a New Melrose Share, such fraction shall, so far as possible, be aggregated with the fractions of New Melrose Shares to which other members of the Company may be entitled and the directors of the Company (the “**Directors**”) be and are authorised to sell (or appoint any other person to sell), on behalf of the relevant members, all the New Melrose Shares representing such fractions at the best price reasonably obtainable to any persons, and to pay the proceeds of sale (net of expenses) in due proportion to the relevant members entitled thereto (save that any fraction of a penny which would otherwise be payable shall be rounded up or down in accordance with the usual practice of Equiniti Limited (the “**Registrar**”) and, if the proceeds are less than £5.00 in the case of any one Shareholder, they will be donated to a charity chosen by the Board of the Company) and that any Director (or any person appointed by the Directors) shall be and is authorised to execute one or more instrument(s) of transfer in respect of such shares on behalf of the relevant members and to do all acts and things the Directors consider necessary or expedient to effect the transfer of such shares to, or in accordance with the directions of, any buyer of any such shares (the “**Melrose Share Consolidation**”);
- upon the recommendation and conditional on the approval of the Directors and immediately prior to the ordinary shares (“**Dowlais Shares**”) of Dowlais Group plc (“**Dowlais**”) being admitted to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the main market for listed securities of the London Stock Exchange (“**Dowlais Admission**”), in connection with the proposed demerger of Dowlais and its business from the Company on the terms, and subject to the conditions, of the demerger agreement between Dowlais and the Company dated 2 March 2023 (the “**Demerger**” and the “**Demerger Agreement**”), the Company make an interim distribution *in specie* of 1,351,475,321 Dowlais Shares to holders of ordinary shares of the Company (“**Melrose Shares**”) on the register of members of the Company at 10:00 p.m. on 19 April 2023 (or such other time and/or date as the Directors may determine) (the “**Demerger Record Time**”) (each such holder being a “**Qualifying Shareholder**”), in the proportion of one Dowlais Share for each Melrose Share then held by each Qualifying Shareholder, so that immediately prior to Dowlais Admission each Qualifying Shareholder will hold an entitlement to one Dowlais Share for each Melrose Share held by such Qualifying Shareholder at the Demerger Record Time (the “**Demerger Distribution**”), provided that for Shareholders to whom it is not possible or impractical without undue expense, complexity or registration or filing in another jurisdiction to make an *in specie* distribution of Dowlais Shares, the Board is authorised to, at its discretion (or at the discretion of a duly appointed committee thereof), sell (or procure the sale of) the Dowlais Shares to which they would otherwise be entitled in the market and pay the net proceeds to such Shareholders in settlement of their entitlement to the distribution. Each and any of the Directors be and is authorised to do or procure to be done all such acts and things on behalf of the Company and each of its subsidiaries as they may, in their discretion, consider necessary or expedient for the purpose of giving effect to the Demerger Distribution with such amendments, modifications, variations or revisions thereto as are not of a material nature;

- the Demerger, on the terms, and subject to the conditions, of the Demerger Agreement and all agreements entered into pursuant to or in connection with the Demerger, with such modifications (if any) as may be made in the manner specified below, be and is approved for the purposes of Chapter 10 of the Listing Rules, as amended, and generally;
- each and any of the Directors be and is authorised to conclude and implement the Demerger in accordance with the terms and conditions of the Demerger Agreement and all agreements entered into pursuant to or in connection with the Demerger and to do or procure to be done all such acts and things on behalf of the Company and each of its subsidiaries as they may, in their discretion, consider necessary or expedient for the purpose of giving effect to the Demerger with such amendments, modifications, variations or revisions thereto as are not of a material nature; and
- conditional on Dowlais Admission, the following adjustments to the Company’s incentive arrangements be implemented:
 - the 2020 Melrose Employee Share Plan be amended, the principal terms of such amendments being summarised in Part VII of the Circular to Shareholders accompanying this Notice of General Meeting and the rules of which will be produced at the meeting and for the purposes of identification initialled by the Chairman, and the Board be and is authorised to do all such acts and things necessary or desirable to implement the proposed amendments to the 2020 Melrose Employee Share Plan, and to establish such further plans based on the 2020 Melrose Employee Share Plan or schedules to the 2020 Melrose Employee Share Plan as the Board considers necessary or desirable but which have been modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any Shares made available under such further plans or schedules are treated as counting against any limits on individual or overall participation in the 2020 Melrose Employee Share Plan; and
 - the Melrose Automotive Share Plan, the principal terms of which are summarised in Part VII of the Circular to Shareholders accompanying this Notice of General Meeting and the rules of which will be produced at the meeting and for the purposes of identification initialled by the Chairman, be and are approved and the Board be and is authorised to do all such acts and things necessary or desirable to establish and implement the Melrose Automotive Share Plan, and to establish such further plans based on the Melrose Automotive Share Plan or schedules to the Melrose Automotive Share Plan as the Board considers necessary or desirable but which have been modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any Dowlais Shares made available under such further plans or schedules are treated as counting against any limits on individual or overall participation in the Melrose Automotive Share Plan; and
 - the 2020 Directors’ Remuneration Policy be and is revised, such that the sections relating to the 2020 Melrose Employee Share Plan in column 1 of the table set out in the Appendix to the Notice of General Meeting (*Proposed Revisions to the 2020 Directors’ Remuneration Policy*) shall be replaced by the sections set out in column 2 of the table set out in the Appendix to the Notice of General Meeting (*Proposed Revisions to the 2020 Directors’ Remuneration Policy*), other than where column 2 states “No amendment proposed”.

3 March 2023

Registered office:

11th Floor
 The Colmore Building
 Colmore Circus Queensway
 Birmingham
 B4 6AT

By order of the Board



Warren Fernandez
Company Secretary

APPENDIX TO THE NOTICE OF GENERAL MEETING

PROPOSED REVISIONS TO THE 2020 DIRECTORS' REMUNERATION POLICY

The table below sets out the proposed revisions to the 2020 Directors' Remuneration Policy, as set out on pages 103 to 111 of the 2019 Annual Report and Accounts and pages 15 to 24 of the 2020 Employee Share Plan Circular, which was approved by Shareholders at the annual general meeting on 7 May 2020 and as subsequently amended at the general meeting on 21 January 2021. These proposed revisions are described in Part VII (*Proposed Melrose Incentive Adjustments*) of the Circular.

Sections of the 2020 Directors' Remuneration Policy not set out below are not proposed to be amended and shall remain in full force and effect until the renewal of the 2020 Directors' Remuneration Policy at the 2023 annual general meeting of the Company. References in the 2020 Directors' Remuneration Policy (including those sections not set out below) (i) to "Plan Rules" shall be changed to "MESP Rules"; (ii) to "Performance Period" shall be changed to "MESP Performance Period"; (iii) to "2020 Employee Share Plan" shall be changed to "MESP"; (iv) to "Commencement Date" shall be changed to "MESP Commencement Date"; and (v) to "Crystallisation Date" shall be changed to "MESP Crystallisation Date".

Column (1)	Column (2)
Relevant section of the 2020 Directors' Remuneration Policy (as approved by Shareholders at the annual general meeting on 7 May 2020 and as subsequently amended on 21 January 2021 to include the 2020 Employee Share Plan)	Proposed amendment
<p>2020 EMPLOYEE SHARE PLAN</p> <p>Subject to the approval of shareholders at the General Meeting scheduled for 21 January 2021 (the "Plan GM"), the 2020 Employee Share Plan will be deemed to commence on 31 May 2020, being the crystallisation date of the 2017 Incentive Plan, and shall be governed by the plan rules tabled at the Plan GM (the "Plan Rules"). Although it is now a contractual plan, rather than contained within the Articles of Association, the 2020 Employee Share Plan is a continuation of the long-term incentive arrangements for executive Directors that have applied since the Company was established in 2003. It incentivises executive Directors over the longer-term and aligns their interests with those of shareholders by linking the level of reward to the value delivered to shareholders.</p> <p>Purpose and link to strategy</p> <p>Incentivises executive Directors over the longer term and drives the Company's value creation strategy. It aligns the interests of executive Directors with those of shareholders by linking the level of reward to the value delivered. Incentive plans are regularly renewed on consistent terms to provide continuity and to incentivise long-term performance.</p> <p>Operation</p> <p><i>Awards</i></p> <p>Conditional awards under the 2020 Employee Share Plan ("Conditional Awards") are to be granted on the deemed commencement date of 31 May 2020 (the "Commencement Date"), subject to shareholder approval at the Plan GM, and performance will be</p>	<p>2020 EMPLOYEE SHARE PLAN</p> <p>As approved by shareholders at the General Meeting on 21 January 2021, the 2020 Employee Share Plan (the "MESP") was deemed to commence on 31 May 2020, being the crystallisation date of the 2017 Incentive Plan, and is governed by the plan rules originally adopted from commencement of the MESP, as amended per the version tabled at the General Meeting held on 30 March 2023 (the "General Meeting") (the "MESP Rules"). Although it is now a contractual plan, rather than contained within the Articles of Association, the MESP is a continuation of the long-term incentive arrangements for executive Directors that have applied since the Company was established in 2003. It incentivises executive Directors over the longer-term and aligns their interests with those of shareholders by linking the level of reward to the value delivered to shareholders.</p> <p>Purpose and link to strategy</p> <p>No amendment proposed.</p> <p>Operation</p> <p><i>Awards</i></p> <p>Conditional awards under the MESP ("Conditional Awards") were granted with effect from the deemed commencement date of 31 May 2020 (the "MESP Commencement Date"), and performance will be measured by the increase in value of invested</p>

measured by the increase in value of deemed invested capital over a three-year period to the crystallisation date (the “Crystallisation Date”) on 31 May 2023 or, where an exceptional corporate event affecting the Company occurs prior to that event (such as a change of control or winding up), an earlier date as determined in accordance with the Plan Rules (the “Performance Period”).

The deemed invested capital at the Commencement Date will be based on a deemed share price at the Commencement Date (“Entry Price”) of 146.85 pence multiplied by the number of Ordinary Shares in issue, giving a figure of £7,134,463,610.

On the Crystallisation Date, the Conditional Awards will convert into a share award (a “Share Award”) with an entitlement to ordinary shares in the Company (“Ordinary Shares”) and, in circumstances where the cap based on the Maximum Annual Share Entitlement (as defined below) applies (the “Cap”), an option or options carrying a right to acquire Ordinary Shares for no payment shall be issued in addition to the Share Award, which option or options shall also be subject to the Cap (a “Nil Cost Option”).

To determine the application of the Cap, on the Commencement Date, the Remuneration Committee shall calculate the maximum number of Ordinary Shares (subject to adjustment in accordance with the Plan Rules) that an executive Director is able to receive in any calendar year under the 2020 Employee Share Plan, by (i) in the case of an executive Director holding 16% of Conditional Awards, dividing £10 million by 150 pence, being approximately 6.7 million Ordinary Shares (the “Maximum Cap”); and (ii) for each other executive Director holding above 1% of Conditional Awards, calculating such lower number as reflects a pro rata reduction to the Maximum Cap, based on the number of Conditional Awards held by that executive Director (the “Reduced Cap”), such resulting number in each case being the “Maximum Annual Share Entitlement” or the “MASE”.

If, on the Crystallisation Date, the calculation to convert the Conditional Award would result in an executive Director becoming entitled to receive a Share Award for more Ordinary Shares than the Maximum Cap, then his entitlement to receive Ordinary Shares in respect of the conversion shall be reduced to the Maximum Cap, and the executive Director shall be issued with a Nil Cost Option

capital of the GKN Aerospace business to be retained by the Company (the “Continuing Melrose Group”) over a four year period to (but excluding) the crystallisation date (the “MESP Crystallisation Date”) on 31 May 2024 or, where an exceptional corporate event affecting the Company occurs prior to that event (such as a change of control or winding up), an earlier date as determined in accordance with the MESP Rules (the “MESP Performance Period”).

The invested capital of the Continuing Melrose Group is calculated by allocating the total invested capital of the Company between the Continuing Melrose Group and the businesses to be demerged pursuant to the Demerger (as defined in the Notice of General Meeting dated 3 March 2023 (the “Notice”)) (the “Dowlais Group”), resulting in an allocation of £3,126,154,036 of invested capital to the Continuing Melrose Group at 31 December 2022.

No amendment proposed.

To determine the application of the Cap, the Remuneration Committee shall calculate the maximum number of Ordinary Shares (subject to adjustment for Ordinary Share Costs and Returns in accordance with the MESP Rules) that an executive Director is able to receive in any calendar year under the MESP, by (i) in the case of an executive Director holding 16% of Conditional Awards, dividing £10 million by 150 pence, being approximately 6.7 million Ordinary Shares, and adjusting such number to take into account Ordinary Share Costs, Returns, the Melrose Share Consolidation (as defined in the Notice) and the Demerger; and (ii) for each other executive Director holding above 1% of Conditional Awards, calculating such lower number as reflects a pro rata reduction to the Maximum Cap, based on the number of Conditional Awards held by that executive Director (the “Reduced Cap”), such resulting number in each case being the “Maximum Annual Share Entitlement” or the “MASE”.

No amendment proposed.

exercisable in the first calendar year following the Crystallisation Date or at any time thereafter during the period of 10 years from the Crystallisation Date for the balance of his entitlement under the Share Award, PROVIDED THAT if the number of Ordinary Shares the subject of the Nil Cost Option exceeds that executive Director's MASE, then such number of Ordinary Shares shall be reduced to that executive Director's MASE and the executive Director will be issued with a second Nil Cost Option on the Crystallisation Date for the balance of his entitlement to Share Awards, such second Nil Cost Option being exercisable in the second calendar year following the Crystallisation Date or at any time thereafter during the period of 10 years from the Crystallisation Date, PROVIDED FURTHER THAT if the number of Ordinary Shares the subject of the second Nil Cost Option exceeds that executive Director's MASE, then such number of shares shall be reduced to that executive Director's MASE and the executive Director shall not be entitled to any further shares to which he would otherwise have been entitled under the Share Award on the Crystallisation Date, which entitlement shall be permanently cancelled, PROVIDED FURTHER THAT, for any executive Director to whom the Reduced Cap applies, Ordinary Shares in respect of which Nil Cost Options would otherwise have become exercisable in the two calendar years following the Crystallisation Date may be issued on the Crystallisation Date, provided that such executive Director cannot receive more than the Maximum Cap on the Crystallisation Date. The number of Ordinary Shares that are issued (or in respect of which cash settlement proceeds are paid in lieu) on the Crystallisation Date in excess of such executive Director's Reduced Cap, shall be deducted from the number of Awards to be issued (or the cash settlement proceeds in lieu of receiving such Awards) to that executive Director in the two calendar years following the Crystallisation Date (starting with the latest calendar year first), such that the executive Director does not receive more than the aggregate of their Reduced Cap in respect of each calendar year in which Awards are payable.

At each date when shares subject to awards under the 2020 Employee Share Plan are capable of vesting and becoming exercisable, the Remuneration Committee shall conduct a performance assessment to ensure that the number of shares vesting and becoming exercisable does not appear anomalous or where there is quantified material information known to the Remuneration Committee in relation to the current financial position of the Company that is not in the public domain, the result would not be anomalous if the information were in the public domain. The Remuneration Committee will disclose its assessment in the relevant Annual Report on Remuneration

No amendment proposed.

covering the period which includes the date when the shares subject to awards vests and become exercisable.

Notwithstanding the above provisions, where the executive Director is resident in the United States for tax purposes the MASE applicable on the Crystallisation Date shall (where applicable) be increased by the Remuneration Committee to a number equal to 50% of such executive Director's total entitlement to the Company's Ordinary Shares on crystallisation as if all Awards were to vest on that date or such lesser percentage as shall enable the executive Director to use the proceeds of the sale of such increased entitlement to the Company's Ordinary Shares (or the cash settlement proceeds in lieu of receiving such shares) to settle any taxes arising in respect of the crystallisation. Where this provision applies, the number of Ordinary Shares that are issued (or in respect of which cash settlement proceeds are paid in lieu) on the Crystallisation Date that are in excess of that participant's Reduced Cap on the Crystallisation Date shall be deducted from the number of Awards to be issued (or the cash settlement proceeds in lieu of receiving such Ordinary Shares) to that participant in the two calendar years following the Crystallisation Date (starting with the latest calendar year first), such that the participant does not receive more than the aggregate of their Reduced Cap in respect of each calendar year in which Awards are payable.

No amendment proposed.

The above provisions related to the Cap are without prejudice to the Company's ability to settle any entitlement to Ordinary Shares under the Share Award or a Nil Cost Option by way of a cash payment calculated in accordance with the Plan Rules, to the provisions of the Plan Rules permitting the early exercise of the Nil Cost Options in the circumstances specified in those rules, and to the provisions of the Plan Rules giving the Remuneration Committee the power to adjust the number of shares the subject of the Nil Cost Options.

No amendment proposed.

The Remuneration Committee recognises that corporate events that are rare for other companies are a standard and regular part of the Company's "Buy, Improve, Sell" model, and that executive Directors should not be penalised for them. Therefore, if there is a corporate event of the Group or any variation of the share capital of the Company (whether by rights issue, open offer, consolidation, subdivision, demerger, reduction of capital or otherwise), the Remuneration Committee shall adjust the application of the Cap in the manner that it considers to be fair and reasonable.

No amendment proposed.

Holding Period

Any Ordinary Shares awarded pursuant to the 2020 Employee Share Plan, excluding any sold to fund the amount of tax payable in respect of the receipt of such shares, must be held by executive Directors for two years after the Crystallisation Date (the “Holding Period”).

Cash Settlement

The Plan Rules provide that the Remuneration Committee may, with the agreement of the executive Director, cash settle all or part of the participant’s entitlement to Ordinary Shares on the conversion of a Conditional Award or the exercise of a Nil Cost Option in full and final settlement of the executive Director’s rights under the relevant Award.

Leavers

The treatment of an executive Director’s participation in the 2020 Employee Share Plan if he is a ‘leaver’ is described on page 110.

Other

The other operative provisions of the 2020 Employee Share Plan are set out in the Plan Rules and will be available for inspection at the 2020 AGM.

Opportunity

Participants in the 2020 Employee Share Plan share in 7.5% of the increase in deemed invested capital between the Commencement Date and the Crystallisation Date in excess of a 5% annual charge, calculated in accordance with the Plan Rules.

The deemed invested capital at the Commencement Date will be based on a deemed share price at the Commencement Date (“Entry Price”) of 146.85 pence multiplied by the number of Ordinary Shares in issue, giving a figure of £7,134,463,610.

If the sales for the Aerospace division return to substantially 2019 levels before 31 May 2023, there will be an adjustment by increasing the effective Start Price through adding an amount to Invested Capital, based on half of the post-tax effect of these additional sales as set out below.

The amount of any adjustment, should it be necessary, will equal half of the figure reached by calculating Audited 2022 Aerospace Sales (re-calculated using average foreign exchange rates applicable for the financial year ended 31 December 2019) minus £3,274 million (being 85% of the Audited 2019 Aerospace Sales), multiplied by a net margin of 12%, net of tax at our Group rate, multiplied by a price to earnings ratio of 15x.

Holding Period

No amendment proposed.

Cash Settlement

No amendment proposed.

Leavers

No amendment proposed.

Other

The other operative provisions of the MESP are set out in the MESP Rules and will be available for inspection at the General Meeting.

Opportunity

Participants in the MESP share in 7.5% of the increase in value of invested capital (as calculated below) of the Continuing Melrose Group between the MESP Commencement Date and the MESP Crystallisation Date in excess of a 5% annual charge, calculated in accordance with the MESP Rules.

The invested capital of the Continuing Melrose Group is calculated by allocating the total invested capital of the Company between the Continuing Melrose Group and the businesses comprising the Dowlais Group, resulting in an allocation of £3,126,154,036 of invested capital to the Continuing Melrose Group at 31 December 2022.

No amendment proposed.

For this purpose:

“Start Price” means the minimum Share Price of the Company’s Ordinary Shares which is required to be met on the Crystallisation Date in order for Awards to be granted under the 2020 Employee Share Plan, being 170 pence, adjusted to take into account any dividend, distribution, capital return or reduction, share repurchase, bonus issue, subdivision or consolidation of the Ordinary Shares, rights issue, demerger or any other variation of share capital; and “Share Price” means the average market value (in pounds sterling) of an Ordinary Share for the 40 Business Days prior to the Crystallisation Date.

Each individual’s Conditional Awards granted in respect of the 2020 Employee Share Plan shall be determined by reference to a percentage entitlement to the overall available amount (which shall be subject to adjustment in accordance with the Plan Rules).

Initial Conditional Awards with the following percentage entitlements shall be granted to the executive Directors on the Commencement Date:

- Christopher Miller: 14% of total
- Simon Peckham: 16% of total
- Geoffrey Martin: 16% of total
- Peter Dilnot: 12% of total
- David Roper: 5% of total

The maximum number of new Ordinary Shares in the Company that may be issued in relation to the 2020 Employee Share Plan is 5% of the aggregate number of Ordinary Shares in issue on 31 May 2020, plus 5% of any additional Ordinary Shares issued or created by the Company after that date and prior to the Crystallisation Date. However, this limit will not apply in the event of a change of control or winding up of the Company, as provided for in the Plan Rules. Further, to the extent it would be exceeded on crystallisation, the excess shall be paid to participants in cash, subject always to the Cap.

Performance metric

The value that may be delivered under the 2020 Employee Share Plan will be determined by reference to the deemed growth in value of the Company from and including the Commencement Date of 31 May 2020 (based on the Entry Price of 146.85 pence) to and excluding the Crystallisation Date of 31 May 2023 (or an earlier date in the event of acceleration because of an exceptional corporate event affecting the Company), calculated in accordance with the Plan Rules.

Discretion

The Committee may make such adjustments as it deems to be fair and reasonable so far as the holders of Ordinary Shares are concerned (having taken such advice that it deems appropriate in the circumstances,

No amendment proposed.

No amendment proposed.

Performance metric

The value that may be delivered under the MESP will be determined by reference to the growth in value of the Company (based on the invested capital of the Continuing Melrose Group) from and including the MESP Commencement Date of 31 May 2020 to (but excluding) the MESP Crystallisation Date of 31 May 2024 (or an earlier date in the event of acceleration because of an exceptional corporate event affecting the Company (other than the Demerger)), calculated in accordance with the MESP Rules.

Discretion

No amendment proposed.

including from an investment bank of repute) to the calculation of the number of Ordinary Shares and/or cash to which the holders of Conditional Awards or Nil Cost Options shall be entitled in certain circumstances where the application of a provision of the Plan Rules produces, or is likely to produce, an anomalous result or where there is quantified material information known to the Remuneration Committee in relation to the current financial position of the Company that is not in the public domain that would, in the reasonable opinion of the Remuneration Committee, produce an anomalous result if such information were in the public domain.

MELROSE AUTOMOTIVE SHARE PLAN

Subject to the approval of shareholders at the General Meeting, the Melrose Automotive Share Plan (the “MASP”) will commence on the date of completion of the Demerger (the “MASP Commencement Date”), and shall be governed by the plan rules tabled at the General Meeting (the “MASP Rules”). The MASP rewards participants in respect of any increase in the value attributable to the businesses comprising the Dowlais Group (which is proposed to be carved out from the MESP).

Purpose and link to strategy

The MASP aligns the interests of executive Directors with those of shareholders in Dowlais, who, immediately following the Demerger, will be substantially the same as Melrose’s shareholders, by linking the level of reward to the value delivered.

Operation

MASP Options

A certain number of ordinary shares in Dowlais (the “MASP Shares”) are to be held by an employee share ownership trust to be established by Melrose for the purposes of satisfying awards under the MASP (the “MASP ESOT”). Options over the MASP Shares are to be granted on or after the MASP Commencement Date and performance will be measured by the increase in value of invested capital over the period up to (but excluding) the crystallisation date on 31 May 2025 (the “MASP Crystallisation Date”) or, where an exceptional corporate event affecting the Company or Dowlais occurs prior to that event (such as a change of control or winding up), an earlier date as determined in accordance with the MASP Rules (the “MASP Performance Period”).

The invested capital of the businesses comprising the Dowlais Group for the purposes of the MASP will be equal to £3,525,237,530 (the “Threshold MASP Crystallisation Value”), being equal to the amount of invested capital deducted from the MESP as a result of the allocation of the total invested capital of the Company between the Continuing Melrose Group and

the businesses comprising the Dowlais Group, as described above.

Any increase in value over the Threshold MASP Crystallisation Value will be calculated by reference to the average market capitalisation of Dowlais for the 40 Business Days prior to (but excluding) the MASP Crystallisation Date (the “MASP Crystallisation Value”).

The MASP Options shall vest in full and become immediately exercisable if, on the MASP Crystallisation Date, the MASP Crystallisation Value is equal to or more than £4,500,000,000 (the “Target MASP Crystallisation Value”). If, on the MASP Crystallisation Date, the MASP Crystallisation Value is less than or equal to the Threshold MASP Crystallisation Value, then none of the MASP Options shall vest and they shall lapse with immediate effect. The MASP Options shall vest on a straight-line basis if the MASP Crystallisation Value exceeds the Threshold MASP Crystallisation Value but is less than the Target MASP Crystallisation Value.

Notwithstanding the vesting provisions described above, the MASP Options shall vest in full and become immediately exercisable if, at any time following the MASP Commencement Date and prior to the MASP Crystallisation Date, the average market capitalisation of Dowlais for a period of 40 Business Days is equal to the Target MASP Crystallisation Value (as adjusted to take into account Dowlais Ordinary Share Costs and Dowlais Returns, in accordance with the MASP Rules).

Any MASP Options which have not vested on or prior to the MASP Crystallisation Date shall lapse with immediate effect.

For the purposes of the vesting provisions, the market capitalisation of Dowlais on a given date shall be calculated by multiplying Dowlais Share Price by the number of Dowlais Shares in issue at close of trading on such date (excluding treasury shares). “Dowlais Share Price” for this purpose shall be the closing middle market quotation for a Dowlais Share (as derived from the Daily Official List of the London Stock Exchange or the equivalent list or record for the recognised stock exchange on which the Dowlais Shares are listed) on the relevant date.

Each of the Threshold MASP Crystallisation Value and the Target MASP Crystallisation Value shall be adjusted to take into account any dividend, distribution, capital return or reduction, share repurchase, bonus issue, subdivision or consolidation, rights issue, demerger or any other variation of share capital undertaken by Dowlais in relation to the Dowlais Shares held by the MASP ESOT, including amounts paid up on any Dowlais Shares held by the MASP ESOT (subject to certain exceptions) (“Dowlais Ordinary Share Costs” and “Dowlais Returns”, as applicable), in accordance with the MASP Rules.

In the event of a change of control, scheme of arrangement or winding up of Melrose (or, at the discretion of the Remuneration Committee, a demerger, distribution or other corporate event of the Melrose Group), the date of the event shall be treated as the MASP Crystallisation Date and the MASP Crystallisation Value shall be calculated accordingly, provided that, if the MASP Crystallisation Value as a result of such calculation is less than the mid-point between the Threshold MASP Crystallisation Value and the Target MASP Crystallisation Value (each as adjusted to take into account Dowlais Ordinary Share Costs and Dowlais Returns) (the “MASP Crystallisation Value Mid-Point”), it shall be deemed to be the MASP Crystallisation Value Mid-Point. The appropriate portion of the MASP Options shall vest on the basis of such calculation and shall become immediately exercisable, and shall be deemed automatically exercised, on the date of and immediately prior to such event.

In the event of a change of control, scheme of arrangement or winding up of Dowlais (a “Dowlais Trigger Event”), the MASP Options shall vest in full and become immediately exercisable (and shall be deemed to be automatically exercised) upon the date of, and immediately prior to, the Dowlais Trigger Event.

Upon exercise of a MASP Option (which exercise is subject to satisfaction of the vesting conditions described above), the Company shall arrange for the transfer to the optionholder (or as it may direct) of the Dowlais Shares to which the MASP Option relates, together with all dividends, other distributions and any additional Dowlais Shares received by the MASP ESOT in respect of such Dowlais Shares from the date of grant of the relevant MASP Option, after deducting such amount as is necessary to allow the Company or the trustees of the MASP ESOT to account for any tax arising on the payment to it in respect of such dividends, returns of capital or other distributions and any reasonable costs and expenses incurred by the trustees of the MASP ESOT.

Leavers

The treatment of an executive Director's participation in the MASP if he is a 'leaver' is described further below.

Other

The other operative provisions of the MASP are set out in the MASP Rules and will be available for inspection at the General Meeting.

Opportunity

Participants in the MASP share in the increase in value of invested capital during the MASP Performance Period, up to and including the Target MASP Crystallisation Value, calculated in accordance with the MASP Rules.

The invested capital for the purposes of the MASP will be £3,525,237,530, being equal to the amount of invested capital deducted from the MESP as a result of the allocation of the total invested capital of the Company between the Continuing Melrose Group and the businesses comprising the Dowlais Group, as described above.

MASP Options shall be granted to the executive Directors on or after the MASP Commencement Date, in respect of the following percentage proportions of ordinary shares in Dowlais held by the MASP ESOT for this purpose:

- Christopher Miller: 14%
- Simon Peckham: 16%
- Geoffrey Martin: 16%
- Peter Dilnot: 12%

The maximum number of Dowlais Shares to which all MASP Options in issue relate may not exceed 27,865,471, being two per cent. of the total issued ordinary shares of Dowlais as at the MASP Commencement Date, provided that, if there is any variation of the share capital of Dowlais (whether by rights issue, open offer, consolidation, sub-division, demerger, reduction of capital or otherwise), the Remuneration Committee may adjust such number in any manner that the Remuneration Committee, in its reasonable opinion, considers to be fair and appropriate.

Performance metric

The value that may be delivered under the MASP will be determined by reference to the growth in value of Dowlais up to (but excluding) 31 May 2025 (or an earlier date in the event of acceleration because of an exceptional corporate event affecting the Company or Dowlais) calculated in accordance with the MASP Rules. The maximum crystallisation value is £4,500,000,000. To the extent that greater value is created, no additional award can accrue.

Malus

In the event of (1) material misstatement of financial results that, in the reasonable opinion of the Remuneration Committee, has a material negative effect; (2) gross misconduct by the relevant executive Director; (3) events or behaviour of an executive Director that have led to the censure of the Company by a significant regulatory authority or have had a significant detrimental impact on the reputation of the Company, provided that the Remuneration Committee is satisfied that the relevant executive Director was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to them; and/or (4) the Company becoming insolvent or otherwise suffering a corporate failure so that the value of the Company's Ordinary Shares is materially reduced, provided that the Remuneration Committee determines, following an appropriate review of accountability, that the executive Director should be held responsible (in whole or in part) for that insolvency or corporate failure prior to the Crystallisation Date, the Conditional Awards held by the executive Director may be cancelled in whole or in part for nil consideration.

Clawback

In the event of (1) material misstatement of financial results that, in the reasonable opinion of the Remuneration Committee, has a material negative effect; (2) material miscalculation of any performance measure on which the crystallisation of the Conditional Awards was based; (3) gross misconduct by the relevant executive Director; (4) events or behaviour of an executive Director that have led to the censure of the Company by a significant regulatory authority or have had a significant detrimental impact on the reputation of the

Discretion

The Remuneration Committee may make such adjustments as it deems to be fair and reasonable so far as the holders of MASP Options are concerned (having taken such advice that it deems appropriate in the circumstances, including from an investment bank of repute) to the number or description of Dowlais Shares subject to a MASP Option, the terms or number of MASP Options granted to a participant, the Threshold MASP Crystallisation Value or the Target MASP Crystallisation Value in certain circumstances where the application of a provision of the MASP Rules produces, or is likely to produce, an anomalous result.

TERMS APPLYING TO BOTH THE 2020 EMPLOYEE SHARE PLAN AND THE MELROSE AUTOMOTIVE SHARE PLAN**Malus**

In the event of (1) material misstatement of financial results that, in the reasonable opinion of the Remuneration Committee, has a material negative effect; (2) gross misconduct by the relevant executive Director; (3) events or behaviour of an executive Director that have led to the censure of the Company by a significant regulatory authority or have had a significant detrimental impact on the reputation of the Company, provided that the Remuneration Committee is satisfied that the relevant executive Director was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to them; and/or (4) the Company becoming insolvent or otherwise suffering a corporate failure so that the value of the Company's Ordinary Shares is materially reduced, provided that the Remuneration Committee determines, following an appropriate review of accountability, that the executive Director should be held responsible (in whole or in part) for that insolvency or corporate failure, prior to the MESP Crystallisation Date or the MASP Crystallisation Date (as applicable), the Conditional Awards or the MASP Options (as applicable) held by the executive Director may be cancelled in whole or in part for nil consideration.

Clawback

In the event of (1) material misstatement of financial results that, in the reasonable opinion of the Remuneration Committee, has a material negative effect; (2) material miscalculation of any performance measure on which the crystallisation of the Conditional Awards or the MASP Options (as applicable) was based; (3) gross misconduct by the relevant executive Director; (4) events or behaviour of an executive Director that have led to the censure of the Company by a significant regulatory authority or have had a significant detrimental impact on the

Company, provided that the Remuneration Committee is satisfied that the relevant executive Director was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to them; and/or (5) the Company becoming insolvent or otherwise suffering a corporate failure so that the value of the Company's Ordinary Shares is materially reduced, provided that the Remuneration Committee determines, following an appropriate review of accountability, that the executive Director should be held responsible (in whole or in part) for that insolvency or corporate failure, following the Crystallisation Date but prior to 31 May 2025, the executive Director may be required to transfer (for nil consideration) the number of Ordinary Shares arising from the crystallisation, less the number of Ordinary Shares sold to fund the tax liability arising from crystallisation, and/or to pay to the Company the amount of any cash received on or following crystallisation less the amount of any tax paid in relation to that cash, and any Nil Cost Options held by such executive Director may be cancelled in whole or in part for no payment to the executive Director.

Leavers

If an executive Director ceases to be employed by the Company before the Crystallisation Date, the treatment of the Conditional Awards held by such executive Director will be determined depending on their classification as a 'Good Leaver' or a 'Bad Leaver' as defined and summarised above and below.

Good Leavers

If an executive Director holding Conditional Awards ceases employment in circumstances where he is a 'Good Leaver' before the Crystallisation Date, unless the Remuneration Committee decides otherwise, the participation percentage under his Conditional Award shall be reduced on a pro-rata basis to reflect the period from 31 May 2020 to the date on which he ceased employment as a proportion of the Performance Period, and the Remuneration Committee may award such amount to other eligible employees in accordance with the Plan Rules.

reputation of the Company, provided that the Remuneration Committee is satisfied that the relevant executive Director was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to them; and/or (5) the Company becoming insolvent or otherwise suffering a corporate failure so that the value of the Company's Ordinary Shares is materially reduced, provided that the Remuneration Committee determines, following an appropriate review of accountability, that the executive Director should be held responsible (in whole or in part) for that insolvency or corporate failure, following the MESP Crystallisation Date or the MASP Crystallisation Date (as applicable) but prior to 31 May 2026, the executive Director may be required to transfer (for nil consideration) the number of Ordinary Shares or Dowlais Shares (as applicable) arising from the relevant crystallisation, less the number of Ordinary Shares or Dowlais Shares (as applicable) sold to fund the tax liability arising from the relevant crystallisation, and/or, in the case of the 2020 Employee Share Plan, to pay to the Company the amount of any cash received on or following crystallisation less the amount of any tax paid in relation to that cash, and any Nil Cost Options held by such executive Director may be cancelled in whole or in part for no payment to the executive Director.

Leavers

If an executive Director ceases to be employed by the Company before the MESP Crystallisation Date or the MASP Crystallisation Date (as applicable), the treatment of the Conditional Awards or the MASP Options (as applicable) held by such executive Director will be determined depending on their classification as a 'Good Leaver' or a 'Bad Leaver' as defined and summarised below.

Good Leavers

If an executive Director holding Conditional Awards or MASP Options (as applicable) ceases employment in circumstances where he is a 'Good Leaver' before the MESP Crystallisation Date or the MASP Crystallisation Date (as applicable), unless the Remuneration Committee decides otherwise, the participation percentage under his Conditional Award or the number of his MASP Options (as applicable) shall be reduced on a pro-rata basis to reflect the period from 31 May 2020 to the date on which he ceased employment as a proportion of the MESP Performance Period or the MASP Performance Period (as applicable). The Remuneration Committee may award such amount to other eligible employees in accordance with the MESP Rules or the MASP Rules (as applicable).

Bad Leavers

If an executive Director holding Conditional Awards ceases employment in circumstances where he is a 'Bad Leaver' before the Crystallisation Date, every Conditional Award he holds shall lapse and, thereafter may be awarded to other eligible employees in accordance with the Plan Rules.

If an executive Director ceases to be employed by the Company after the Crystallisation Date for whatever reason, they shall be entitled to retain any outstanding Nil Cost Options held by them pursuant to the Plan Rules, which shall become exercisable in accordance with their terms and remain subject to the recovery provisions set out on pages 106 to 107.

Predictability

Fixed remuneration for the executive Directors is set below the lower quartile of FTSE peers to limit fixed costs for the Group, to provide certainty and to incentivise executive Directors.

Variable remuneration is limited to the annual bonus, which is capped at 100% and performance-driven based on financial growth and strategic factors, and the 2020 Employee Share Plan.

The Remuneration Committee sets out the possible values that may be earned under the 2020 Employee Share Plan upon approval of the plan by shareholders, and updates this every year.

2020 Employee Share Plan

The method of calculation, limits and discretions under the 2020 Directors' Remuneration Policy are clearly set out. For the 2020 Employee Share Plan, there are two proposed changes which will lead to greater certainty for investors:

- The annual charge rate will be increased from RPI+2% to a fixed rate of 5%.
- A rolling annual cap will be introduced, which will cap the award that an executive Director can receive under the 2020 Employee Share Plan on crystallisation to a number of Ordinary Shares (subject to adjustment in accordance with the Plan Rules) equivalent to (i) in the case of an executive Director holding 16% of Conditional Awards, £10 million divided by 150 pence, being approximately 6.7 million Ordinary Shares (the "Maximum Cap"); and (ii) for each other executive Director holding above 1% of Conditional Awards, such lower number as reflects a pro rata reduction to the Maximum Cap, based on the number of Conditional Awards held by that executive Director (the "Reduced Cap").

Bad Leavers

If an executive Director holding Conditional Awards or MASP Options (as applicable) ceases employment in circumstances where he is a 'Bad Leaver' before the MESP Crystallisation Date or the MASP Crystallisation Date (as applicable), every Conditional Award or MASP Option (as applicable) he holds shall lapse and, thereafter may be awarded to other eligible employees in accordance with the MESP Rules or the MASP Rules (as applicable).

No amendment proposed.

Predictability

No amendment proposed.

Variable remuneration is limited to the annual bonus, which is capped at 100% and performance-driven based on financial growth and strategic factors, and the MESP and the MASP.

No amendment proposed.

The method of calculation, limits and discretions under the 2020 Directors' Remuneration Policy are clearly set out.

2020 Employee Share Plan

For the 2020 Employee Share Plan, there are two elements which provide certainty for investors:

- The annual charge rate is a fixed rate of 5%.
- A rolling annual cap caps the award that an executive Director can receive under the MESP on crystallisation to a number of Ordinary Shares (subject to adjustment in accordance with the MESP Rules) equivalent to (i) in the case of an executive Director holding 16% of Conditional Awards, £10 million divided by 150 pence, being approximately 6.7 million Ordinary Shares, as adjusted to take into account Ordinary Share Costs, Returns, the Melrose Share Consolidation and the Demerger (the "Maximum Cap"); and (ii) for each other executive Director holding above 1% of Conditional Awards, such lower number as reflects a pro rata reduction to the Maximum Cap, based on the number of

Conditional Awards held by that executive Director (the “Reduced Cap”).

Melrose Automotive Share Plan

For the Melrose Automotive Share Plan, there are three elements which provide certainty for investors:

- The threshold of £3,525,237,530 of equity value in Dowlais, being the portion of invested capital allocated to the businesses comprising the Dowlais Group (and below which no MASP Options shall vest).
- The Target MASP Crystallisation Value is a fixed amount of £4,500,000,000, beyond which any further value created will not result in any additional MASP Options being granted.
- The maximum number of Dowlais Shares to which all MASP Options in issue relate is capped at 27,865,471, being two per cent. of the total issued ordinary shares of Dowlais as at the MASP Commencement Date, provided that, if there is any variation of the share capital of Dowlais (whether by rights issue, open offer, consolidation, subdivision, demerger, reduction of capital or otherwise), the Remuneration Committee may adjust such number in a manner that the Remuneration Committee, in its reasonable opinion, considers to be fair and appropriate.

Differences between the Company’s policy on Directors’ remuneration and its policy on remuneration for other employees

Remuneration arrangements throughout the Group are determined based on the same principle that rewards should be sufficient as is necessary to attract and retain high calibre talent, without paying more than is necessary and should be achieved for delivery of the Company’s strategy.

The Company has operations in various countries, with Group employees of differing levels of seniority. Accordingly, though based on the over-arching principle above, reward policies vary to take account of these factors.

The Company has also implemented divisional long term incentive plans for senior managers of businesses within the Group to incentivise them to create value for the Company and its shareholders.

As with the 2017 Incentive Plan, the Remuneration Committee considers it appropriate for participation in the 2020 Employee Share Plan to be extended to those members of senior management beyond the executive Directors necessary to develop the business further.

Differences between the Company’s policy on Directors’ remuneration and its policy on remuneration for other employees

No amendment proposed.

No amendment proposed.

No amendment proposed.

As with previous incentive plans, the Remuneration Committee considers it appropriate for participation in the MESP and the MASP to be extended to those members of senior management beyond the executive Directors necessary to develop the businesses further.

EXPLANATORY NOTES TO THE NOTICE OF GENERAL MEETING

Notes:

1. Shareholders are entitled to attend the General Meeting and are entitled to vote. A Shareholder entitled to attend, speak and vote at the General Meeting is also entitled to appoint a proxy to exercise all or any of his/her rights to attend, speak and vote at the General Meeting in his/her place. Such a Shareholder may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. A proxy need not be a Shareholder.
2. If you receive hard copy documents, you will find enclosed with this Notice of General Meeting a Form of Proxy. To be effective, the Form of Proxy must be completed and returned, together with any power of attorney or authority under which it is completed or a certified copy of such power or authority, so that it is received by the Company's registrars at the address specified on the Form of Proxy not less than 48 hours (excluding any part of a day that is not a working day) before the time for holding the meeting (or, in the event of an adjournment, not less than 48 hours before the stated time of the adjourned meeting (excluding any part of a day that is not a working day)). Returning a completed form of proxy will not preclude a Shareholder from attending the General Meeting and voting in person.
3. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 (the "Act") to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the Shareholder by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights. The statement of the rights of Shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in paragraphs 1 and 2 can only be exercised by Shareholders of the Company.
4. To be entitled to attend and vote at the General Meeting (and for the purposes of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members by 6.30 p.m. on 28 March 2023 (or, in the event of an adjournment, not less than 48 hours before the stated time of the adjourned meeting (excluding any part of a day that is not a working day)). Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. As at 3 March 2023 (being the last Business Day prior to the publication of this notice) the Issued Melrose Share Capital consists of 4,054,425,961 ordinary shares of 160/21 pence each, carrying one vote each.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent ID RA19 by 10:00 a.m. on 28 March 2023. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
8. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall

be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

9. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.
10. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Company's registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 10:00 am on 28 March 2023 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.
11. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
12. Any Shareholder holding Melrose Shares attending the meeting has the right to ask questions. The Company must answer any such questions relating to the business being dealt with at the meeting but no such answer need be given if: (i) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer has already been given on a website in the form of an answer to a question; (iii) the answer has already been given in Part III (*Questions and answers on the Proposal*) of this Circular; and/or (iv) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
13. Voting at the General Meeting will be by poll. All valid proxy votes, whether submitted electronically or in hard copy form, will be included in the poll to be taken at the meeting. In addition, the Chairman of the General Meeting will cast the votes for which he has been appointed as proxy. Once the results have been verified by the Company's Registrar, Equiniti, they will be notified to the Financial Conduct Authority, announced through a Regulatory Information Service and will be available to view on the Company's website.
14. A copy of this notice, and other information required by Section 311A of the Companies Act, can be found at www.melroseplc.net.
15. You may not use an electronic address provided in either this Notice of General Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.
16. You may register your vote online by visiting Equiniti's website at www.sharevote.co.uk. In order to register your vote online, you will need to enter the Voting ID, Task ID and your Shareholder Reference Number which are set out on the enclosed Form of Proxy. The return of the Form of Proxy by post or registering your vote online will not prevent you from attending the General Meeting and voting in person, should you wish. Alternatively, Shareholders who have already registered with Equiniti's online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk and click on the link to vote. The on-screen instructions give details on how to complete the appointment process. A proxy appointment made electronically will not be valid if sent to any address other than those provided or if received after 10:00 a.m. on 28 March 2023.

