



Dear Shareholder,

In my statement last year I predicted that the economic uncertainty which had characterised the end of 2007 was set to continue. It has indeed developed into the worst global recession since the Great Depression in the 1930s.

GKN performed creditably in the first three quarters of 2008, ahead of the same period in the prior year, but the dramatic and global reduction in demand in the automotive sector had a very detrimental impact on the fourth quarter results. This reduction was strongly influenced by a shortage of the credit which traditionally drives automotive sales. We were one of the first to warn the market of these difficulties in October and did so again in November as trends worsened. We responded rapidly and decisively with short-time working, downsizing and the development of restructuring plans to match the changed operating environment. Our results for the year are towards the top of the profit range we indicated in November, strongly supported by excellent performances from our Aerospace and OffHighway businesses.

Automotive markets are unlikely to recover until credit availability to our ultimate customers and confidence is restored but I am confident that GKN is well placed to weather the current downturn.

In times and conditions such as these we must manage our business prudently by ensuring that our cost base reflects market conditions and that our cash resources are managed as tightly as possible. With this in mind, your Board has decided not to pay a final dividend, thus holding the total dividend for 2008 at that paid by way of interim dividend in September of last year, 4.5p per share. We will review the dividend position again at the time of our half year results for 2009 in the light of our first half performance and the prevailing market conditions.

I would like to thank the Board, the executive team, and everybody in GKN for the dedication and hard work they have employed in adjusting to the downturn and for their focus, determination and loyalty.

The Company will celebrate the 250th anniversary of its founding in Dowlais, South Wales on 19 September this year, the achievement of which we are immensely proud. GKN has overcome many depressions, recessions and setbacks over the years and I believe that the Group will emerge from this recession strengthened by the experience and ready to respond to the many opportunities that will arise.

Roy Brown
Chairman