



GKN

A Global Engineer

GKN Today



*Subsidiaries + share of JVs

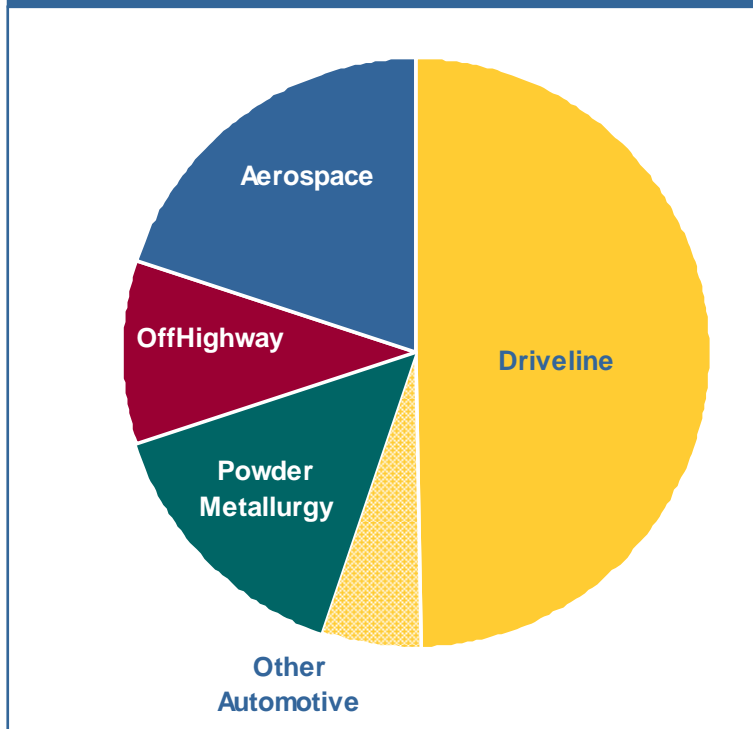
Market Leadership Positions

- > Driveline
 - > World No 1 in production of constant velocity joints (CVJs) with ~40% global market share
 - > Market leader in torque management devices
- > Powder Metallurgy
 - > World No 1 in powder parts production with 15% market share and US No 1 in powder manufacture
- > OffHighway
 - > World No 1 in OffHighway wheels and PTO shafts
- > Aerospace
 - > Tier 1 supplier to Aerospace primes – Airbus, Boeing, Lockheed Martin, Northrup Grumman, Rolls-Royce, GE, Pratt & Whitney
 - > Leading independent supplier of composite structures

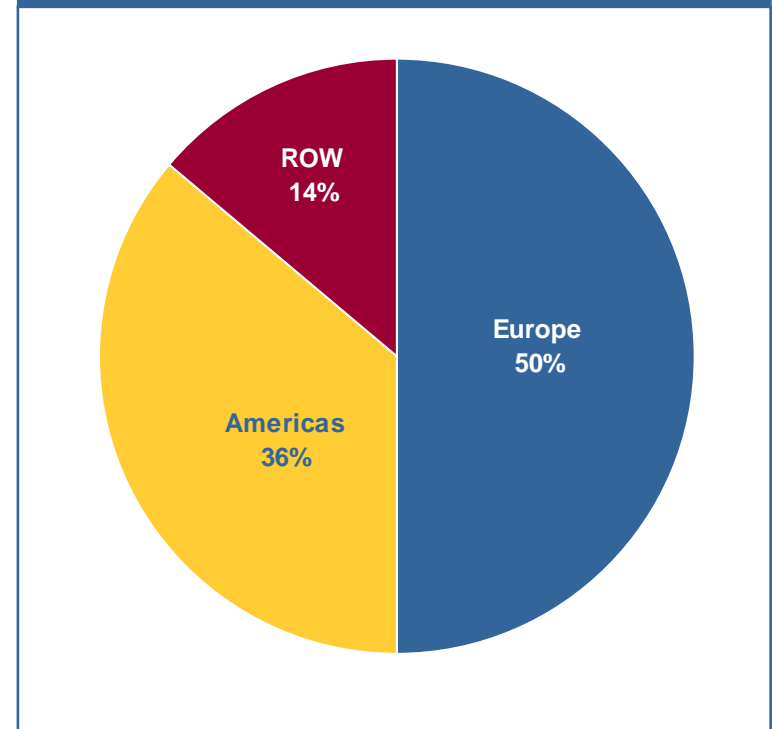
Overview of GKN - 2007 Sales

Total sales £4.1bn (Subs & JVs)

2007 Sales by Business



2007 Sales by Region of Origin



GKN – In Higher Gear

- > Solid revenue growth in all four divisions (constant currency)
 - > Driveline up 6%
 - > Powder Metallurgy up 8%
 - > OffHighway up 20%
 - > Aerospace up 24%

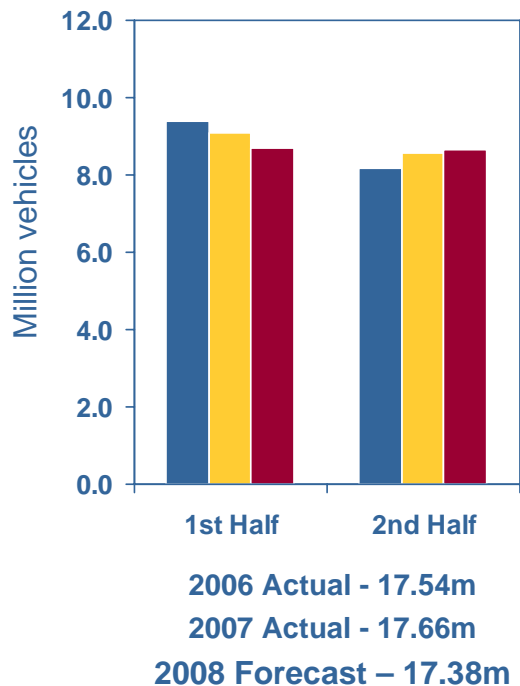
- > Strong record of new business capture continues
 - > Driveshaft secures over 80% of available business
 - > Over \$1 billion of new programme activity in Aerospace
 - > Significantly strengthened order books in Torque Technology, Powder Metallurgy and OffHighway

GKN – In Higher Gear

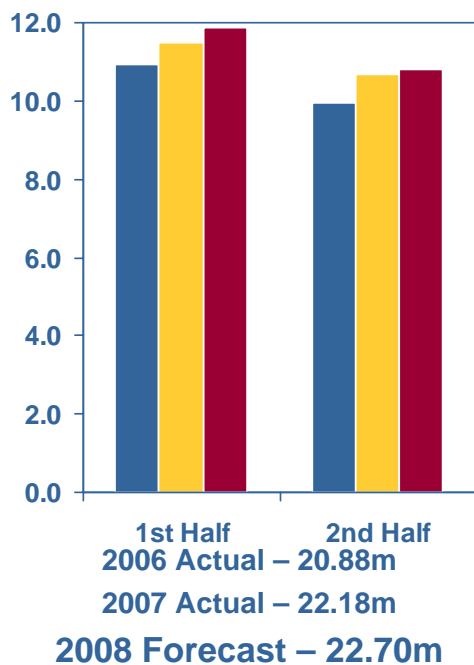
- Successful introduction of exciting new products
 - Countertrack makes debut on 08 VW platforms
 - Airframe and Aero engine composite structures
 - Electronic Torque Vectoring with BMW
- Acquisitions adding to strong growth profile
 - Teleflex integration proceeding to plan
 - Preferred Partner selection by Airbus
- Strategic restructuring concludes – delivers planned results

Global Trends - Light Vehicle Production

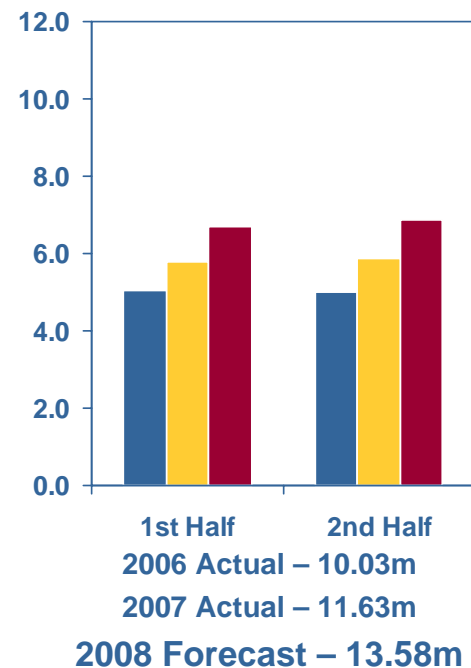
Americas
N America & Brazil



Europe

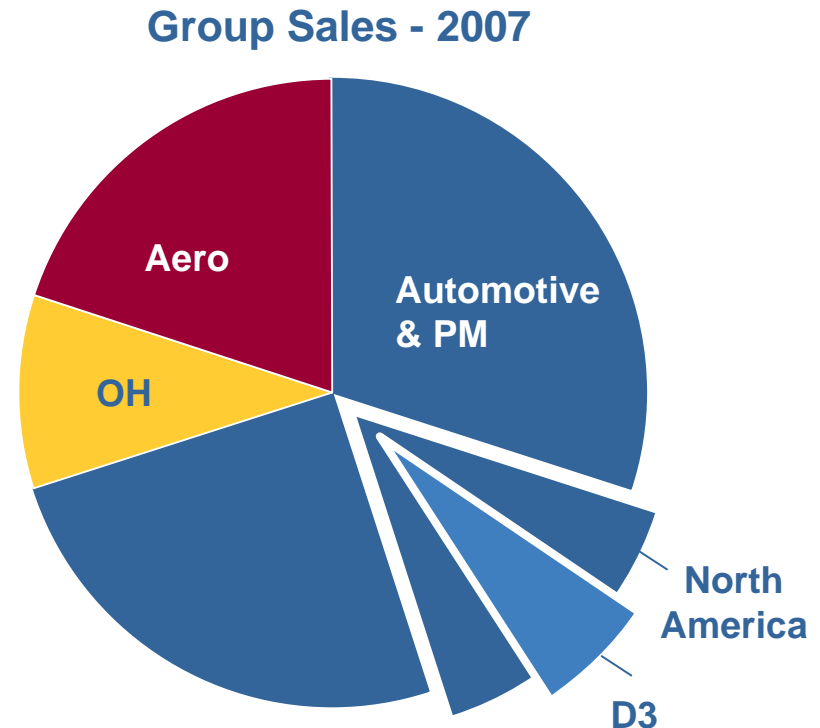


Emerging Asia
India, Thailand, China & Malaysia



North American VMs – 2008 in Perspective

- > Sales to North American VMs 15%
Group sales – “Detroit 3” – 7%
- > Driveline growth supported by
 - > Position with Japanese OEMs, AWD/Crossover growth and car segment exposures
- > Powder Metallurgy growth supported by
 - > New programme and product launches
- > Expectations for growth in 2008
North American auto sales and profits



5% fall in US Auto revenues < 1% of GKN Group revenues

GKN Driveline – 2007 sales £2.1bn (including share of JVs)

Driveshafts



**World N°1 ~
40% share**



Torque Systems

Market leader

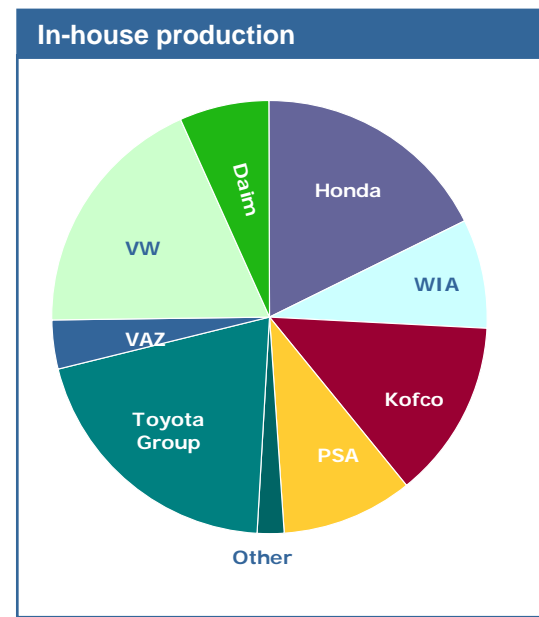
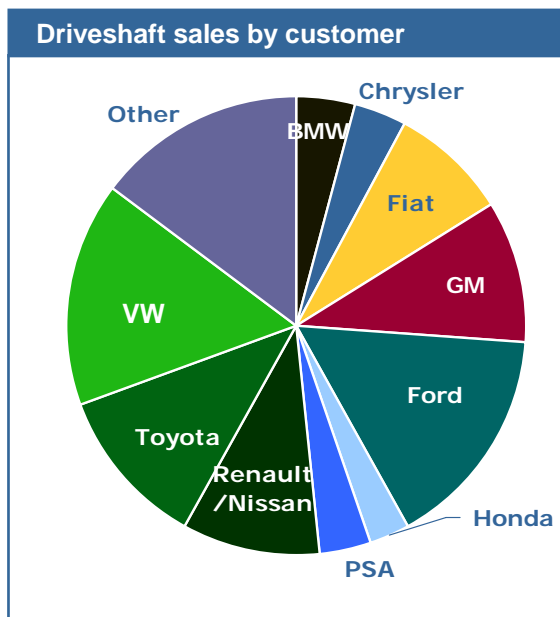
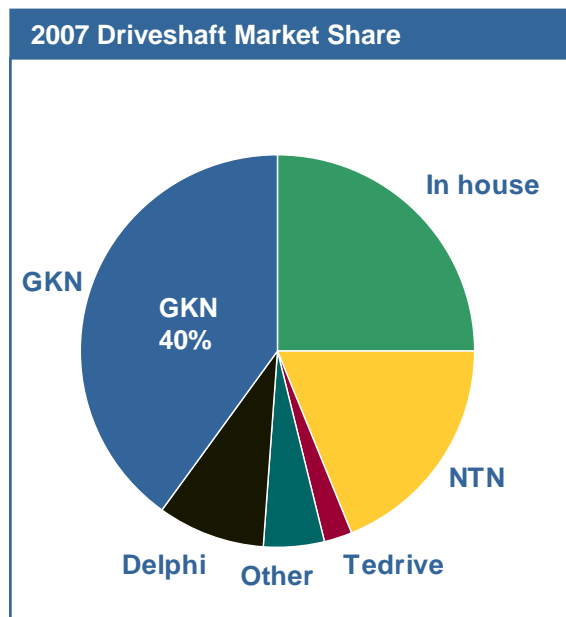
Other (including aftermarket)



GKN Driveline – Driveshafts

The World Leader in a Growing Market

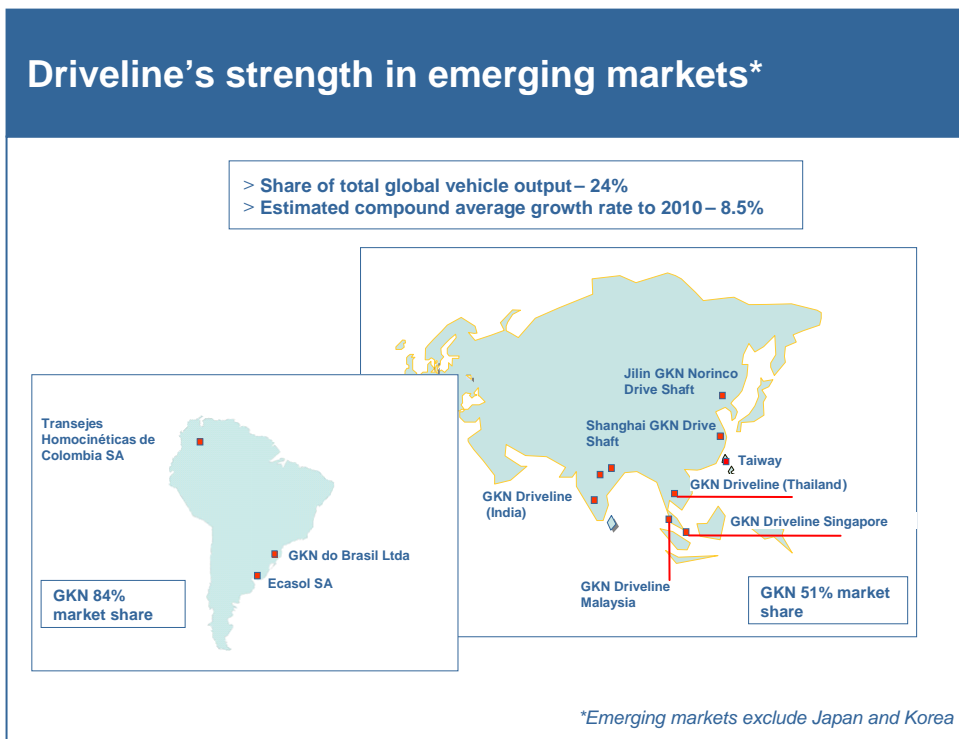
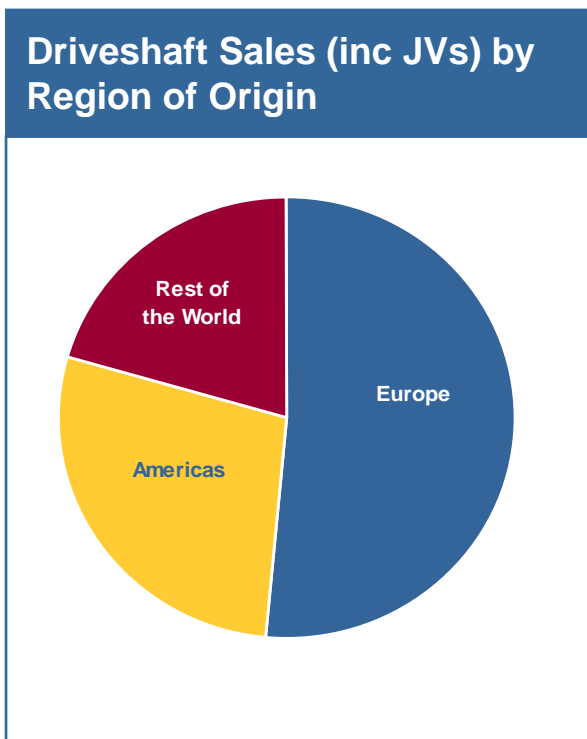
- > World number 1 with around 40% market share
- > Excellent spread of customers – strong relationships with virtually all major vehicle manufacturers
- > Global long-term trend is towards outsourcing – a GKN strength



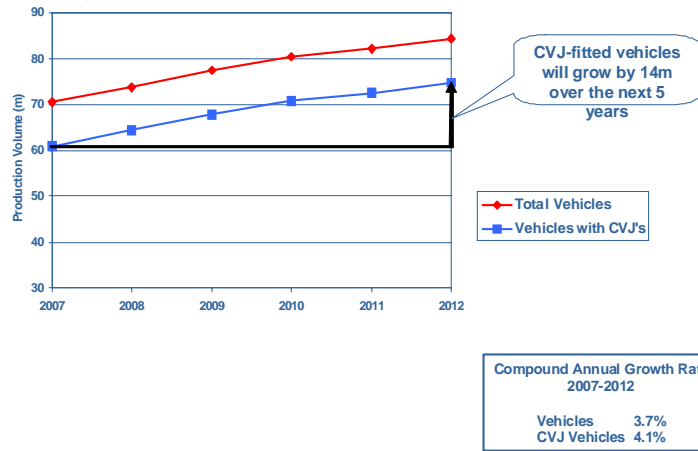
GKN Driveline – Driveshafts

Worldwide manufacturing presence

- > Present in all major vehicle manufacturing regions (20+)
- > Well placed to benefit from rapidly growing sales in developing regions
- > Strategic reorganisation of manufacturing footprint complete



Global Light Vehicle Growth 2007 to 2012



Source: Global Insight October 2007 Vehicle Forecast

Global Light Vehicle Production By Region 2007-2012

Region	2007 ('000)	2012 ('000)	Difference ('000)	% change
Africa/Middle East	1,863	2,515	652	35.0
Asia	28,224	37,251	9,027	32.0
East Europe	5,942	7,697	1,755	29.6
North America	14,856	15,809	953	6.4
South America	3,474	4,227	753	21.7
West Europe	16,058	16,874	816	5.1
Total	70,417	84,373	13,956	19.8

China will grow by 65% and India by 127%

Source: Global Insight October 2007 Vehicle Forecast

GKN - Anticipating New Market Trends

New products for low cost vehicles



- TATA Nano - 1st RWD sashaft application growing to 1 million vehicles by 2011
- China's Chery and SGM – 1st applications for FWD sashafths growing to 1.7 million vehicle sets by 2012
- Logan – global manufacture growing to 0.5m vehicle sets by 2010
- VMs source 4 million vehicle sets of new business globally
 - Overall 80% win rate - 90% in emerging markets



Nano



Chery QQ



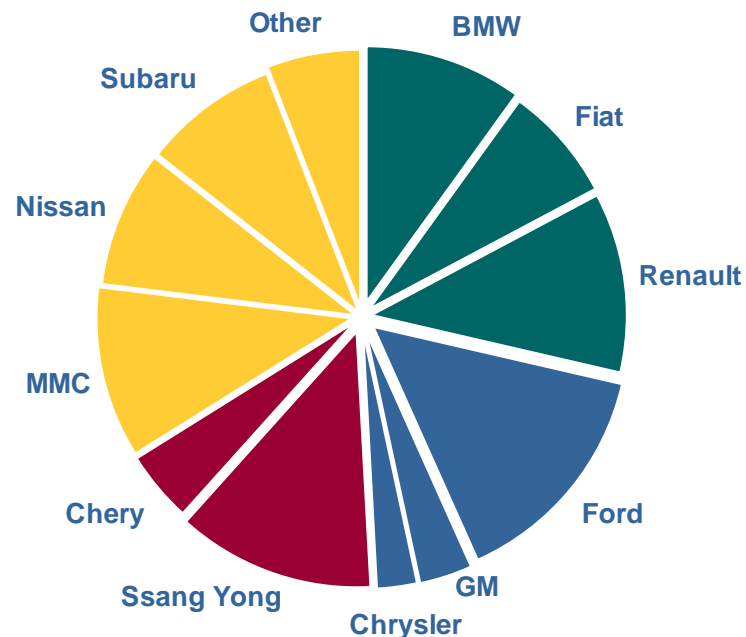
Logan

Driveline

Torque Technology

- > Torque Technology sales increase by 23% - profits improve by £2m
- > Strong growth in Asian market and All Wheel Drive platforms
- > High win rate - 70% by value of all business bid
 - > Major wins in all markets – 15 customers, 1.5 million vehicle sets

2007 Vehicle Set Wins by Customer



Driveline

Torque Technology

- New product development continues
 - First applications of electromagnetic couplings for AWD vehicles in the Americas, Europe and Asia
 - BMW unveils X6 with GKN “ETV” – further customer evaluations underway
 - VM development programmes underway for next generation ETM and Electric Rear Axles



ETV



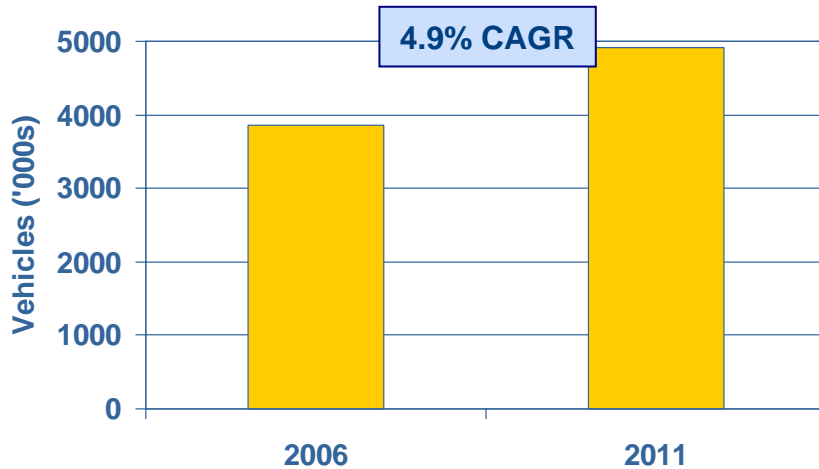
BMW – X6



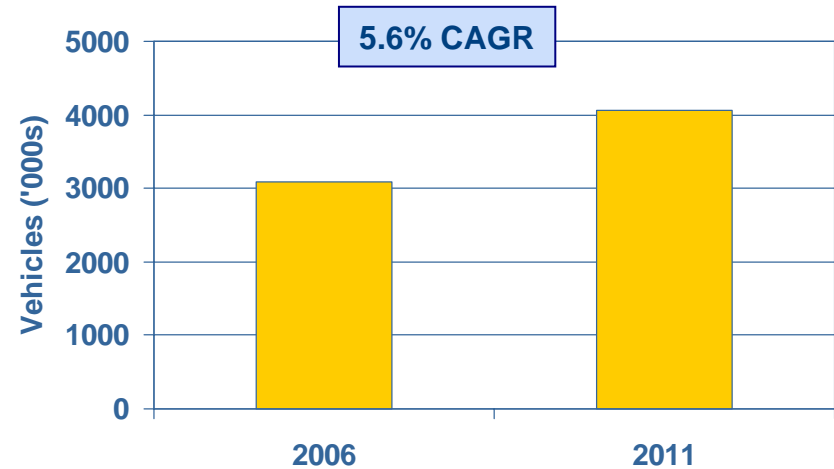
Electric Axle

Vehicle Growth Outlook – Highlights for TTG

Global AWD Vehicle Production



SUVs & Pick-Ups in Japan/Asia-Pacific



- AWD markets show general global increase
- TTG competes with PTU and TMD Coupling

- 4WD SUV and Truck markets show relative strength in Japan & Asia Pacific
- TTG competes with Mitsubishi axle supply and Limited Slip TMD

Source: Based on Global Insight Vehicle Forecast, April 2007

Other Automotive – 2007 sales £229m (including share of JVs)

Chassis components and cylinder liners

- > Cylinder liners
 - > UK production ceased in 2007
 - > China operation successfully established
- > Autostructures
 - > Mainly 50% joint venture operation supplying UK based vehicle OEMs



Emitec– Metallic substrates for catalytic converters

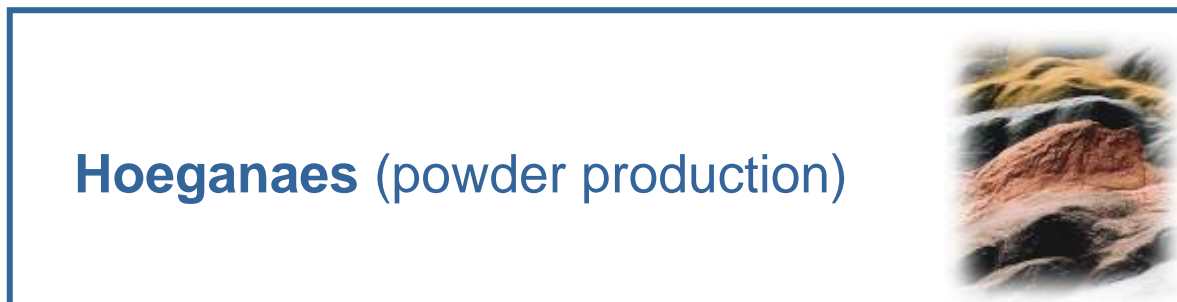
- > 50% Joint Venture
 - > Sales and profits growth from new diesel products
- > Good growth prospects



Powder Metallurgy – 2007 sales £602m




World N°1
15% global
share



US N°1

Largely automotive (80%) but wide range
of other applications

Automotive Powder Metal Applications



Engine **Body & Chassis** **Seating Systems** **Braking Systems**
Manual Transmission
Automatic Transmission
Steering Columns & Systems
Bearings **Shock Absorbers** **Exhaust Systems**

Industrial Powder Metal Applications



Engine **Transportation** **Power Tools** **Domestic Applications** **White Goods**
Bearings
Transmission
Sport & Hobby
Medical
Furniture **Lawn & Garden**
General Machinery

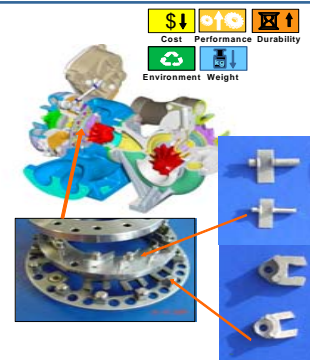
Specialist products

Example



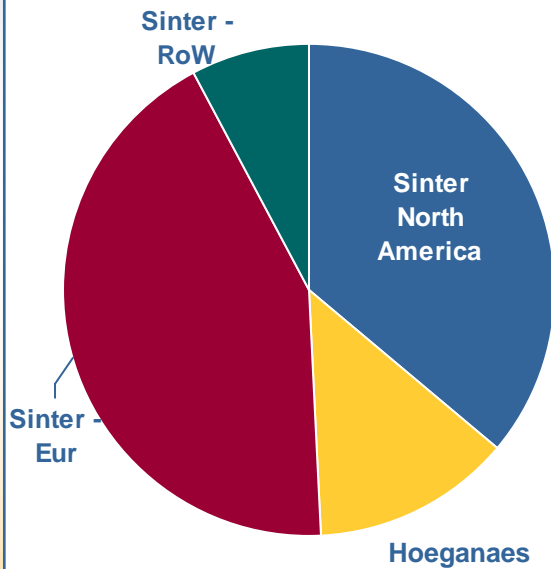
MIM Turbo Vanes

- Technology differentiator
 - > High precision requirement
 - > Complex net shape geometry versus fine cast solution which requires machining

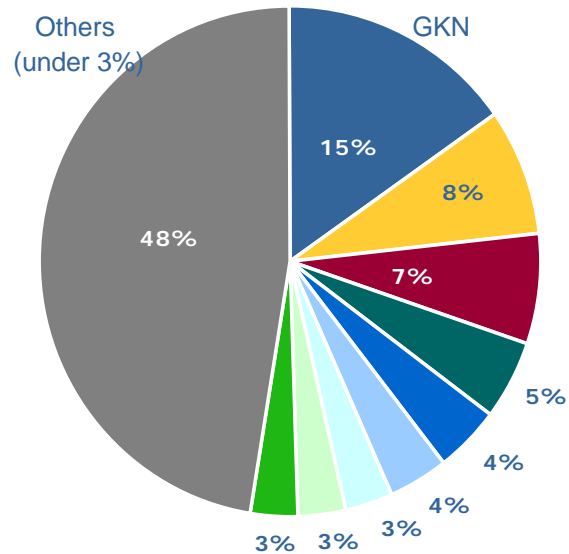


Powder Metallurgy Division

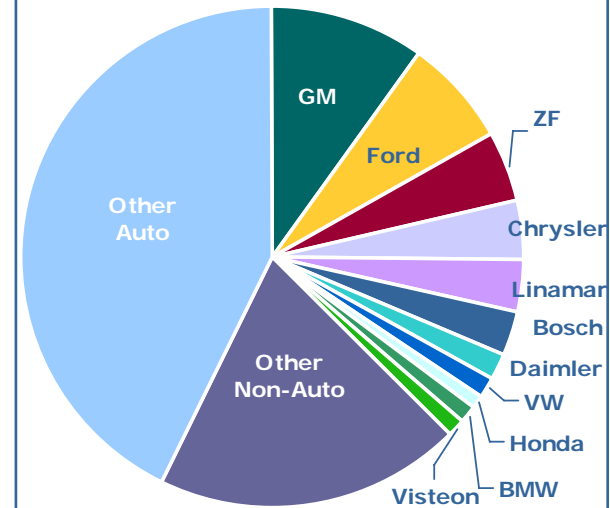
2007 Total divisional sales by region of origin



Sinter Metals Global market share



Sinter Metals Sales by Customer (Direct)



Powder Metallurgy

- New business wins continue to support 6-8% growth profile
 - \$230m of annualised sales – new high performance products



Dual clutch pump drive gears



VVT rotors

- Powder Metallurgy 2008 – expect good top line growth and improved profitability

Powder Metallurgy growth drivers

> Restructuring completed 4th Quarter 2007

> New plants established in India and China plus facility relocation and expansion in Argentina



GKN Sinter Metals, new China plant

> Technology driven growth is accelerating



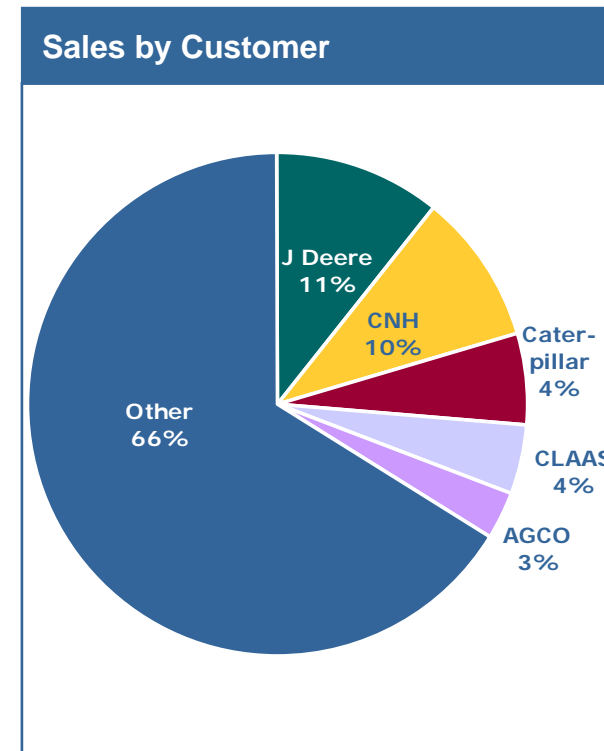
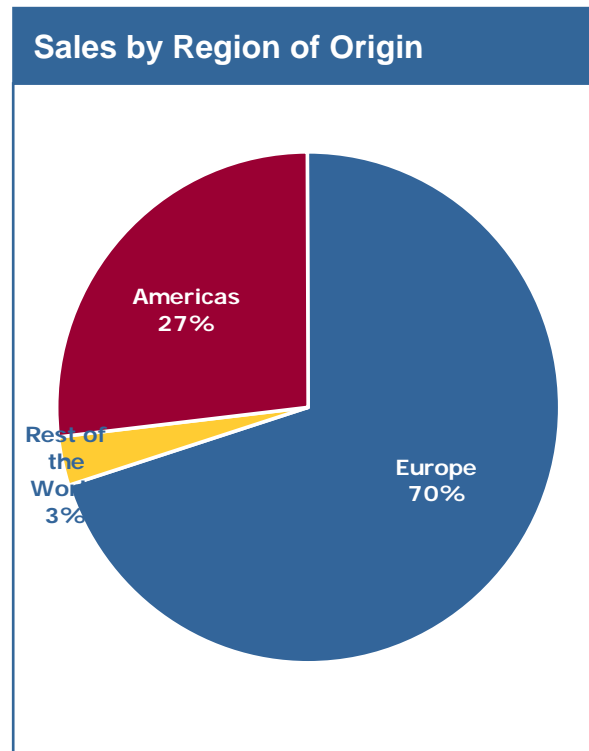
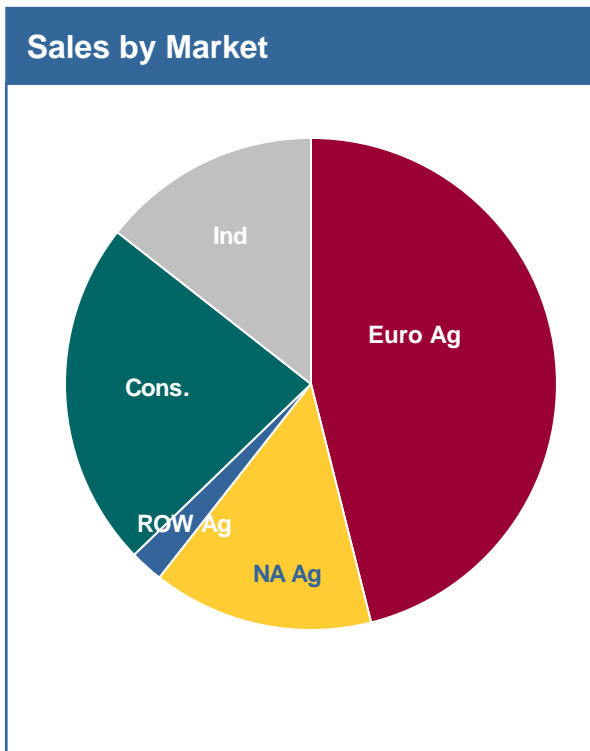
> New business and improving customer balance fuelling growth

> Recent business wins of \$235m in 2006 and \$230m 2007 support 6% - 8% top line growth

> All regions delivered growth in 2007 and margin progression momentum to be re-established in 2008

OffHighway – 2007 sales £416m

- Major supplier to agricultural and construction equipment manufacturers
- World N°1 in OffHighway Wheels and PTO shafts

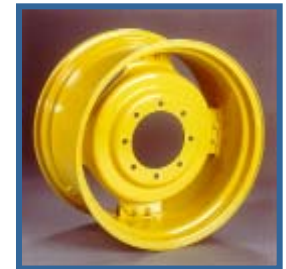


OffHighway growth drivers

- Growth in world population and world GDP
- Quest for higher yields and productivity
- Increasing demand for more powerful, higher tech, equipment
- Large global OE's increasingly looking for global suppliers such as GKN to support them
- Good current underlying market growth

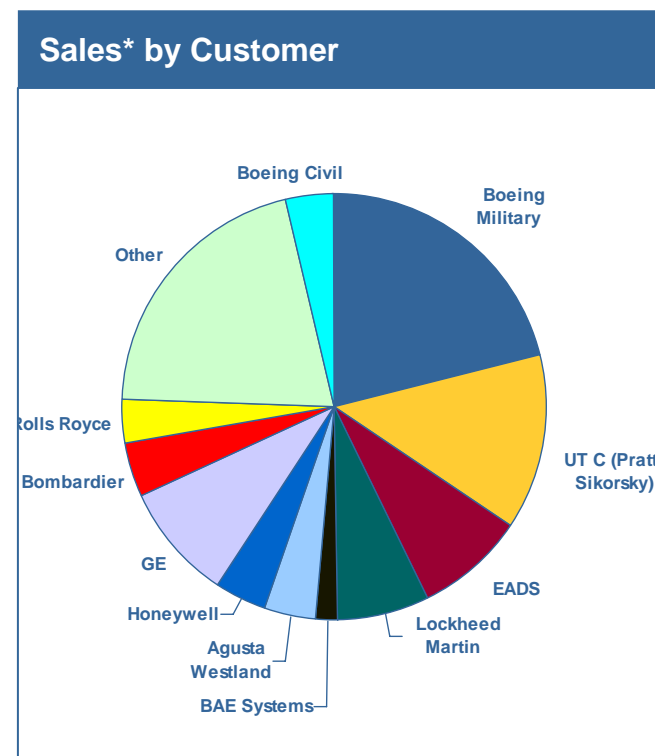
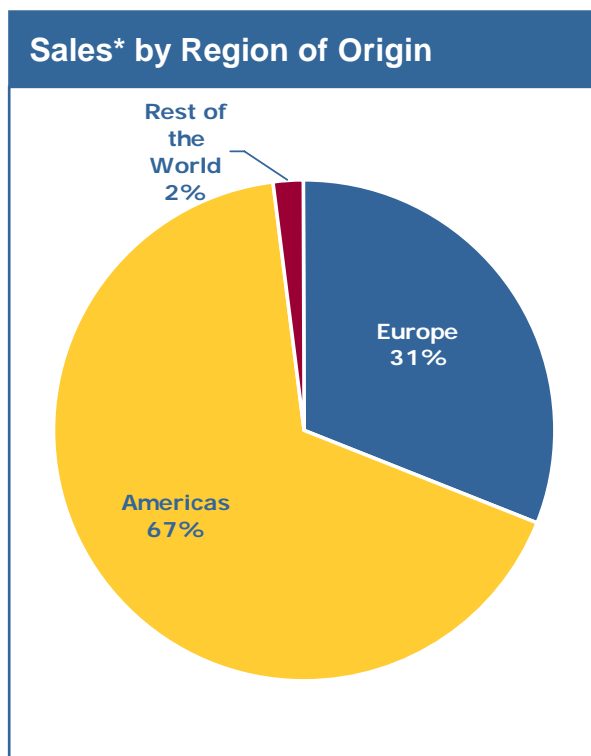
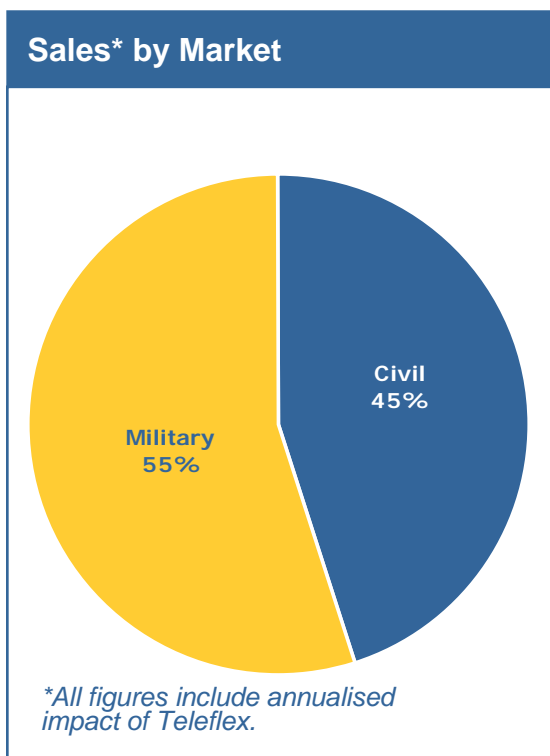
OffHighway

- High commodity prices drive strong agricultural demand in Europe and North America
- Solid demand in European construction and US heavy construction
- Record order book supports positive outlook for OffHighway



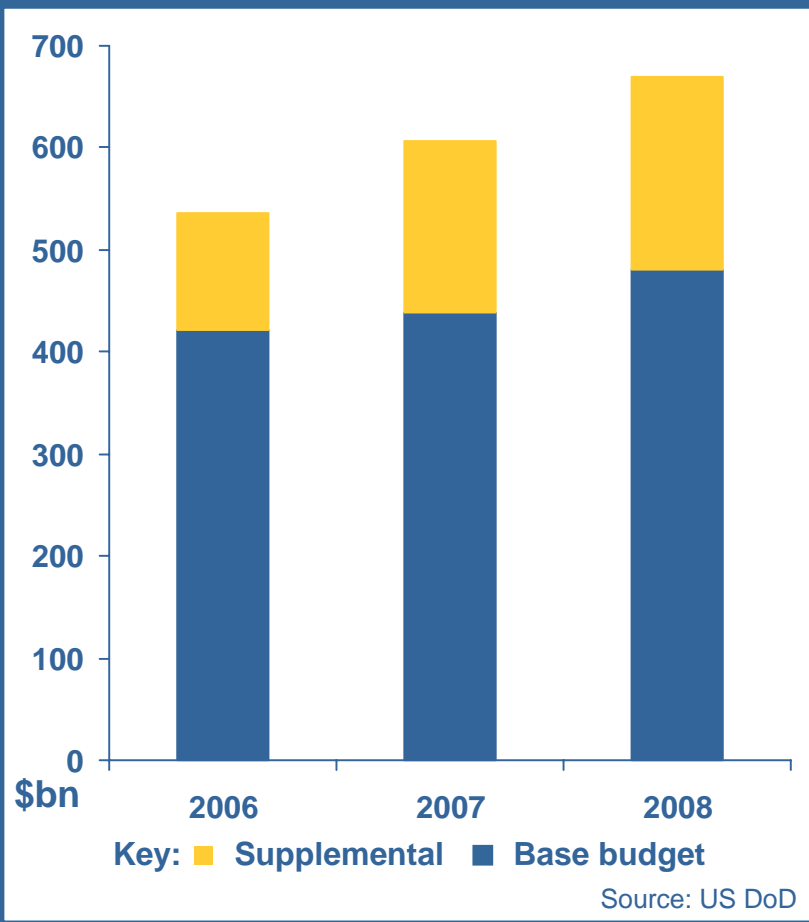
Aerospace – 2007 sales £820m

- Leaders in composite and titanium structures, cockpit canopies and electric de-icing
- Good position on all important new aircraft and engines – A380, B787, A400M, JSF, J-UCAS
- Strong presence in US military market
- Investing in composite and complex metallic product and process technologies



Aerospace market grows strongly in 2007

Record US defence budget



Record new civil aircraft orders

Orders	2006	2007	Backlog
Airbus	824	1,458	3,421
Boeing	1,058	1,423	3,427
Total			6,848



Aerospace Growth

- Teleflex Aerospace acquisition completed on 29th June 2007
- £70m revenue – double digit margins – earnings accretive
 - Revenues
 - 90% aero engine – 10% power generation
 - 70% commercial – 30% military
 - Extends position with GE and Snecma
- Integration proceeding to plan – well received by Aero engine customers
- Excellent progress on next generation programmes

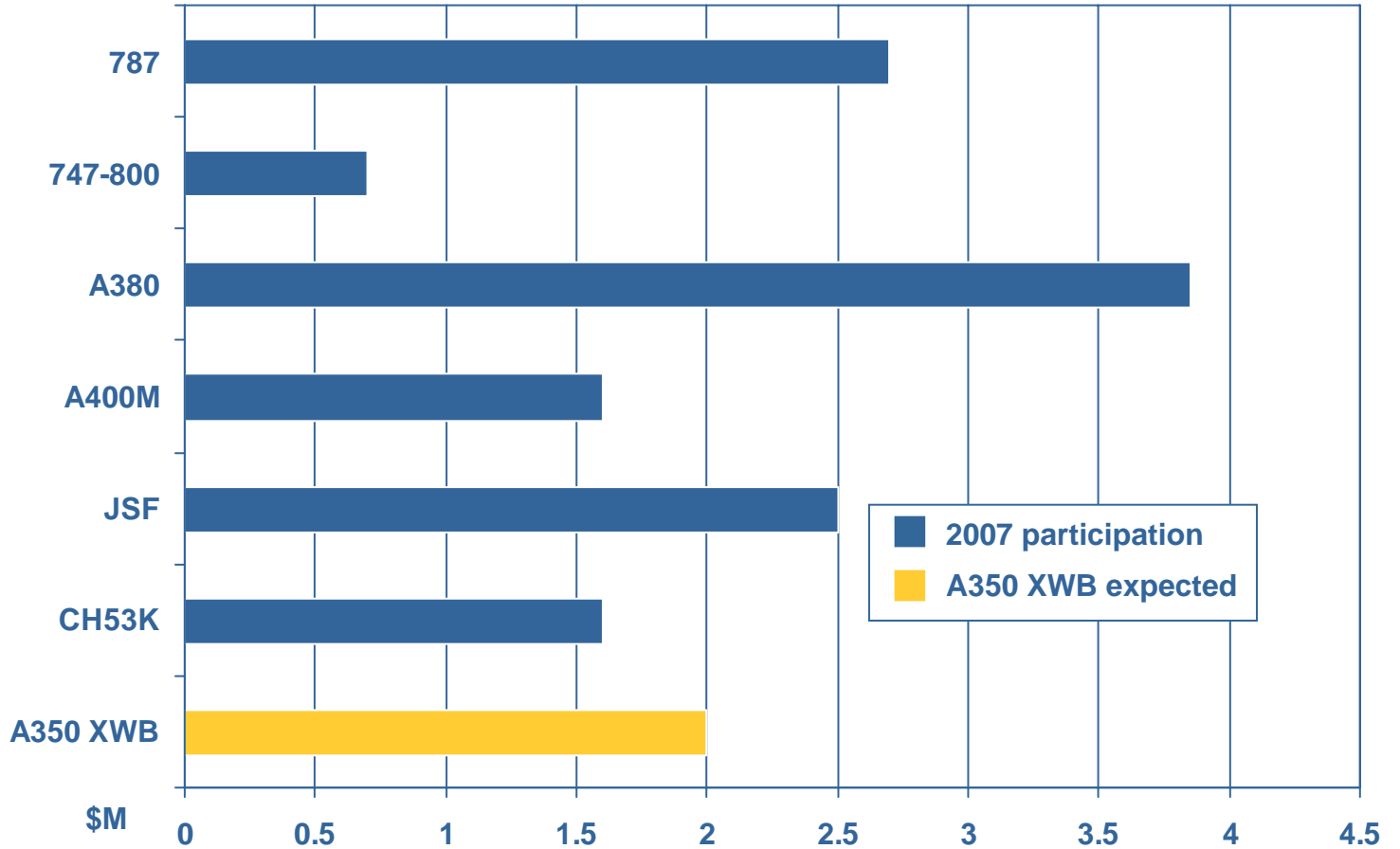


Engine
blisk

Source: GKN estimates

GKN position on new programmes

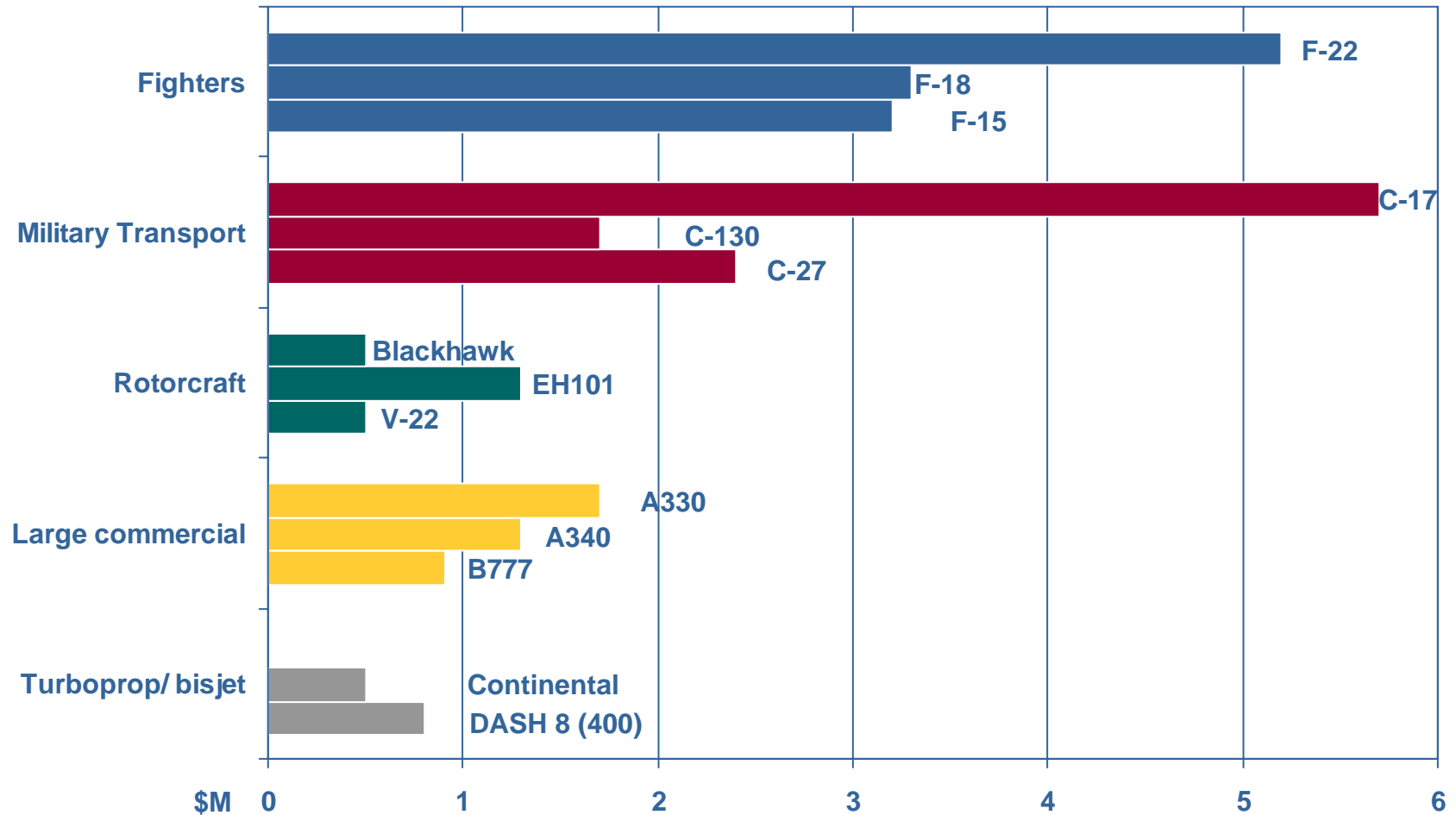
Shipset values



\$1 billion annual revenues at rate production

Strong Portfolio in Production

(approx shipset values US\$)



Aerospace – New Business Supports Growth

- > US defence programmes strengthen - good platform sales in export markets as well
 - > F-18, C-27J, C-130J, F-15
- > Programme wins and extensions – over \$1 billion of new business
 - > Sikorsky CH-53K aft fuselage structure
 - > 767 and 737 winglets
 - > HondaJet composite fuselage
 - > Boeing 787 and 747-8



Filton Acquisition - A step change for Aerospace

- Airbus preferred partner for Filton and wing technology development
 - Long term relationship in large commercial aircraft
 - Lifts civil sales to over 55% total
 - Significant position on narrow bodies
 - Strong growth profile across current Airbus programmes
- Increases GKN large aircraft backlog from \$4.5 billion to over \$7 billion

Filton Acquisition - A step change for Aerospace

- A350 XWB position in wing composites drives investment programmes



- Creates a global leadership position in wing structures

GKN Aerospace: \$3 billion plus revenues in 2010



GKN

2007 Key Financials

Results Summary

	2007 £m	2006 ² £m	Increase
Sales (subsidiaries)	3,869	3,634	6%
Trading profit (subsidiaries)	277	251	10%
Profit before tax¹	255	230	11%
Earnings per share¹	35.1p	30.1p	17%
Dividends per share	13.5p	12.8p	5.5%

Subsidiaries & JVs

Sales	4,122	3,842	7%
Trading profit	309	272	14%
Margin	7.5%	7.1%	0.4 pts

(¹) & (²) Before restructuring and impairment charges, amortization of non-operating intangible assets arising on business combinations, profits and losses on sale or closure of businesses and changes in fair value of derivative financial instruments. 2006 profits have been restated in respect of GKN Sheepbridge Stokes Ltd (whose results are included within companies sold or closed).

Trading Profit Margins – Subsidiaries & JVs

	2007 %	2006 %
Driveline	8.1	7.6
Other Automotive¹	5.8	3.8
Powder Metallurgy	4.8	5.3
OffHighway	6.9	7.0
Aerospace	10.1	10.1
Group^{1&2}	7.5	7.1

Target range %
8-10
6-10
8-10
7-10
10-12
8-10

1. Excluding Sheepbridge Stokes
2. Including corporate costs

Currency Impact

Average exchange rates used for translation of sales and profits

	<u>2007</u>	<u>2006</u>
Euro	1.46	1.47
US\$	2.00	1.84

Impact of 1% movement on 2007 trading profit

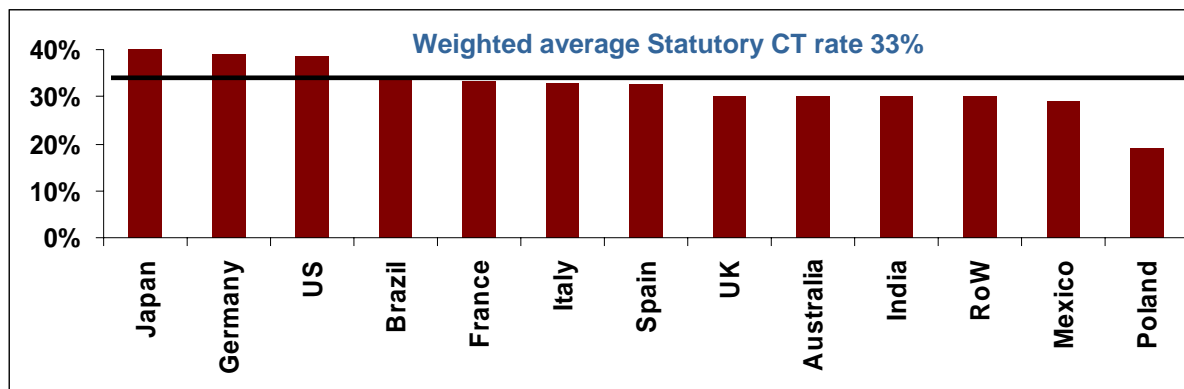
Euro = £1.6m

US\$ = £0.7m

> 2007: Currency impact unfavourable £13m including transactional £9m; translational £4m

> 2008: Transactional approximates prior year levels; translational upside potential from current Euro rates

Tax Rate Analysis



Guidance

Weighted average of tax rates in major countries in which we operate	33%	
Utilisation of tax losses & other factors	(16%)	
“Cash Tax” rate on 2007 Profits	17%	Stable – ranging from 17% to 20%
Movement in provisions for uncertain tax positions (2007 and prior years – net)	2%	
Recognition of tax assets & deferred tax movement	(16%)	
Reported rate on underlying profit of subsidiaries	3%	Below cash tax rate

Capital Expenditures

	2007 £m	2006 £m
Tangible expenditure	172	197
Depreciation	142	137
Ratio (times)	1.2	1.4

	2007 £m	2006 £m
Intangible expenditure	20	33
Amortisation	9	8

Total expenditures	192	230
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Targeting capex to depreciation ratio at 1.1 to 1.2x

Dividends

Up 5.5%

	2007	2006
Full year dividend per share	13.5p	12.8p
Dividend cover * - actual	2.6	2.4
- cash tax rate	2.3	2.1
Cash cost	£95m	£90m

* Earnings before restructuring charges, amortisation of non-operating intangible arising on business combinations, profits on sale or closures of businesses and changes in the fair value of derivative financial instruments

Operating Cash Flow

	2007 £m	2006 £m
Trading profit	277	251
Depreciation and amortisation	151	145
Change in working capital and provisions	(45)	(7)
Strategic restructuring	(40)	(57)
Post-employment obligation	(33)	(205)
Other	(11)	(10)
Subtotal	299	117
Proceeds from sale of fixed assets	21	13
Capital expenditure (tangible and intangible)	(192)	(230)
Operating cash flow	128	(100)

Free Cash Flow

	2007 £m	2006 £m
Operating cash flow	128	(100)
Interest	(44)	(33)
Tax	(28)	(31)
Dividends Paid (including minorities)	(92)	(89)
Dividends Received (joint ventures)	13	7
Free cash flow	(23)	(246)
Acquisitions	(71)	(126)
Divestments	-	13
Share buy back	-	(40)
Other	14	38
Net movement in borrowings	(80)	(361)
Net borrowings	(506)	(426)

Net Assets & Net Borrowings

	2007 £m	2006 £m
Net operating assets	2,159	1,916
Current & deferred tax	(121)	(42)
Post-employment obligations	(331)	(561)
Net borrowings	(506)	(426)
Derivatives	(5)	21
Net assets	1,196	908

Return on average invested capital	15.1%	14.4%
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Outlook 2008

GKN's markets and environment

- Asia, Eastern Europe, Latin America automotive to grow strongly
- North America, Western Europe automotive to soften
- OffHighway and Aerospace markets remain strong
- Material costs remain high and volatile – potential headwind
- Current sterling levels would bring translational benefit

Outlook 2008

GKN's businesses

- > Further solid improvement in Automotive and Powder Metallurgy
- > Continued strong growth in OffHighway and Aerospace
- > Driveline and Powder Metallurgy
 - > Restructuring completed – improved global positioning and stable operations
 - > Strong order book in both businesses
- > OffHighway and Aerospace
 - > Record order book in OffHighway, end markets robust
 - > Aerospace order book strength continues – benefit of Teleflex
- > Filton acquisition expected to complete around mid year

2008: Another year of progress and growth



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