

Chairman's Statement



I am pleased to be able to report that our results for the year demonstrate a further increase in profitability and earnings per share with particularly strong contributions from our two largest businesses, Driveline and Aerospace. Consistent with our objective of increasing the dividend progressively in line with the long term trend in earnings, your Board recommends that the dividend for 2007 should be increased from 12.8p to 13.5p per share.

GKN continued to make significant progress against its strategic objectives in 2007. Whilst the economic uncertainty that characterised the end of 2007 looks set to continue, I believe GKN is as well placed as it can be to withstand the effects of this and to continue on its course to provide long term shareholder value. Our Aerospace order book is strong. Despite the declining rates of growth in some of our Automotive markets, there remain considerable growth opportunities particularly in the emerging markets of Asia Pacific, South America and Eastern Europe. GKN's foresight in reorganising its asset base and making long term investment in these regions leaves the Group well positioned to take advantage of this growth. In addition, product developments in torque technology and off-highway driveline systems together with a strong order book at Sinter Metals provide opportunities for further progress.

Equally, the economic conditions should not prevent continuing growth through careful strategic acquisitions. An example of this is the proposed acquisition of the Airbus wing component and sub-assembly plant at Filton in the UK for which we were selected as preferred partner by Airbus in the closing weeks of 2007, and which would substantially increase the size of our Aerospace business.

GKN has always valued having a strong Board of Directors. In this context it was particularly pleasing to announce in 2007 the appointment of three new executive Directors: Marcus Bryson as Chief Executive Aerospace, Andrew Reynolds Smith as Chief Executive Powder Metallurgy, OffHighway and Industrial Services, and Bill Seeger as Finance Director. All of these were internal appointments and demonstrate the continuing strength of our management succession planning. Also during the year Nigel Stein, formerly Finance Director, was appointed Chief Executive Automotive. All major business areas are now represented on the Board, with a good balance being maintained between non-executive and executive Directors.

I am delighted to welcome Richard Parry-Jones to the Board as a non-executive Director with effect from 1 March 2008. Richard retired from Ford Motor Company at the end of 2007, after 38 years' service, where he was responsible for global production development and group technology. I am sure he will make a significant contribution to GKN's future development.

Sir Ian Gibson retired from the Board at the end of 2007. Sir Ian had been a non-executive Director of the Company for six years, for two of which he was Senior Independent Director. Sir Ian made an invaluable contribution to the strategic development of the Group during a time of significant change. We thank him for his wise counsel and support and wish him well in the future. I am pleased that Sir Peter Williams has taken over the role of Senior Independent Director.

We remain committed to maintaining a high quality, balanced Board of Directors at the head of your Company. This commitment to quality in people extends throughout the organisation and I am particularly pleased with the progress that has been made towards ensuring that GKN employees worldwide feel they are part of a single family with common, well understood goals and values. This is an important ingredient in our strategy to deliver long term shareholder value and ensure the continued sustainability of our business.

I share Sir Kevin's pride in the achievements of our employees worldwide who, in 2007, did something truly extraordinary and contributed an additional \$1.7 million to their local communities. The project was called GKN Mission Everest and is described on pages 46 to 47. I urge you to read about it.

I am conscious that this is the 249th year since our inception — a remarkable achievement by anybody's standards. In the true spirit of sustainability, I see no reason why we should not now have an eye to the next 250 years. For the immediate future, however, based on our performance in 2007, the continuing competitiveness of our product technologies and the strength of our market positions, I am confident that GKN has the resilience to continue to make progress even in the current challenging economic conditions.

Roy Brown
Chairman