

19 November 2009

## **MELROSE PLC**

### **INTERIM MANAGEMENT STATEMENT**

Melrose PLC today issues the following Interim Management Statement for the period from 1 July 2009 to 18 November 2009.

#### **OVERVIEW**

Melrose is a group of industrial companies with strong business franchises which operate in markets with good fundamental long term demand prospects. It has benefited, particularly during the recent difficult economic times, from being exposed to different product sectors and geographical areas, supported by the continuing operational and cash improvements to the FKI companies acquired last year.

Overall, our businesses have seen demand stabilising in their European and North American markets and picking up in Asian markets. In our interim results in August, we indicated that there were tentative signs of improving trends in our early cycle businesses. It is pleasing to report that these trends have continued and as such give us hope that this represents a platform for sustainable growth in these businesses.

Current trading is marginally ahead of management expectations for 2009.

#### **ENERGY**

Energy continues to perform satisfactorily. The softening of sales in our Generators business, referred to in the interim results, remains a feature, but this has been more than offset by improvements in the sales mix, operational efficiency gains and cost reductions.

Marelli, Hawker Siddeley Switchgear and Brush Transformers continue to perform in line with expectations for the year.

#### **LIFTING PRODUCTS**

Bridon continues to trade well with strong sales in its major market of offshore oil and gas and in its structures business, supported by a lower pound Sterling and lower steel prices. The strengthening in the oil price supported by Bridon's strong order book is encouraging and points to a good outcome for the year.

Crosby, with its exposure to the US onshore oil and gas market (in contrast to Bridon), continues to experience challenging trading conditions, although there are signs that demand is stabilising. The timely measures to reduce costs and the actions taken to improve operational efficiency have helped to mitigate the effect of the downturn.

## **DYNACAST**

The pattern reported in our interim results in August of stabilised demand in North America, a small improvement in Europe and better growth in Asia continues. Generally, there are signs of renewed confidence and as a result enquiry levels, particularly relating to tooling orders, are encouraging.

The early and aggressive actions to cut costs and conserve cash have served to limit the impact on profit and should result in Dynacast achieving a creditable return on sales of around 10% for the year.

## **OTHER INDUSTRIAL**

We indicated in the interim report that there were signs of recovery at both Truth and MPC. We are pleased to report that these trends are continuing and that both Truth and MPC will finish the year strongly.

The other companies in this division continue to trade satisfactorily.

## **OUTLOOK**

Across the Group, in addition to the recoveries in the early cycle businesses, we are seeing more stable markets leading to increased confidence. This, together with the early actions to reduce costs throughout the businesses, operational improvements and strong cash generation, gives us confidence that we will end the year on a positive note.

We believe that current financial market conditions are favourable for the Melrose business model. We continue to look for interesting situations.

Current trading is marginally ahead of management expectations for 2009 and at current exchange rates our debt levels are expected to be approximately two times 2009 Ebitda<sup>1</sup>.

Enquiries

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<sup>1</sup> operating profit before exceptional costs, exceptional income, depreciation and amortisation