

21 November 2017

MELROSE INDUSTRIES PLC



TRADING UPDATE

This trading update refers to the period from the half year 1 July 2017 to 29 October 2017.

Revenue for Nortek was up 3%<sup>1</sup> compared to the same period last year which, as expected, is a better performance than in the first half of the year. This means that Nortek revenue for the first ten months of the year is up 1%<sup>1,2</sup> and margin improvement continues to be seen. Melrose is on track to achieve a performance consistent with expectations for this year and cash generation remains strong.

The Air Management division has a positive market backdrop and the operational improvements available in the heating, ventilation and air conditioning (HVAC) business are significant. Security & Smart Technology has continued to deliver an excellent performance within a market place which is relatively flat and its margin could eventually exceed our original expectations should part of a lower margin contract come to its conclusion during 2018. Ergonomics continues to deliver excellent margins with future growth expected as we focus on new product development and the digital offering.

There are some headwinds facing Nortek in 2018, namely an adverse exchange rate movement on products imported from China and increased costs of materials; however, the Melrose Board remains confident of achieving its objectives for Nortek.

As announced at the interim results the market for Brush has been very difficult. This has continued to worsen, consistent with the most recent negative trading statements elsewhere in the sector. The current order intake by Brush would result in a low single-digit margin during 2018 but, as stated at the time of the interim results, a full review of Brush is underway to improve its performance and shareholders will be updated in due course.

1. At constant currency and excluding revenue from exited sales channels. Full year revenue for the Nortek Group in 2016, excluding exited sales channels and at US\$=1.30, was £1,798 million.
2. Revenue growth this year excludes £29 million of sales in 2017 from these channels before they were fully exited.

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