

August 2010

Strictly private and confidential



## Half Year Results Announcement

Six months to 30 June 2010



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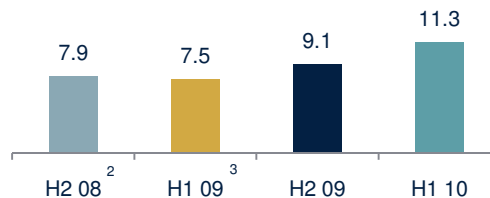
## Highlights

# Highlights

## Executive summary

- Strong results from all divisions
- Interim dividend of 4.0p (2009: 2.9p) an increase of 38% on last year
- Further improvement in revenue and margin coming through
  - Strong Dynacast recovery
  - Energy outlook is good, small US aftermarket business acquired
  - Lifting performed well, balance changing between Crosby and Bridon (2009 record year)
  - Other Industrial margin over 11%, Truth margin continuing to improve
- Cash generation remains strong, leverage reduced to 1.6x and over £500 million of headline<sup>1</sup> operating cash (post capex) generated in the two years since FKI
- Increased capital expenditure investment starting to be made

## Headline<sup>1</sup> earnings per share (p)



- 51% increase over twelve months driven largely by operating margin improvement
- 24% increase over six months driven mainly by revenue growth
- For reference, EPS in 2007 full year (prior to FKI) 9.4p

<sup>1</sup> Before exceptional costs, exceptional income and intangible asset amortisation

<sup>2</sup> Calculated using the full number of shares in issue post the FKI acquisition and assuming a 30% tax rate

<sup>3</sup> Restated to include Logistex UK within continuing operations

## Summary financial results

# Significantly improved profit from continuing operations

## Income Statement – statutory format

	Restated <sup>1</sup> 6 months ended 30 June 2009 (£m)	6 months ended 30 June 2010 (£m)
<b>Revenue</b>	<b>684.7</b>	<b>675.7</b>
Cost of sales	(520.6)	(482.2)
Net operating expenses – Headline <sup>2</sup>	(94.3)	(101.6)
– Exceptional items and intangible asset amortisation	(14.6)	(17.7)
<b>Operating profit</b>	<b>55.2</b>	<b>74.2</b>
Net finance costs	(16.8)	(13.8)
<b>Profit before tax</b>	<b>38.4</b>	<b>60.4</b>
Tax – Headline <sup>2</sup>	(16.0)	(21.9)
– Exceptional items and intangible asset amortisation	5.4	5.0
<b>Profit for the period from continuing operations</b>	<b>27.8</b>	<b>43.5</b>
Profit for the period from discontinued operations	17.0	-
<b>Profit for the period</b>	<b>44.8</b>	<b>43.5</b>

- Significantly improved profit from continuing operations, on similar revenue

<sup>1</sup> Restated to include Logistex UK within continuing operations

<sup>2</sup> Before exceptional costs, exceptional income and intangible asset amortisation

# Headline<sup>1</sup> earnings per share of 11.3p

## Income Statement – headline<sup>1</sup> results six months ended 30 June 2010

	Headline <sup>1</sup> results (£m)	Other <sup>2</sup> (£m)	Total (£m)
<b>Revenue</b>	<b>675.7</b>	-	<b>675.7</b>
Operating profit/(loss)	91.9	(17.7)	74.2
Net finance costs	(13.8)	-	(13.8)
<b>Profit/(loss) before tax</b>	<b>78.1</b>	<b>(17.7)</b>	<b>60.4</b>
Tax	(21.9)	5.0	(16.9)
<b>Profit/(loss) for the period after tax</b>	<b>56.2</b>	<b>(12.7)</b>	<b>43.5</b>
Earnings per share (EPS)	11.3p	(2.6p)	8.7p

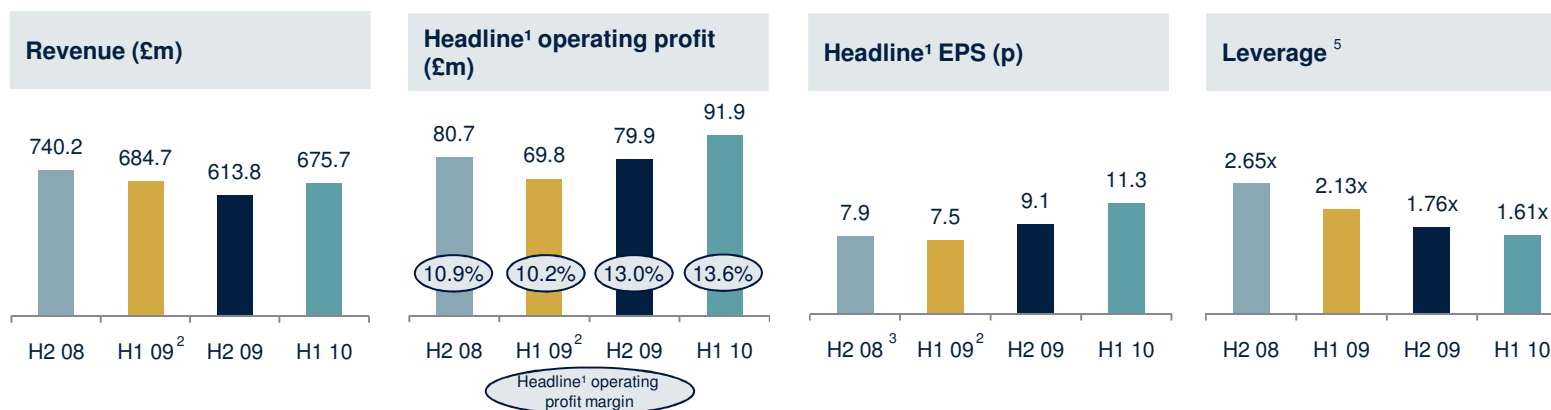
- Headline<sup>1</sup> EPS of 11.3p
- Headline<sup>1</sup> profit before tax £78.1 million
- Other costs of £17.7 million mainly relate to intangible asset amortisation (£13.4 million)

<sup>1</sup> Before exceptional costs, exceptional income and intangible asset amortisation

<sup>2</sup> Consists of exceptional costs and intangible asset amortisation

# Continued improvement in margin, EPS and leverage<sup>5</sup>

## Summary performance – half yearly trend



	H2 2008	H1 2009 <sup>2</sup>	H2 2009	H1 2010
<b>Trading</b>				
Revenue (£m)	740.2	684.7	613.8	675.7
Headline <sup>1</sup> operating profit (£m)	80.7	69.8	79.9	91.9
Headline <sup>1</sup> profit before tax (£m)	56.8	53.0	65.6	78.1
Headline <sup>1</sup> earnings per share	7.9p <sup>3</sup>	7.5p	9.1p	11.3p
Headline <sup>1</sup> operating profit as a % of revenue	10.9%	10.2%	13.0%	13.6%
<b>Cash generation and net debt</b>				
Headline <sup>1</sup> operating profit conversion to cash (post capex)	191%	144%	154%	117%
Cash generation from trading (after all costs including tax) (£m)	90.5	61.8	92.7	51.7
Net debt (£m)	543.1	416.4	321.7	331.1
Net debt to headline <sup>1</sup> EBITDA <sup>4</sup> (leverage <sup>5</sup> )	2.65x	2.13x	1.76x	1.61x

<sup>1</sup> Before exceptional costs, exceptional income and intangible asset amortisation

<sup>2</sup> Restated to include Logistex UK within continuing operations

<sup>3</sup> Calculated using the full number of shares in issue post the FKI acquisition and assuming a 30% tax rate

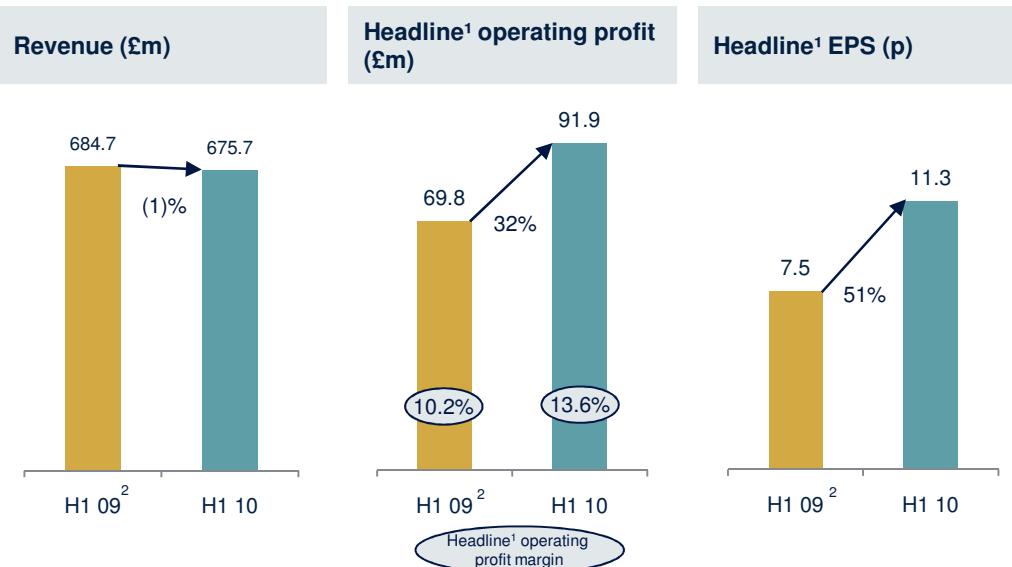
<sup>4</sup> Operating profit before depreciation and amortisation

<sup>5</sup> Existing businesses at Balance Sheet date, calculated as net debt divided by headline<sup>1</sup> EBITDA<sup>4</sup>



# Comparison with twelve months ago: EPS up 51%

## Summary performance – comparison with twelve months ago (H1 2010 v H1 2009)



- Revenue down 1% on twelve months ago (1% at constant currency)
  - Energy down 12% (12%)
  - Lifting down 8% (8%)
  - Dynacast up 46% (44%)
  - Other Industrial down 6% (5%)
- Margin improvement of +3.4pps to 13.6%
  - Energy +3.3pps
  - Lifting +2.6pps
  - Dynacast +4.7pps
  - Other Industrial +6.7pps
- Earnings per share up 51% on twelve months ago

	H1 2009 <sup>2</sup>	H1 2010	Actual variance	Variance at constant exchange rates
Revenue (£m)	684.7	675.7	(1)%	(1)%
Headline <sup>1</sup> operating profit (£m)	69.8	91.9	32%	31%
Headline <sup>1</sup> profit before tax (£m)	53.0	78.1	47%	46%
Headline <sup>1</sup> earnings per share	7.5p	11.3p	51%	49%
Headline <sup>1</sup> operating profit as a % of revenue	10.2%	13.6%	<b>+3.4 percentage pts</b>	<b>+3.3 percentage pts</b>

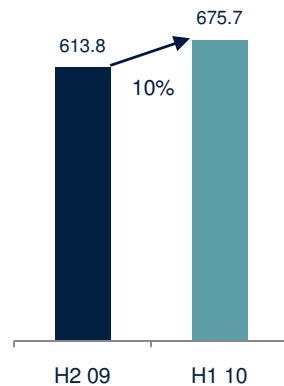
<sup>1</sup> Before exceptional costs, exceptional income and intangible asset amortisation

<sup>2</sup> Restated to include Logistex UK within continuing operations

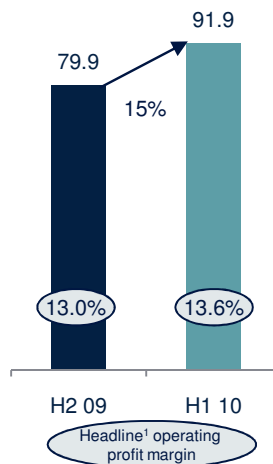
# Comparison with six months ago: EPS up 24%

## Summary performance – comparison with six months ago (H1 2010 v H2 2009)

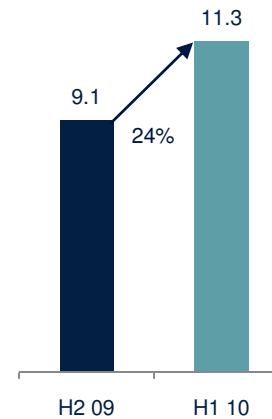
### Revenue (£m)



### Headline<sup>1</sup> operating profit (£m)



### Headline<sup>1</sup> EPS (p)



- Revenue up 10% on six months ago (7% at constant currency)
  - Energy up 9% (10%)
  - Lifting up 12% (7%)
  - Dynacast up 23% (19%)
  - Other Industrial down 4% (down 8%)
- Margin improvement of +0.6pps to 13.6%
  - Energy +0.4pps
  - Lifting +0.1pps
  - Dynacast +3.2pps
  - Other Industrial +2.3pps<sup>2</sup>
- Earnings per share up 24% on six months ago

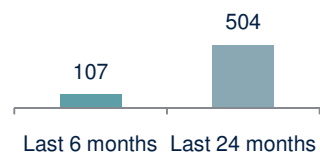
	H2 2009	H1 2010	Actual variance	Variance at constant exchange rates
Revenue (£m)	613.8	675.7	10%	7%
Headline <sup>1</sup> operating profit (£m)	79.9	91.9	15%	13%
Headline <sup>1</sup> profit before tax (£m)	65.6	78.1	19%	17%
Headline <sup>1</sup> earnings per share	9.1p	11.3p	24%	21%
Headline <sup>1</sup> operating profit as a % of revenue	13.0%	13.6%	+0.6 percentage pts	+0.8 percentage pts

<sup>1</sup> Before exceptional costs, exceptional income and intangible asset amortisation

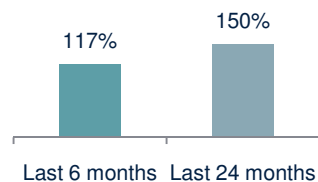
<sup>2</sup> Excluding pension curtailment gain in H2 2009

# Further cash generation and reduction in leverage<sup>1</sup>

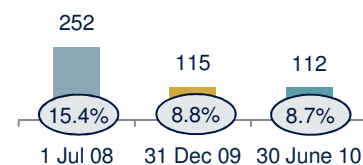
**Headline<sup>2</sup> operating cash flow (post capex) (£m)**



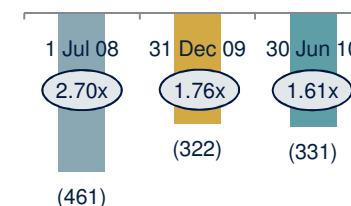
**Headline<sup>2</sup> operating profit conversion to cash % (post capex)**



**Net working capital (£m) (constant currency) and as a % of revenue**



**Net debt (£m) and leverage<sup>1</sup>**



## Cash generated from trading (after all costs including tax)

	Last 6 months (£m)	Last 24 months (since FKI) (£m)
<b>Including continuing and discontinued businesses</b>		
Headline <sup>2</sup> operating profit	91.9	335.6
Depreciation <sup>3</sup>	17.1	72.1
Working capital movement	8.4	156.7
Net capital expenditure	(10.0)	(60.4)
<b>Headline<sup>2</sup> operating cash flow (post capex)</b>	<b>107.4</b>	<b>504.0</b>
<b>Headline<sup>2</sup> operating profit conversion to cash %</b>	<b>117%</b>	<b>150%</b>
Net interest and net tax paid	(27.8)	(81.8)
Defined benefit pension contributions	(15.4)	(63.5)
Other (including restructuring costs)	(12.5)	(62.0)
<b>Cash generated from trading (after all costs including tax)</b>	<b>51.7</b>	<b>296.7</b>

<sup>1</sup> Existing businesses at Balance Sheet date, calculated as net debt divided by headline<sup>2</sup> EBITDA<sup>4</sup>

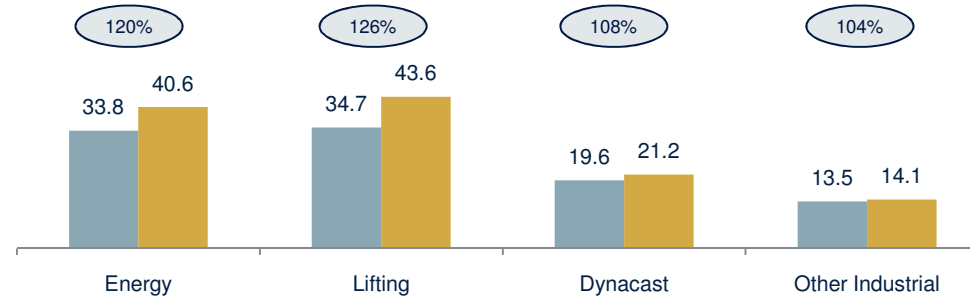
<sup>2</sup> Before exceptional costs, exceptional income and intangible asset amortisation

<sup>3</sup> Includes computer software amortisation

<sup>4</sup> Operating profit before depreciation and amortisation

# All divisions producing strong cash flows

## Operating cash flow (post capex)<sup>1</sup> in 2010 (£m)



- All divisions show strong cash generation (post capex)<sup>1</sup> larger than profit
- Longer term Melrose average cash generation significantly above profit at 129%

■ Headline<sup>2</sup> operating profit in 2010  
■ Headline<sup>2</sup> operating cash generation (post capex)<sup>1</sup> in 2010  
○ Headline<sup>2</sup> profit conversion to cash % in 2010

## Profit conversion to cash by division

£m in 2010	Energy	Lifting	Dynacast	Other Industrial	HO	Total continuing	Dis-continued	Total
Headline <sup>2</sup> operating profit	33.8	34.7	19.6	13.5	(9.7)	91.9	-	91.9
Headline <sup>2</sup> operating cash generation (post capex) <sup>1</sup>	40.6	43.6	21.2	14.1	(12.1)	107.4	-	107.4
Headline <sup>2</sup> profit conversion to cash (%)	120%	126%	108%	104%	(125%)	117%	-	117%
Headline <sup>2</sup> profit conversion to cash (%) – since FKI	136%	129%	150%	123%	(73%)	141%	371%	150%

## Profit conversion to cash for the Melrose Group since inception (October 2003 to June 2010)

Headline <sup>2</sup> operating profit (£m)	469.1
Headline <sup>2</sup> operating cash generation (post capex) <sup>1</sup> (£m)	605.9
Headline <sup>2</sup> profit conversion to cash (%)	129%

<sup>1</sup> Headline<sup>2</sup> operating cash (post working capital movement and net capital expenditure) that is generated from headline<sup>2</sup> operating profit

<sup>2</sup> Before exceptional costs, exceptional income and intangible asset amortisation

## Summary of operating divisions

- Energy
- Lifting
- Dynacast
- Other Industrial

# Operating divisions

	<b>Energy</b>	<b>Lifting</b>	<b>Dynacast</b>	<b>Other Industrial</b>
	Turbogenerators, Marelli, Switchgear, Transformers	Bridon, Crosby, Acco	Dynacast	Truth, Harris, Weber Knapp, Madico, MPC, Traction, Logistex UK
<b>6 months to 30 June 2010</b>				
Revenue (£m)	204.2	212.2	139.4	119.9
Headline <sup>1</sup> operating profit (£m)	33.8	34.7	19.6	13.5
<i>Headline<sup>1</sup> operating margin</i>	<i>16.6%</i>	<i>16.4%</i>	<i>14.1%</i>	<i>11.3%</i>
<b>Percentage of Group profit (prior to central costs)</b>				
	<b>34%</b>	<b>34%</b>	<b>19%</b>	<b>13%</b>

- Based on last six months performance before Melrose central costs

<sup>1</sup> Before exceptional costs, exceptional income and intangible asset amortisation

# Energy — highlights

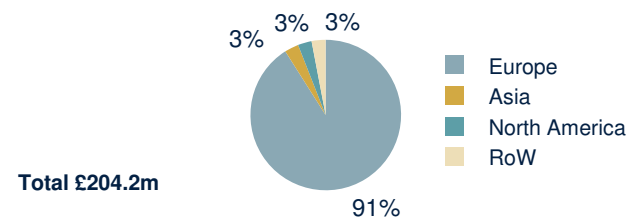
## Energy – headline<sup>1</sup> results

(£m)	Full year 2009	H1 2009	H2 2009	H1 2010	Last six month trend	Year over year trend
Revenue	418.3	231.6	186.7	204.2	9%	(12%)
Headline <sup>1</sup> EBITDA <sup>2</sup>	68.5	34.6	33.9	37.9	12%	10%
Headline <sup>1</sup> EBITDA <sup>2</sup> margin	16.4%	14.9%	18.2%	18.6%	+0.4pps	+3.7pps
Headline <sup>1</sup> operating profit	61.0	30.8	30.2	33.8	12%	10%
Headline <sup>1</sup> operating margin	14.6%	13.3%	16.2%	16.6%	+0.4pps	+3.3pps

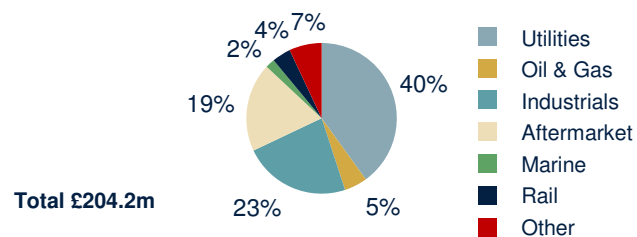
## Key points – headline<sup>1</sup> results for H1 2010 v H2 2009

- Revenue up 9% (10% at constant currency)
- Headline<sup>1</sup> operating profit up 12% (13% at constant currency)
- Headline<sup>1</sup> operating margin up 0.4 percentage points (0.5 percentage points at constant currency)

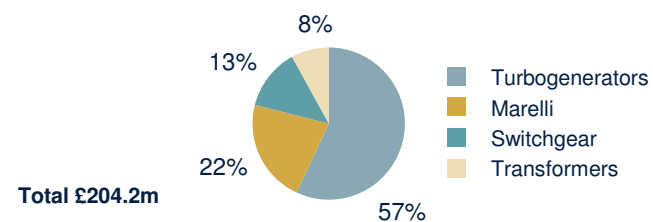
## Revenue by geography – half year 2010



## Revenue by end market – half year 2010



## Revenue by company – half year 2010



<sup>1</sup> Before exceptional costs, exceptional income and intangible asset amortisation

<sup>2</sup> Operating profit before depreciation and amortisation

# Lifting — highlights

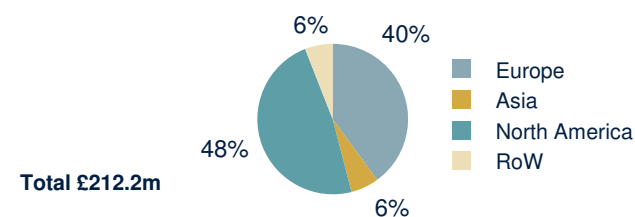
## Lifting – headline<sup>1</sup> results

(£m)	Full year 2009	H1 2009	H2 2009	H1 2010	Last six month trend	Year over year trend
Revenue	419.0	230.2	188.8	212.2	12%	(8%)
Headline <sup>1</sup> EBITDA <sup>2</sup>	71.7	36.6	35.1	39.6	13%	8%
Headline <sup>1</sup> EBITDA <sup>2</sup> margin	17.1%	15.9%	18.6%	18.7%	+0.1pps	+2.8pps
Headline <sup>1</sup> operating profit	62.5	31.7	30.8	34.7	13%	9%
Headline <sup>1</sup> operating margin	14.9%	13.8%	16.3%	16.4%	+0.1pps	+2.6pps

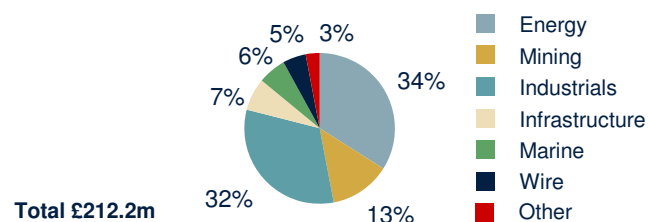
## Key points – headline<sup>1</sup> results for H1 2010 v H2 2009

- Revenue up 12% (7% at constant currency)
- Headline<sup>1</sup> operating profit up 13% (8% at constant currency)
- Headline<sup>1</sup> operating margin up 0.1 percentage points (0.1 percentage points at constant currency)

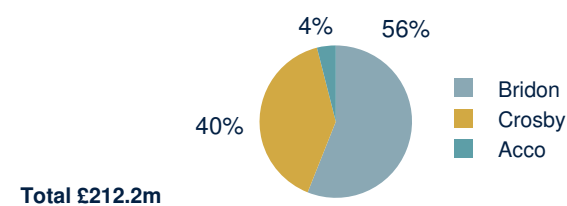
## Revenue by geography – half year 2010



## Revenue by end market – half year 2010



## Revenue by company – half year 2010



<sup>1</sup> Before exceptional costs, exceptional income and intangible asset amortisation

<sup>2</sup> Operating profit before depreciation and amortisation



# Dynacast — highlights

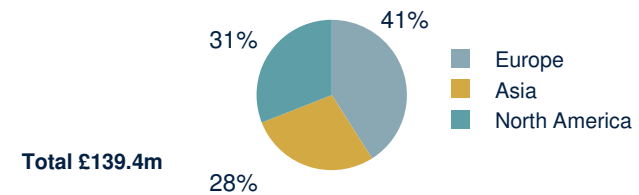
## Dynacast – headline<sup>1</sup> results

(£m)	Full year 2009	H1 2009	H2 2009	H1 2010	Last six month trend	Year over year trend
Revenue	208.7	95.7	113.0	139.4	23%	46%
Headline <sup>1</sup> EBITDA <sup>2</sup>	30.1	13.5	16.6	23.7	43%	76%
Headline <sup>1</sup> EBITDA <sup>2</sup> margin	14.4%	14.1%	14.7%	17.0%	+2.3pps	+2.9pps
Headline <sup>1</sup> operating profit	21.3	9.0	12.3	19.6	59%	118%
Headline <sup>1</sup> operating margin	10.2%	9.4%	10.9%	14.1%	+3.2pps	+4.7pps

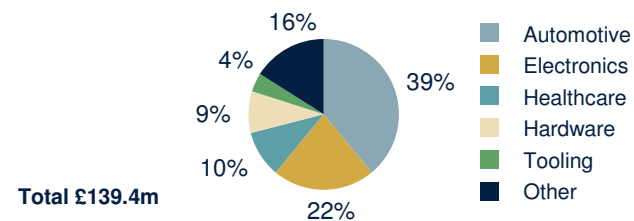
## Key points – headline<sup>1</sup> results for H1 2010 v H2 2009

- Revenue up 23% (19% at constant currency)
- Headline<sup>1</sup> operating profit up 59% (56% at constant currency)
- Headline<sup>1</sup> operating margin up 3.2 percentage points (3.4 percentage points at constant currency)

## Revenue by geography – half year 2010



## Revenue by end market – half year 2010



## Dynacast locations



<sup>1</sup> Before exceptional costs, exceptional income and intangible asset amortisation

<sup>2</sup> Operating profit before depreciation and amortisation

# Other Industrial — highlights

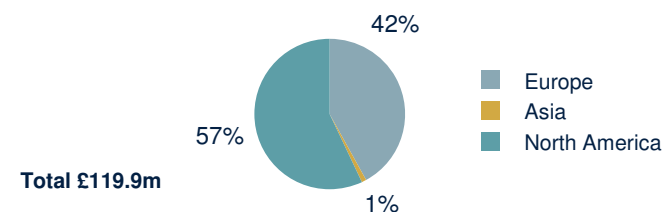
## Other Industrial – headline<sup>1</sup> results

(£m)	Full year 2009	H1 <sup>3</sup> 2009	H2 2009	H1 2010	Last six month trend	Year over year trend
Revenue	252.5	127.2	125.3	119.9	(4%)	(6%)
Headline <sup>1</sup> EBITDA <sup>2</sup>	28.0	9.7	18.3	17.2	(6%)	77%
Headline <sup>1</sup> EBITDA <sup>2</sup> margin	11.1%	7.6%	14.6%	14.3%	-0.3pps	+6.7pps
Headline <sup>1</sup> operating profit	20.6	5.9	14.7	13.5	(8%)	129%
Headline <sup>1</sup> operating margin	8.2%	4.6%	11.7%	11.3%	-0.4pps	+6.7pps

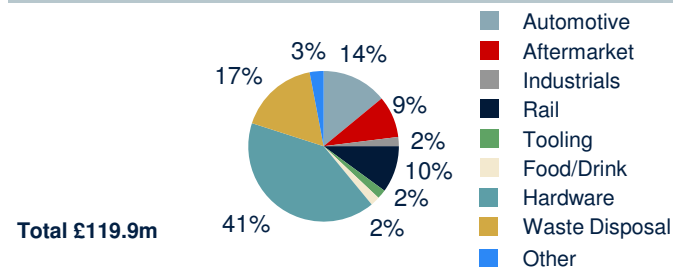
## Key points – headline<sup>1</sup> results for H1 2010 v H2 2009

- Revenue down 4% (Down 8% at constant currency)
- Headline<sup>1</sup> operating profit down 8% (11% at constant currency)
- Headline<sup>1</sup> operating margin down 0.4 percentage points (0.3 percentage points at constant currency) but excluding pension curtailment gain last year it is up 2.3 percentage points
- Pension curtailment gain in H2 2009 of £3.4 million

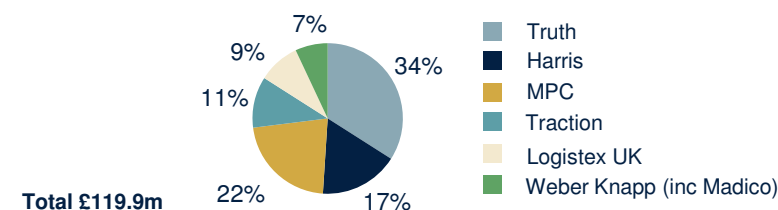
## Revenue by geography – half year 2010



## Revenue by end market – half year 2010



## Revenue by company – half year 2010



<sup>1</sup> Before exceptional costs, exceptional income and intangible asset amortisation

<sup>2</sup> Operating profit before depreciation and amortisation

<sup>3</sup> Restated to include Logistex UK within continuing operations

## Questions

## Appendices

# Financial results

Appendix 1

<b>Balance Sheet</b>			
	<b>Dec 2009 (£m)</b>	<b>June 2010 (£m)</b>	<b>FX movement (£m)</b>
Fixed assets, intangible assets and goodwill	1,436.6	1,446.3	22.0
Net working capital	114.3	111.8	0.5
Pension and retirement benefits	(169.1)	(191.3)	(1.1)
Provisions	(144.2)	(134.7)	(2.6)
Deferred tax and current tax	(152.5)	(161.0)	(4.3)
Other <sup>1</sup>	(0.1)	(12.4)	0.2
Net debt	(321.7)	(331.1)	(28.1)
<b>Net assets</b>	<b>763.3</b>	<b>727.6</b>	<b>(13.4)</b>

<sup>1</sup> Other includes interests in joint ventures and derivative financial instruments

# Financial results

Appendix 2

## Exchange rates

	2009 (12 months)		2010 (6 months)	
	US Dollar	Euro	US Dollar	Euro
Average rates	1.57	1.12	1.53	1.15
Closing rates	1.62	1.13	1.49	1.22

# Financial results

Appendix 3

## Leverage<sup>1</sup>

Net debt to headline <sup>2</sup> EBITDA <sup>3</sup>	Jul 2008	Dec 2008	Jun 2009	Dec 2009	Jun 2010
Net debt to headline <sup>2</sup> EBITDA <sup>3</sup>	2.70x	2.65x	2.13x	1.76x	1.61x

## Credit bank facility

£750 million committed loan facility	Repaid to date	Available (at current exchange rates)	Drawn	Undrawn
Revolving credit facility £250m	-	£250m	£25m	£225m
Committed term facility £500m	\$80m	£480m	£480m	-
<b>Total facility £750m</b>	<b>\$80m</b>	<b>£730m</b>	<b>£505m</b>	<b>£225m</b>

Plus current cash in hand £168m

**Total undrawn facility plus cash in hand £393m**

- Significant headroom available with the current bank facility (acquisitions need bank approval)
- Facility runs until 2013

<sup>1</sup> Existing businesses at Balance Sheet date, calculated as net debt divided by headline<sup>2</sup> EBITDA<sup>3</sup>

<sup>2</sup> Before exceptional costs, exceptional income and intangible asset amortisation

<sup>3</sup> Operating profit before depreciation and amortisation

# Financial results

Appendix 4

## Remaining invested capital in FKI

	(£m)
FKI acquisition price	970.4
Cash generated (after all costs including tax): - from trading	(242.6)
- from disposals	(48.6)
Remaining invested capital in FKI	679.2
12 month EBITDA <sup>1</sup> of remaining FKI businesses	177.4
Multiple of EBITDA <sup>1</sup>	3.8x

<sup>1</sup> Operating profit before depreciation and amortisation



## Pension and US retiree life and medical plans

	31 December 2009			30 June 2010		
	Assets (£m)	Liabilities (£m)	Deficit (£m)	Assets (£m)	Liabilities (£m)	Deficit (£m)
FKI UK defined benefit pension plans	525.8	(641.6)	(115.8)	524.6	(666.2)	(141.6)
Bridon Group Senior Executive Plan	17.7	(19.0)	(1.3)	-	(0.5)	(0.5)
McKechnie UK defined benefit pension plan	128.1	(140.2)	(12.1)	132.5	(139.8)	(7.3)
FKI US defined benefit pension plan	174.4	(191.4)	(17.0)	189.7	(208.7)	(19.0)
Other pension plans	18.4	(36.6)	(18.2)	19.3	(37.2)	(17.9)
US retiree life and medical plans	-	(4.7)	(4.7)	-	(5.0)	(5.0)
<b>Closing plan assets/(liabilities)</b>	<b>864.4</b>	<b>(1,033.5)</b>	<b>(169.1)</b>	<b>866.1</b>	<b>(1,057.4)</b>	<b>(191.3)</b>

- Bridon Group Senior Executive Plan buyout (net cost £3.9 million)

# Financial results

Appendix 6

<b>Movement in net debt</b>		
	<b>Last 6 months 2009 (£m)</b>	<b>Last 24 months (since FKI) (£m)</b>
Opening net (debt) /cash	(321.7)	22.3
Acquired net debt	-	(471.7)
Net cash flow of acquisitions	(7.8)	(19.0)
Net cash flow from disposals	(0.1)	48.5
<b>Cash generation from trading (after tax)</b>	<b>51.7</b>	<b>296.7</b>
Amounts paid to shareholders	(23.9)	(80.6)
Foreign exchange movement	(28.1)	(126.2)
Other non-cash movement	(1.2)	(1.1)
Closing net debt	(331.1)	(331.1)