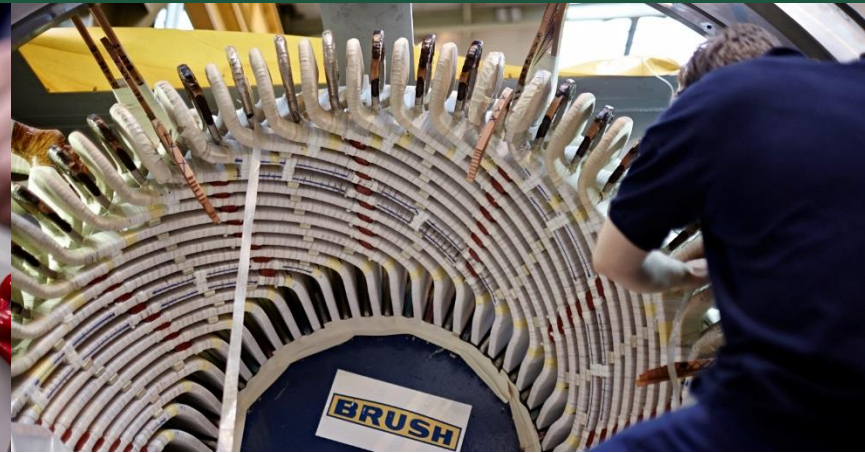




Buy
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Sell

Melrose

Strictly private and confidential



Melrose Industries PLC

Half Year Results

Six months to 30 June 2014

August 2014

Contents

Sections

- 1 Highlights
- 2 Summary financial results
- 3 Summary of operating divisions
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 - 5 FKI
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Highlights

Highlights¹ in 2014 – at constant currency

- Headline² profit before tax up 10% and headline² diluted earnings per share³ of 7.3p up 11%
- Elster businesses continue to perform strongly
 - Headline² operating profit up 10% and headline² operating margin up 2.9 percentage points to 18.9%
 - Enhanced margins in all businesses
 - Overall Elster profitability increased by almost 50% since its acquisition in August 2012
- FKI order intake up 5% on last year but trading slower in the first six months
- Net debt of £750.6 million, equal to 2.4x EBITDA⁴
- Return of Capital of £595.3 million (47.0p per share) paid in the period alongside an 11 for 13 share consolidation
- Interim dividend of 2.8p (2013: 2.75p)



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Summary financial results

Income performance

Income Statement

H1 2014 headline¹ growth²

£m	Group H1 2014	Growth	Elster	Growth	FKI	Growth
Revenue	780.9	-5%	493.6	-7%	287.3	-3%
Headline ¹ operating profit	128.5	+4%	93.1	+10%	47.7	-9%
Headline ¹ operating margin %	16.5%	+1.3ppts	18.9%	+2.9ppts	16.6%	-1.2ppts
Headline ¹ profit before tax	109.9	+10%				
Headline ¹ tax	(29.7)	+10%				
Headline ¹ profit after tax	80.2	+11%				
Headline ¹ diluted EPS ³	7.3p	+11%				
<i>Order intake⁴</i>	769.0	+3%	499.2	+1%	269.8	+5%
<i>Book to bill %</i>	98%		101%		94%	

Highlights

- Group revenue down 5%, headline¹ operating profit up 4%
- Headline¹ diluted EPS of 7.3p, 11% growth on H1 2013
- Group order intake up 3%

H1 2014 statutory format

Continuing operations £m	Headline ¹	Other	Total
Revenue	780.9	-	780.9
Operating profit	128.5	(40.3)	88.2
Operating margin %	16.5%	n/a	11.3%
Profit before tax	109.9	(40.3)	69.6
Tax (charge)/credit	(29.7)	10.4	(19.3)
Profit for the year	80.2	(29.9)	50.3

H1 2014 other non-headline¹ items

Continuing operations £m	Operating	Tax	Total
Intangible asset amortisation	(30.9)	8.8	(22.1)
Restructuring costs	(14.8)	1.6	(13.2)
Exceptional income	5.4	-	5.4
Total other non-headline ¹ items	(40.3)	10.4	(29.9)

Revenue growth

H1 2014 headline¹ growth²

£m	Group H1 2014	Growth	Elster	Growth	FKI	Growth
Revenue	780.9	-5%	493.6	-7%	287.3	-3%
Headline ¹ operating profit	128.5	+4%	93.1	+10%	47.7	-9%
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<i>Order intake⁴</i>	769.0	+3%	499.2	+1%	269.8	+5%
<i>Book to bill %</i>	98%		101%		94%	

Highlights

- Elster Gas: Underlying growth 4-5%
Reduced by the timing of several major projects in Gas stations
- Elster Electricity: Very seasonal, second half weighted
US slow start, as expected, due to stimulus wind-down
Expect full year performance to be better
- Elster Water: Effect of US restructuring
- FKI: Brush: Flat year on year
- FKI: Bridon: Mining downturn – stronger order book

Revenue growth² – by division

compared to H1 2013



Group Elster FKI

Revenue growth² – Elster

compared to H1 2013



Elster Group Gas Electricity Water

Headline¹ operating margin

H1 2014 headline¹ growth²

£m	Group H1 2014	Growth	Elster	Growth	FKI	Growth
Revenue	780.9	-5%	493.6	-7%	287.3	-3%
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<i>Book to bill %</i>	98%		101%		94%	

Headline¹ operating margin

16.5%

Group

18.9%

Elster

16.6%

FKI

Headline¹ operating margin growth² compared to H1 2013

+1.3ppts

Group

+2.9ppts

Elster

-1.2ppts

FKI

Highlights

- Elster headline¹ operating margin up 2.9ppts to 18.9% in the period
- Elster margin has now increased by 6.1ppts, up nearly 50% since acquisition
- Operating margins improved in all Elster businesses
- FKI margin down mainly due to the slower mining market in Bridon

Foreign exchange impact on interim results

H1 2014 headline¹ growth²

£m	Group H1 2014	Growth	Elster	Growth	FKI	Growth
Revenue	780.9	-5%	493.6	-7%	287.3	-3%
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<i>Order intake⁴</i>	769.0	+3%	499.2	+1%	269.8	+5%
<i>Book to bill %</i>	98%		101%		94%	

Highlights

- Currency headwind in the period reduced turnover by 6% and headline¹ operating profit by 7%
- US\$ and Euro are the Group's main currency exposures
- Other currency exposures include the 11% weakening of the Czech Koruna, the 22% weakening of the Russian Ruble and the 65% devaluation of the Argentinian Peso

Currency impact on the Group results year on year

	Revenue	Headline ¹ operating profit
At constant currency	-5%	+4%
	6% currency headwind ↓	7% currency headwind ↓
Actual exchange rates	-11%	-3%

Headwind by currency on profit

-1.8%	-1.3%	-3.6%	-6.7%
US\$	Euro	Other currencies	Group total

Foreign exchange sensitivities ongoing

H1 2014 headline¹ growth²

£m	Group H1 2014	Growth	Elster	Growth	FKI	Growth
Revenue	780.9	-5%	493.6	-7%	287.3	-3%
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<i>Book to bill %</i>	98%		101%		94%	

Highlights

- Strengthening of Sterling against US\$ and Euro continues to have an adverse impact on the Group
- June 2014 spot rates would cause a further headwind in the second half of the year
- Using the June 2014 spot rates for the second half of the year would cause an 8% headwind on full year headline¹ operating profit

Translation impact on the full year profit of a 10 cent strengthening of US\$ or Euro

£5.2m

US\$

£8.2m

Euro

Exchange rate movements

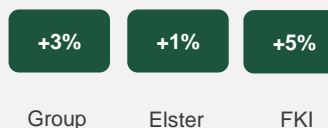
	H1 2013 average rates	H1 2014 average rates	30 June 2014 spot rates
US\$	1.54	1.67	1.71
Euro	1.18	1.22	1.25

Order intake

H1 2014 headline¹ growth²

£m	Group H1 2014	Growth	Elster	Growth	FKI	Growth
Revenue	780.9	-5%	493.6	-7%	287.3	-3%
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Headline ¹ diluted EPS ³	7.3p	+11%				
Order intake⁴	769.0	+3%	499.2	+1%	269.8	+5%
Book to bill %	98%		101%		94%	

Order intake growth² – year on year⁴



Months of revenue in order book



Highlights

- Group order intake up 3% on last year
- Order intake growth in both Elster and FKI compared with H1 2013
- Group order book equal to 3.7 months of revenue, supporting the full year expectations
- A book to bill ratio of 101% in Elster



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Summary financial results

Cash performance

Profit conversion to cash and investment

Cash generated from trading (after all costs including tax)

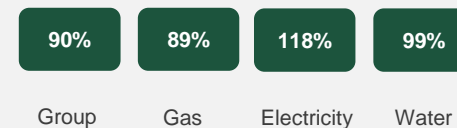
£m	Group H1 2014	Elster	FKI
Headline ¹ operating profit	128.5	93.1	47.7
Depreciation ²	19.7	12.4	6.9
Working capital movement	(29.2)	(10.6)	(13.5)
Headline¹ operating cash flow (pre capex)	119.0	94.9	41.1
Headline¹ EBITDA³ conversion to cash (pre capex) %	80%	90%	75%
Net capital expenditure	(28.8)	(11.9)	(16.7)
Headline¹ operating cash flow (post capex)	90.2	83.0	24.4
Net interest and net tax paid	(30.6)	(16.3)	(7.7)
Defined benefit pension contributions	(16.4)	(3.8)	(3.2)
Other (including restructuring & discontinued operations)	(11.7)	(14.7)	-
Cash generated from trading (after all costs including tax)	31.5	48.2	13.5

Highlights

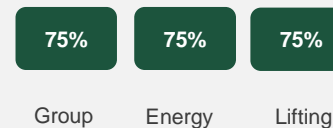
- Strong profit conversion to cash by Elster of 90%
- FKI cash conversion should improve in the second half
- Capital expenditure equal to 1.5x depreciation
- Significant capital investment made, particularly in Brush China

H1 2014 headline¹ profit conversion to cash

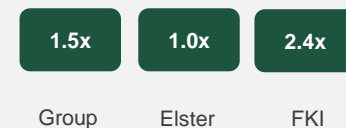
Elster



FKI



Net capital investment ratios in H1 2014 by segment





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Summary financial results

Balance Sheet

Balance Sheet – leverage³, pensions, working capital

June 2014 Balance Sheet position

£m	30 Jun 2014	31 Dec 2013
Fixed assets, intangible assets and goodwill	2,743.0	2,853.2
Net working capital	152.0	126.9
Pensions and retirement benefits	(236.9)	(219.3)
Provisions	(167.5)	(177.8)
Deferred tax and current tax	(258.4)	(272.9)
Other	12.7	18.6
Net debt	(750.6)	(140.8)
Net assets	1,494.3	2,187.9

Leverage³

June 2014

2.4x

Bank facility improved and extended

Pension deficit

June 2014

£125m

UK

£95m

Europe

£17m

US

UK defined benefit pension plans fully funded in < 5 years

Highlights

- Net debt of £750.6 million, equal to 2.4x EBITDA²
- Net deficit on pensions increased by £18 million (8%) mainly due to lower discount rate assumptions
- Working capital remains well controlled
- Bank facility term extended from June 2017 to July 2019 with improved terms and lower costs

Working capital as a percentage of revenue

9.3%

June 2014

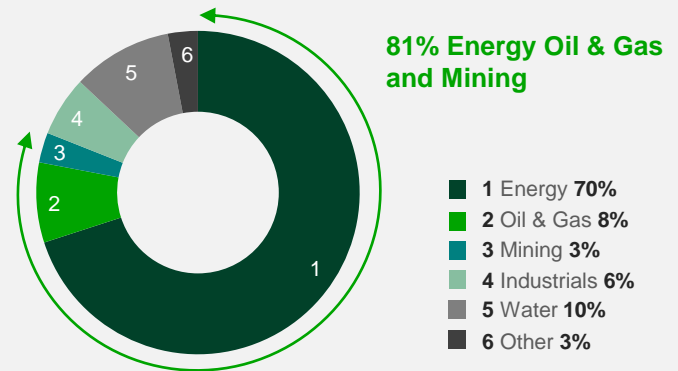


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Summary of operating divisions

- Elster
- FKI

Revenue by end market





Elster

63% of Melrose¹



Gas

“Best-in-class products and solutions for measurement, regulation and the safe control and application of gases”

66% of Elster¹

42% of Melrose¹

www.elster.com/en/gas



Electricity

“Meeting the expanding needs of utilities by providing advanced metering products and services worldwide”

18% of Elster¹

11% of Melrose¹

www.elster.com/en/electricity



Water

“Metering and communication systems for water utilities and industries”

16% of Elster¹

10% of Melrose¹

www.elster.com/en/water

1. Based on H1 2014 revenue for all continuing businesses

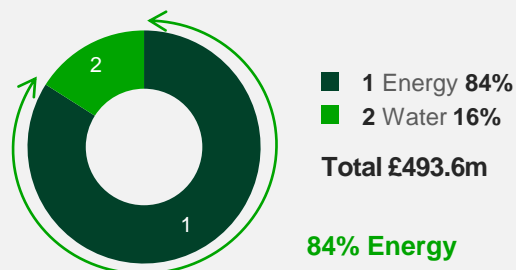
Elster – headline¹ results

£m	Elster ⁴		Gas		Electricity		Water	
	H1 2014	Growth ³	H1 2014	Growth ³	H1 2014	Growth ³	H1 2014	Growth ³
Revenue	493.6	-7%	325.5	-1%	87.1	-17%	81.0	-15%
Headline ¹ EBITDA ²	105.5	+9%	84.2	+7%	7.0	-9%	15.4	+29%
Headline ¹ EBITDA ² margin %	21.4%	+3.0ppts	25.9%	+1.7ppts	8.0%	+0.8ppts	19.0%	+6.5ppts
Headline ¹ operating profit	93.1	+10%	76.9	+7%	4.0	-13%	13.3	+38%
Headline ¹ operating margin %	18.9%	+2.9ppts	23.6%	+1.7ppts	4.6%	+0.3ppts	16.4%	+6.4ppts
Order intake ⁵	499.2	+1%	339.3	+6%	86.2	-11%	73.7	-4%
Book to bill %	101%		104%		99%		91%	

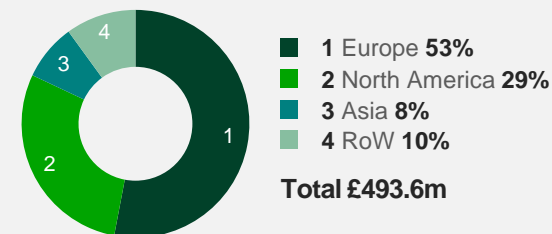
Highlights

- Headline¹ operating profit up 10% and operating margin up 2.9 percentage points to 18.9%
- Enhanced margins in all businesses
- Order intake growth of 1% and book to bill in the period of 101% driven by a strong performance in Gas

Revenue by end market



Revenue by geographical destination





FKI

37% of Melrose¹



“World number one independent supplier of turbogenerators”

57% of FKI¹

21% of Melrose¹

www.brush.eu



“Global technology leaders in the manufacture of wire and wire rope”

43% of FKI¹

16% of Melrose¹

www.bridon.com

1. Based on H1 2014 revenue for all continuing businesses

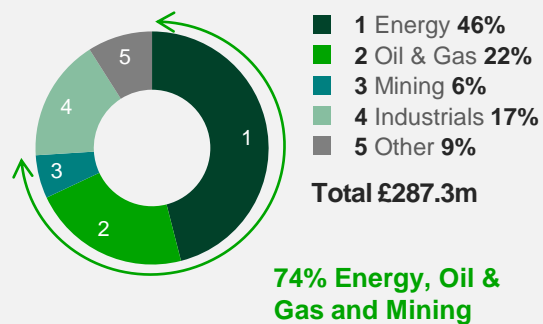
FKI – headline¹ results

£m	FKI		Brush		Bridon	
	H1 2014	Growth ³	H1 2014	Growth ³	H1 2014	Growth ³
Revenue	287.3	-3%	164.5	Flat	122.8	-6%
Headline ¹ EBITDA ²	54.6	-7%	37.3	Flat	17.3	-20%
Headline ¹ EBITDA ² margin %	19.0%	-1.0ppts	22.7%	Flat	14.1%	-2.5ppts
Headline ¹ operating profit	47.7	-9%	34.2	-1%	13.5	-25%
Headline ¹ operating margin %	16.6%	-1.2ppts	20.8%	Flat	11.0%	-2.9ppts
Order intake	269.8	+5%	136.8	-1%	132.9	+13%
Book to bill %	94%		83%		108%	

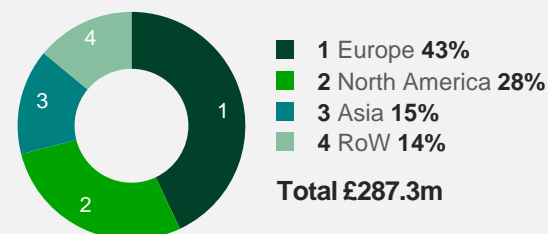
Highlights

- Brush revenue and headline¹ operating profit consistent with H1 2013
- Bridon revenue down 6% and headline¹ operating profit down 25% compared to H1 2013. Order intake up 13%

Revenue by end market



Revenue by geographical destination





Buy
Improve
Sell

Questions



Buy
Improve
Sell

Appendix

Balance Sheet – pensions and retirement benefits

June 2014 Balance Sheet position

£m	30 Jun 2014	31 Dec 2013
Fixed assets, intangible assets and goodwill	2,743.0	2,853.2
Net working capital	152.0	126.9
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Deferred tax and current tax	(258.4)	(272.9)
Other	12.7	18.6
Net debt	(750.6)	(140.8)
Net assets	1,494.3	2,187.9

DB pension plans – by region

£m	30 Jun 2014		
	Assets	Liabilities	Deficit
UK	896	(1,021)	(125)
Europe	2	(97)	(95)
US	207	(224)	(17)
Other	2	(2)	-
Total	1,107	(1,344)	(237)

DB pension plans – by segment

£m	Annual cash payments	30 Jun 2014		
		Assets	Liabilities	Deficit
FKI and central	26	1,067	(1,197)	(130)
Elster	7	40	(147)	(107)
Total	33	1,107	(1,344)	(237)

Highlights

- Lower discount rates in all regions contributed to the £18 million increase in accounting net deficit
- UK defined benefit pension plans forecast to be fully funded in less than five years

Pensions – spread of investments

