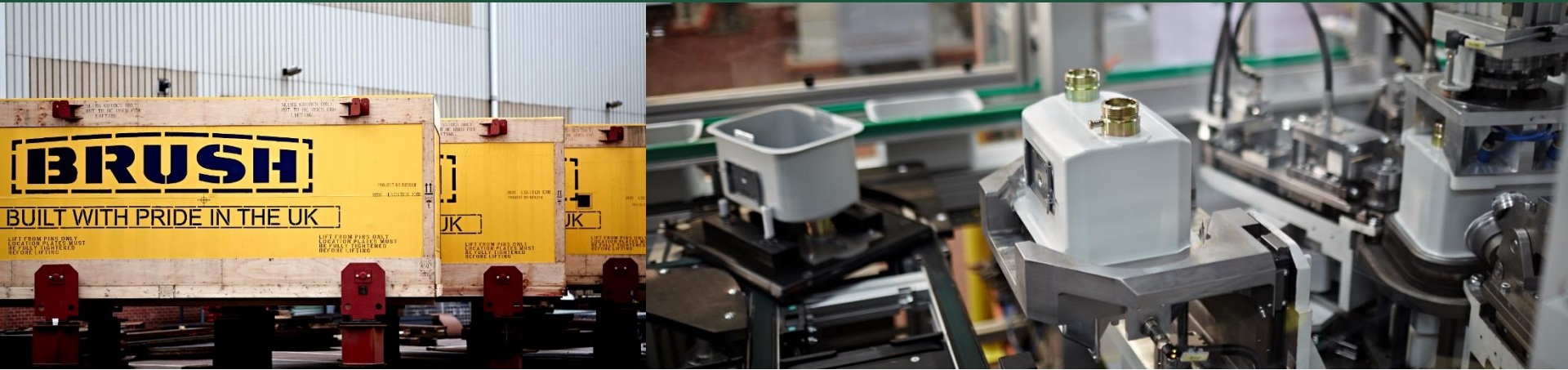




Buy
Improve
Sell

Melrose

Strictly private and confidential



Melrose Industries PLC

Full Year Results

Twelve months to 31 December 2014

March 2015

Contents

Sections

- 1 Highlights
- 2 Summary financial results
- 3 Summary of operating divisions
 - 4 Brush
 - 5 Elster
- 6 Questions
- 7 Appendix



Buy
Improve
Sell

Highlights

Highlights¹ in 2014

- Headline² profit before tax of £213 million, up 21% (11% at actual currency) and headline² proforma earnings per share³ of 15.3p
- Elster profits up by two thirds (circa £80 million) in the two full years of ownership
- Elster now delivering revenue and order intake growth, up +9% and +6% respectively in the second half of 2014
- All three Elster divisions achieved profit growth in 2014 (Gas +13%, Electricity +23% and Water +11%)
- Brush (revenue -3% and profit -7%) suffering from a tough OEM generator end market
- In November 2014 Bridon sold for £365 million, doubling shareholders' original investment
- Return of Capital of £200 million (18.7p per share) to be paid on 16 March 2015 alongside a 13 for 14 share consolidation
- IFRS profit after tax⁴ of £87 million (2013: £102 million)
- Net debt at 31 December 2014 of £501 million, equal to 1.8x EBITDA⁵. Adjusting for the Return of Capital in March 2015, proforma leverage equal to 2.5x EBITDA⁵
- Final proposed dividend of 5.3p per share (2013: 5.0p). Full year dividend increased by 5% to 8.1p per share (2013: 7.75p)

In common with many companies that trade internationally the movement in exchange rates in 2014 has caused a headwind to profits of around 8%. For ease of comparison, unless stated otherwise, the year on year variances in this announcement are stated using constant rates.



Buy
Improve
Sell

Summary financial results

Income performance

Income Statement

FY 2014 headline¹ growth²

£m	Group FY 2014	Growth	Elster	Growth	Brush	Growth
Revenue	1,377.5	flat	1,050.2	+1%	327.3	-3%
Headline ¹ operating profit	246.0	+11%	205.5	+14%	65.4	-7%
Headline ¹ operating margin %	17.9%	+1.7ppts	19.6%	+2.3ppts	20.0%	-0.8ppts
Headline ¹ profit before tax	212.5	+21%				
Headline ¹ tax	(57.4)	+24%				
Headline ¹ profit after tax	155.1	+20%				
Headline ¹ diluted EPS ³ (no. of shares at year end)	14.2p					
Proforma diluted EPS ⁴ (no. of shares post RoC)	15.3p					
Order intake	1,294.2	+1%	1,017.9	+3%	276.3	-8%
Book to bill %	94%		97%		84%	

Highlights

- Group revenue flat, headline¹ operating profit up 11%
- Headline¹ operating margin up 1.7ppts
- Headline¹ diluted EPS³ of 14.2p being 15.3p on a proforma⁴ basis post the Return of Capital
- Group order intake up 1%

FY 2014 statutory format

Continuing operations £m	Headline ¹	Other	Total
Revenue	1,377.5	-	1,377.5
Operating profit	246.0	(83.6)	162.4
Operating margin %	17.9%	n/a	11.8%
Profit before tax	212.5	(83.6)	128.9
Tax (charge)/credit	(57.4)	15.6	(41.8)
Profit after tax	155.1	(68.0)	87.1
Profit from discontinued operations	-	107.6	107.6
Profit for the year	155.1	39.6	194.7

FY 2014 other non-headline¹ items

Continuing operations £m	Operating	Tax	Total
Intangible asset amortisation	(54.7)	15.9	(38.8)
Restructuring costs	(30.6)	4.8	(25.8)
Acquisition and disposal costs	(3.7)	-	(3.7)
Exceptional tax	-	(3.9)	(3.9)
Exceptional income	5.4	(1.2)	4.2
Total other non-headline ¹ items	(83.6)	15.6	(68.0)

Revenue growth

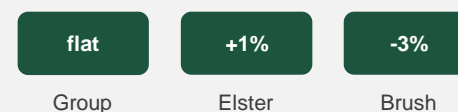
FY 2014 headline¹ growth²

£m	Group FY 2014	Growth	Elster	Growth	Brush	Growth
Revenue	1,377.5	flat	1,050.2	+1%	327.3	-3%
Headline ¹ operating profit	246.0	+11%	205.5	+14%	65.4	-7%
Headline ¹ operating margin %	17.9%	+1.7ppts	19.6%	+2.3ppts	20.0%	-0.8ppts
Headline ¹ profit before tax	212.5	+21%				
Headline ¹ tax	(57.4)	+24%				
Headline ¹ profit after tax	155.1	+20%				
Headline ¹ diluted EPS ³ (no. of shares at year end)	14.2p					
Proforma diluted EPS ⁴ (no. of shares post RoC)	15.3p					
Order intake	1,294.2	+1%	1,017.9	+3%	276.3	-8%
Book to bill %	94%		97%		84%	

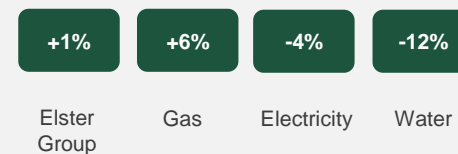
Highlights

- Group revenue flat at constant currency but up 5% in the second half
- Elster Gas revenue grew by 6%
- Water revenue decline impacted by the previous market closures (final year effect)

Revenue growth² – by division compared to 12 months ago



Revenue growth² – Elster compared to 12 months ago



Order intake

FY 2014 headline¹ growth²

£m	Group FY 2014	Growth	Elster	Growth	Brush	Growth
Revenue	1,377.5	flat	1,050.2	+1%	327.3	-3%
Headline ¹ operating profit	246.0	+11%	205.5	+14%	65.4	-7%
Headline ¹ operating margin %	17.9%	+1.7ppts	19.6%	+2.3ppts	20.0%	-0.8ppts
Headline ¹ profit before tax	212.5	+21%				
Headline ¹ tax	(57.4)	+24%				
Headline ¹ profit after tax	155.1	+20%				

Headline¹ diluted EPS³ (no. of shares at year end) 14.2p

Proforma diluted EPS⁴ (no. of shares post RoC) 15.3p

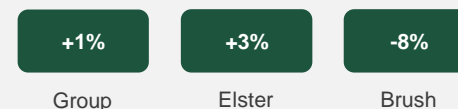
Order intake 1,294.2 +1% 1,017.9 +3% 276.3 -8%

Book to bill % 94% 97% 84%

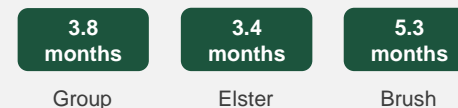
Highlights

- Group order intake up 1% on last year driven by a good performance in Elster
- Elster order intake up 3% year on year

Order intake growth² compared to 12 months ago



Months of revenue in order book



Revenue and order intake – half year trends

FY 2014 headline¹ growth²

£m	Group FY 2014	Growth	Elster	Growth	Brush	Growth
Revenue	1,377.5	flat	1,050.2	+1%	327.3	-3%
Headline ¹ operating profit	246.0	+11%	205.5	+14%	65.4	-7%
Headline ¹ operating margin %	17.9%	+1.7ppts	19.6%	+2.3ppts	20.0%	-0.8ppts
Headline ¹ profit before tax	212.5	+21%				
Headline ¹ tax	(57.4)	+24%				
Headline ¹ profit after tax	155.1	+20%				
Headline ¹ diluted EPS ³ (no. of shares at year end)	14.2p					
Proforma diluted EPS ⁴ (no. of shares post RoC)	15.3p					
Order intake	1,294.2	+1%	1,017.9	+3%	276.3	-8%
Book to bill %	94%		97%		84%	

Highlights

- Elster revenue and order intake trend improved markedly in the second half, up 9% and 6% respectively
- Brush order intake down 17% in the second half in a tough OEM generator market
- Expecting a higher weighting of profits to the second half of the year in 2015 given the current order profile

Revenue growth² – half year trends compared to 12 months ago

	HY1	HY2
Elster	-7%	+9%
Brush	flat	-6%
Group	-5%	+5%

Order intake growth² – half year trends compared to 12 months ago

	HY1	HY2
Elster	+1%	+6%
Brush	-1%	-17%
Group	+1%	flat

Headline¹ operating margin

FY 2014 headline¹ growth²

£m	Group FY 2014	Growth	Elster	Growth	Brush	Growth
Revenue	1,377.5	flat	1,050.2	+1%	327.3	-3%
Headline ¹ operating profit	246.0	+11%	205.5	+14%	65.4	-7%
Headline¹ operating margin %	17.9%	+1.7ppts	19.6%	+2.3ppts	20.0%	-0.8ppts
Headline ¹ profit before tax	212.5	+21%				
Headline ¹ tax	(57.4)	+24%				
Headline ¹ profit after tax	155.1	+20%				
Headline ¹ diluted EPS ³ (no. of shares at year end)	14.2p					
Proforma diluted EPS ⁴ (no. of shares post RoC)	15.3p					
Order intake	1,294.2	+1%	1,017.9	+3%	276.3	-8%
Book to bill %	94%		97%		84%	

Highlights

- Elster headline¹ operating margin up 2.3ppts to 19.6%
- Operating margins improved in all Elster businesses
- Brush operating margin remains strong at 20.0% despite a reduction in revenues

Headline¹ operating margin

17.9%

Group

19.6%

Elster

20.0%

Brush

Headline¹ operating margin growth² compared to 12 months ago

+1.7ppts

Group

+2.3ppts

Elster

-0.8ppts

Brush

Foreign exchange impact on 2014 results

FY 2014 headline¹ growth²

£m	Group FY 2014	Growth	Elster	Growth	Brush	Growth
Revenue	1,377.5	flat	1,050.2	+1%	327.3	-3%
Headline¹ operating profit	246.0	+11%	205.5	+14%	65.4	-7%
Headline ¹ operating margin %	17.9%	+1.7ppts	19.6%	+2.3ppts	20.0%	-0.8ppts
Headline ¹ profit before tax	212.5	+21%				
Headline ¹ tax	(57.4)	+24%				
Headline ¹ profit after tax	155.1	+20%				
Headline ¹ diluted EPS ³ (no. of shares at year end)	14.2p					
Proforma diluted EPS ⁴ (no. of shares post RoC)	15.3p					
Order intake	1,294.2	+1%	1,017.9	+3%	276.3	-8%
Book to bill %	94%		97%		84%	

Highlights

- Currency headwind in 2014 reduced revenue by 6% and headline¹ operating profit by 8%
- The Group's main currency exposures are US\$ and Euro but the weakening of the Czech Koruna, Russian Rouble and Argentinian Peso has had a notable impact year on year

Currency impact on the Group results year on year

	Revenue	Headline ¹ operating profit
At constant currency	flat	+11%
	6% currency headwind ↓	8% currency headwind ↓
Actual exchange rates	-6%	+3%

Headwind on Group profit by currency

-1.3%	-2.1%	-4.5%	-7.9%
US\$	Euro	Other currencies	Group total

Foreign exchange sensitivities ongoing into 2015

FY 2014 headline¹ growth²

£m	Group FY 2014	Growth	Elster	Growth	Brush	Growth
Revenue	1,377.5	flat	1,050.2	+1%	327.3	-3%
Headline¹ operating profit	246.0	+11%	205.5	+14%	65.4	-7%
Headline ¹ operating margin %	17.9%	+1.7ppts	19.6%	+2.3ppts	20.0%	-0.8ppts
Headline ¹ profit before tax	212.5	+21%				
Headline ¹ tax	(57.4)	+24%				
Headline ¹ profit after tax	155.1	+20%				
Headline ¹ diluted EPS ³ (no. of shares at year end)	14.2p					
Proforma diluted EPS ⁴ (no. of shares post RoC)	15.3p					
Order intake	1,294.2	+1%	1,017.9	+3%	276.3	-8%
Book to bill %	94%		97%		84%	

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

£4.3m

US\$

£8.6m

Euro

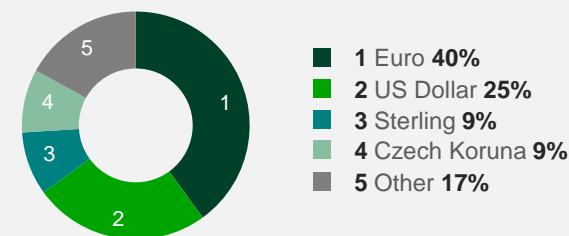
Exchange rate movements

	FY 2013 average rates	FY 2014 average rates	31 Dec 2014 spot rates	Feb 2015 spot rates
US\$	1.56	1.65	1.56	1.54
Euro	1.18	1.24	1.29	1.38

Highlights

- Current spot rates show a 5% headwind for 2015 results given the main exposure of the Group is to the Euro which has weakened recently and makes up 40% of Group profits. The Russian Rouble also causes a headwind

Split of Group profit by currency - 2014



Diluted earnings per share (EPS)

FY 2014 headline¹ growth²

£m	Group FY 2014	Growth	Elster	Growth	Brush	Growth
Revenue	1,377.5	flat	1,050.2	+1%	327.3	-3%
Headline ¹ operating profit	246.0	+11%	205.5	+14%	65.4	-7%
Headline ¹ operating margin %	17.9%	+1.7ppts	19.6%	+2.3ppts	20.0%	-0.8ppts
Headline ¹ profit before tax	212.5	+21%				
Headline ¹ tax	(57.4)	+24%				
Headline ¹ profit after tax	155.1	+20%				

Headline¹ diluted EPS³ (no. of shares at year end) 14.2p

Proforma diluted EPS⁴ (no. of shares post RoC) 15.3p

Order intake	1,294.2	+1%	1,017.9	+3%	276.3	-8%
Book to bill %	94%		97%		84%	

Headline¹ diluted EPS calculations - 2014

$$\frac{\text{Continuing businesses}}{\text{YE number of shares}} = 14.2\text{p}$$

$$\frac{\text{Continuing businesses}}{\text{No. of shares post RoC}} = 15.3\text{p}$$

Proposed 2014 full year dividend

7.75p	+5%	8.1p
2013		2014

Highlights

- Headline¹ diluted EPS³ of 14.2p being 15.3p on a proforma⁴ basis after taking into account the Return of Capital in March 2015
- Proposed full year dividend of 8.1p, up 5%



Buy
Improve
Sell

Summary financial results

Cash performance

Profit conversion to cash and capital investment

Cash generated from trading (after all costs including tax)

£m	Group FY 2014	Elster	Brush
Headline ¹ operating profit	246.0	205.5	65.4
Depreciation ²	31.8	24.6	6.3
Working capital movement	(28.5)	(12.7)	(12.3)
Headline¹ operating cash flow (pre capex)	249.3	217.4	59.4
Headline¹ EBITDA³ conversion to cash (pre capex) %	90%	94%	83%
Net capital expenditure	(58.3)	(28.1)	(30.0)
Headline¹ operating cash flow (post capex)	191.0	189.3	29.4
Net interest and net tax paid	(59.3)	(33.4)	(5.8)
Defined benefit pension contributions	(31.1)	(7.1)	(4.9)
Other (including restructuring & discontinued operations)	(30.2)	(30.1)	(3.1)
Cash generated from trading (after all costs including tax)	70.4	118.7	15.6

Highlights

- Strong profit conversion to cash of 90%
- Elster particularly strong cash conversion of 94%
- Significant capital investment made, particularly in Brush China

FY 2014 headline¹ EBITDA² conversion to cash (pre-capex)

94%

Elster

83%

Brush

Net capital investment ratios FY 2014 by segment

1.8x

Group

1.1x

Elster

4.8x

Brush



Buy
Improve
Sell

Summary financial results

Balance Sheet

Balance Sheet – leverage³, pensions, working capital

Balance Sheet

£m	31 Dec 2014	31 Dec 2013
Fixed assets, intangible assets and goodwill	2,604.9	2,853.2
Net working capital	106.4	126.9
Pensions and retirement benefits	(218.5)	(219.3)
Provisions	(177.0)	(177.8)
Deferred tax and current tax	(247.4)	(272.9)
Other	6.6	18.6
Net debt	(501.3)	(140.8)
Net assets	1,573.7	2,187.9

Leverage³

1.8x

Net debt to
headline¹
EBITDA²

2.5x

Proforma⁴
net debt to
headline¹
EBITDA²

Pension deficit

December 2014

£85m

UK

£97m

Europe

£36m

US

Highlights

- Year end leverage³ of 1.8x. Adjusting for the Return of Capital in March 2015, the proforma⁴ leverage³ would have been 2.5x
- Working capital remains well controlled

Working capital as a percentage of revenue

7.7%

December 2014

Balance Sheet – pensions and retirement benefits

Balance Sheet

£m	31 Dec 2014	31 Dec 2013
Fixed assets, intangible assets and goodwill	2,604.9	2,853.2
Net working capital	106.4	126.9
Pensions and retirement benefits	(218.5)	(219.3)
Provisions	(177.0)	(177.8)
Deferred tax and current tax	(247.4)	(272.9)
Other	6.6	18.6
Net debt	(501.3)	(140.8)
Net assets	1,573.7	2,187.9

DB pension plans

£m	Assets	Liabilities	(Deficit)/ surplus	Annual contributions
Elster Europe	10.0	(110.7)	(100.7)	5.1
Elster US	30.8	(48.4)	(17.6)	0.5
Elster Other	2.4	(2.8)	(0.4)	0.1
Elster Total	43.2	(161.9)	(118.7)	5.7
Brush	197.4	(225.8)	(28.4)	5.0
FKI UK	498.2	(552.5)	(54.3)	15.0
McKechnie UK	209.9	(208.3)	1.6	5.2
FKI US	176.5	(195.2)	(18.7)	0.5
Total	1,125.2	(1,343.7)	(218.5)	31.4
Bridon (disposed)	64.8	(68.4)	(3.6)	1.5

Exit strategy for pensions

- The pension liabilities have been split to sit alongside their relevant businesses, which make the exit strategy for pension liabilities clearer. The Bridon liabilities (£68 million) were sold with Bridon and the Brush and Elster liabilities will be sold with those companies at the relevant time.
- The US liabilities are not inflation linked.

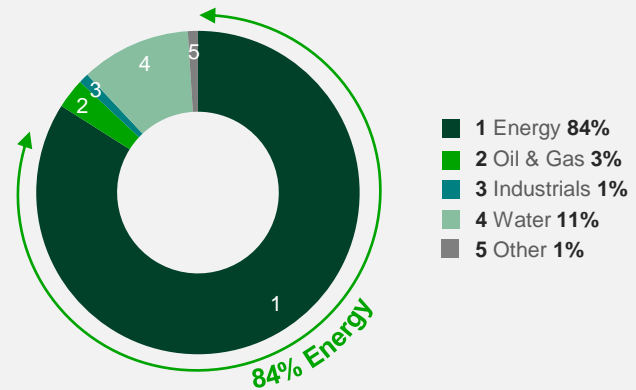


Buy
Improve
Sell

Summary of operating divisions

- Brush
- Elster

Revenue by end market





Brush

24% of Melrose¹



“World number one independent supplier of turbogenerators”

24% of Melrose¹

www.brush.eu

1. Based on FY 2014 revenue for all continuing businesses

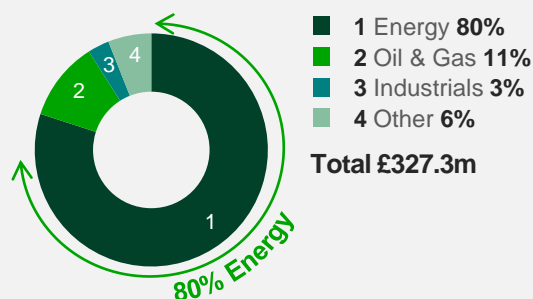
Brush – headline¹ results

		Brush	
£m		FY 2014	Growth ³
Revenue		327.3	-3%
Headline ¹ EBITDA ²		71.7	-5%
Headline ¹ EBITDA ² margin %		21.9%	-0.5ppts
Headline ¹ operating profit		65.4	-7%
Headline ¹ operating margin %		20.0%	-0.8ppts
<i>Order intake</i>		276.3	-8%
<i>Book to bill %</i>		84%	

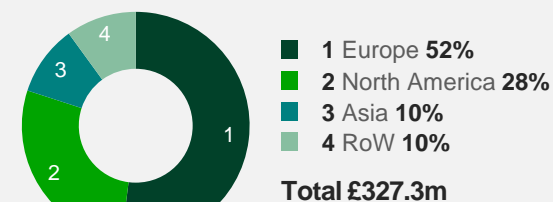
Highlights

- Headline¹ operating margin remains strong at 20.0% despite reduction in revenues
- Orders for 2015 showing significant further unit reductions in OEM generators
- Aftermarket has nearly doubled in Melrose ownership and is continuing to grow

Revenue by end market



Revenue by geographical destination





Elster

76% of Melrose¹



Gas

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

65% of Elster¹

50% of Melrose¹

www.elster.com/en/gas



Electricity

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

21% of Elster¹

15% of Melrose¹

www.elster.com/en/electricity



Water

“Metering and communication systems for water utilities and industries”

14% of Elster¹

11% of Melrose¹

www.elster.com/en/water

1. Based on FY 2014 revenue for all continuing businesses

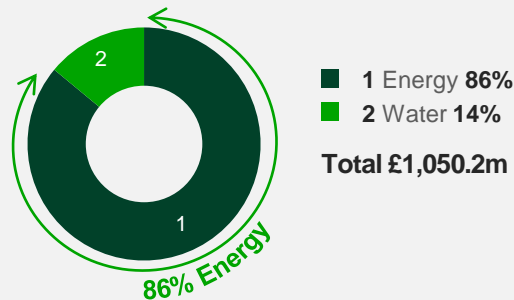
Elster – headline¹ results

£m	Elster ⁴		Gas		Electricity		Water	
	FY 2014	Growth ³	FY 2014	Growth ³	FY 2014	Growth ³	FY 2014	Growth ³
Revenue	1,050.2	+1%	687.0	+6%	215.7	-4%	147.5	-12%
Headline ¹ EBITDA ²	230.1	+12%	176.8	+13%	28.6	+16%	26.7	+5%
Headline ¹ EBITDA ² margin %	21.9%	+2.2ppts	25.7%	+1.4ppts	13.3%	+2.3ppts	18.1%	+2.9ppts
Headline ¹ operating profit	205.5	+14%	161.4	+13%	22.8	+23%	23.4	+11%
Headline ¹ operating margin %	19.6%	+2.3ppts	23.5%	+1.5ppts	10.6%	+2.4ppts	15.9%	+3.3ppts
Order intake	1,017.9	+3%	686.7	+8%	188.0	-5%	143.2	-6%
Book to bill %	97%		100%		87%		97%	

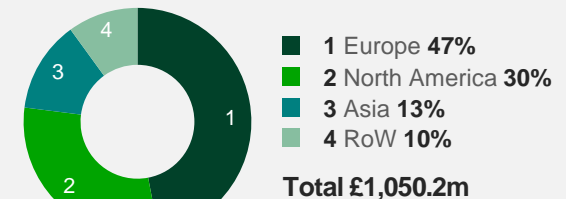
Highlights

- Headline¹ operating profit up 14% and operating margin up 2.3 percentage points to 19.6%
- Enhanced margins in all businesses and total profit up by two thirds since 2012
- Order intake growth of 3% driven by a strong performance in Gas
- Eclipse acquired by Elster Gas for £97.6 million on 31 October 2014

Revenue by end market



Revenue by geographical destination





Buy
Improve
Sell

Questions



Buy
Improve
Sell

Appendix

Appendix – Foreign exchange → forward looking

