

THIS DOCUMENT AND THE ACCOMPANYING FORMS OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. Part III contains an explanatory statement in compliance with section 897 of the Companies Act 2006. If you are in any doubt about the contents of this Circular or as to the action you should take, you are recommended to seek your own personal financial advice as soon as possible from your stockbroker, bank, solicitor, accountant, fund manager or other appropriate independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred or sell or otherwise transfer your entire holding of Old Melrose Ordinary Shares, please forward this Circular and the accompanying Forms of Proxy as soon as possible to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws of such jurisdiction. If you have sold or otherwise transferred only part of your holding of Old Melrose Ordinary Shares please consult the bank, stockbroker or other agent through whom the sale or transfer was effected.

Any person (including, without limitation, custodians, nominees and trustees) who may have a contractual or legal obligation or may otherwise intend to forward this Circular to any jurisdiction outside the United Kingdom should seek appropriate advice before taking any action. The distribution of this Circular and any accompanying document into jurisdictions other than the United Kingdom may be restricted by law. Any person not in the United Kingdom into whose possession this Circular and any accompanying documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdiction.



Melrose Industries PLC

(Incorporated and registered in England and Wales with registered number 8243706)

Recommended Proposals relating to the introduction of New Melrose as the holding company of Old Melrose by means of a Scheme of Arrangement under Part 26 of the Companies Act 2006

and

Proposed Return of Capital and related Share Capital Consolidation

and

Notices of Court Meeting and Old Melrose General Meeting

Notices convening the Court Meeting and the Old Melrose General Meeting, each of which will be held at the offices of Investec at 2 Gresham Street, London EC2V 7QP on 29 October 2015, are set out at Part X and XI, respectively, of this Circular. The Court Meeting will start at 10:00 a.m. and the Old Melrose General Meeting will start at 10:15 a.m. (or as soon thereafter as the Court Meeting concludes or is adjourned).

This Circular should be read as a whole and in conjunction with the accompanying Forms of Proxy. Your attention is drawn to the letter from the Chairman of Old Melrose which is set out in Part I (*Letter From the Chairman of Old Melrose*) of this Circular and which contains a unanimous recommendation from the Board of Old Melrose that you vote in favour of the resolutions to be proposed at the Court Meeting and the Old Melrose General Meeting referred to below. You should note that the Proposals are conditional, among other things, upon the approval by the Shareholders of the resolutions at both the Court Meeting and the Old Melrose General Meeting. A letter from Rothschild explaining the Scheme appears in Part III (*Explanatory Statement*) of this Circular.

A summary of the action to be taken by Shareholders in respect of the Court Meeting and the Old Melrose General Meeting is set out in paragraph 12 of Part III (*Explanatory Statement*) of this Circular. Shareholders will find enclosed with this Circular a Blue Form of Proxy for use in connection with the Court Meeting and a White Form of Proxy for use in connection with the Old Melrose General Meeting. Whether or not you propose to attend the Court Meeting and/or the Old Melrose General Meeting in person, you are requested to complete and sign the enclosed Forms of Proxy in accordance with the instructions printed on them and return them to Old Melrose's Receiving Agent, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, as soon as possible, and in any event so as to arrive by no later than 48 hours (excluding any part of a day that is not a working day) before the time appointed for the relevant meeting (although the Blue Form of Proxy for use at the Court Meeting may be handed to Old Melrose's Receiving Agent or the Chairman immediately prior to the Court Meeting).

If you would like to submit your proxy vote electronically, you can do so by visiting www.sharevote.co.uk. You will need to enter your voting reference numbers (the three numbers quoted on your Forms of Proxy) and follow the online instructions. The deadline for receipt of electronic proxies is 48 hours (excluding any part of a day that is not a working day) before the time appointed for the relevant meeting.

If you hold your Old Melrose Ordinary Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by Old Melrose's Receiving Agent (under CREST participant ID RA19) by no later than 48 hours (excluding any part of a day that is not a working day) before the time appointed for the relevant meeting.

The return of completed Forms of Proxy, submitting your proxy vote electronically or transmitting a CREST Proxy Instruction will not prevent you from attending either of the meetings and voting in person if you so wish and are so entitled.

If you are a Shareholder and have any questions about the Proposals, the contents of this Circular or the completion and return of your Forms of Proxy, please call Equiniti Limited, Old Melrose's Receiving Agent, on 0871 384 2946 (or, if you are calling from outside the United Kingdom, +44 121 415 0851) between 8:30 a.m. and 5:30 p.m. Monday to Friday (excluding public holidays in the UK). Calls to the 0871 number are charged at 10 pence per minute, plus your phone company's access charge. Please note that calls to these numbers may be monitored or recorded, and no advice on the Proposals can be given.

Applications will be made to the UKLA for the New Melrose Ordinary Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Melrose Ordinary Shares to be admitted to trading on the main market of the London Stock Exchange (together, "Admission"). It is expected that Admission will become effective, and that dealings in the New Melrose Ordinary Shares will commence, at 8.00 a.m. on the Effective Date which, subject to the satisfaction of certain conditions, is expected to occur on 19 November 2015. No application has been or is currently intended to be made for any other class of shares issued by New Melrose to be admitted to the Official List or to trading on the London Stock Exchange or to be admitted to listing or dealing on any other exchange.

No New Melrose Ordinary Shares have been marketed to, or are available for purchase in whole or in part by, the public in the United Kingdom or elsewhere in connection with the Admission. This Circular does not constitute or form part of any offer or invitation to purchase, subscribe for, sell or issue, or any solicitation of any offer to purchase, subscribe for, sell or issue, New Melrose Ordinary Shares or any other securities of New Melrose or Old Melrose. This Circular does not constitute a prospectus equivalent document.

Rothschild, which is authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority in the United Kingdom, is acting solely for New Melrose and no one else in relation to the Admission and solely for New Melrose and Old Melrose and no one else in relation to the Proposals and, save for any responsibility which may arise under FSMA or the regulatory regime established thereunder, accordingly will not be responsible to anyone other than New Melrose and Old Melrose for providing the protections afforded to the respective clients of Rothschild or for providing advice in connection with the Admission and the Proposals, as applicable, the contents of this Circular or any transaction, arrangement or other matter referred to in this Circular.

Investec, which is authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority in the United Kingdom, is acting solely for New Melrose and no one else in relation to Admission and solely for New Melrose and Old Melrose and no one else in relation to the Proposals and, save for any responsibility which may arise under FSMA or the regulatory regime established thereunder, accordingly will not be responsible to any person other than New Melrose and Old Melrose for providing the protections afforded to the respective clients of Investec or for providing advice in connection with the Admission and the Proposals, as applicable, the contents of this Circular or any transaction, arrangement or other matter referred to in this Circular.

The Prospectus relating to the New Melrose Ordinary Shares is expected to be published on or around the date of this Circular. The Prospectus will not be sent to you when published, but it will be possible to obtain a copy of the Prospectus from the Melrose Group's website (www.melroseplc.net) or, on request, free of charge from Old Melrose's Receiving Agent by telephone on 0871 384 2946 (or from outside the UK on +44 121 415 0851) between 8:30 a.m. and 5:30 p.m. Monday to Friday (excluding public holidays in the UK). Calls to the 0871 number are charged at 10 pence per minute, plus your phone company's access charge. A copy of this Circular and the Prospectus will also be available for inspection (i) via the National Storage Mechanism, (ii) at the registered office of Old Melrose and of New Melrose (both being 11th Floor, Colmore Plaza, 20 Colmore Circus Queensway, Birmingham, West Midlands, B4 6AT), and (iii) at the offices of Simpson Thacher & Bartlett LLP (being CityPoint, One Ropemaker Street, London, EC2Y 9HU) up until Admission (in the case of (ii) and (iii)) during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted).

This Circular has been prepared for the purposes of complying with English law, the Listing Rules and the rules of the London Stock Exchange and the information disclosed herein may not be the same as that which would have been disclosed if this Circular had been prepared in accordance with the laws of any other jurisdiction. The distribution of this Circular and the Prospectus and the allotment and issue of New Melrose Ordinary Shares in jurisdictions other than the United Kingdom may be restricted by law. No action has been taken by Old Melrose or New Melrose to obtain any approval, authorisation or exemption to permit the allotment and issue of New Melrose Ordinary Shares or the possession or distribution of this Circular, the Prospectus or any other publicity material relating to the New Melrose Ordinary Shares in any jurisdiction other than the United Kingdom.

Overseas Shareholders may be affected by the laws of other jurisdictions in relation to the Proposals or the distribution of this Circular. Persons into whose possession this Circular comes should inform themselves about and observe any applicable restrictions and legal, exchange control or regulatory requirements in relation to the Proposals, the distribution of this Circular and the Prospectus. Any failure to comply with such restrictions or requirements may constitute a violation of the securities laws of any such jurisdiction.

The contents of this Circular should not be construed as legal, financial or tax advice. Shareholders should consult their own legal adviser, financial adviser or tax adviser for legal, financial or tax advice.

Neither the delivery of this Circular nor Admission shall, under any circumstances, create any implication that there has been no change in the affairs of the Melrose Group since the date of this Circular or that the information is correct as of any time subsequent to the date of this Circular.

Nothing contained herein shall be deemed to be a forecast, projection or estimate of the future financial performance of Old Melrose, New Melrose or the Melrose Group except where otherwise stated.

Some financial and other numerical information in this Circular has been rounded and, as a result, the numerical figures shown as totals in this Circular may vary slightly from the exact arithmetic aggregation of the figures that precede them.

Certain terms used in this Circular, including certain capitalised terms and certain technical and other terms, are defined in Part IX (*Definitions*) of this Circular.

CAUTIONARY NOTE ON FORWARD LOOKING STATEMENTS

Certain statements contained in this Circular, including those in the part headed "Risk Factors" constitute "forward-looking statements". In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "continues", "estimates", "plans", "prepares", "anticipates", "expects", "intends", "aims", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. Shareholders should specifically consider the factors identified in this Circular which could cause actual results to differ before making a decision. Undue reliance should not be placed on any forward-looking statements as such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of Old Melrose, New Melrose and/or the Melrose Group, or industry results, to be materially different from

any future results, performance or achievements expressed or implied by such forward-looking statements. Undue reliance should not be placed on any forward-looking statements as such forward-looking statements are based on numerous assumptions regarding Old Melrose's, New Melrose's and/or the Melrose Group's present and future business strategies and the environment in which Old Melrose, New Melrose and/or the Melrose Group will operate in the future. Among the factors that could cause actual results to differ materially from those described in the forward-looking statements are changes in the global political, economic and/or business sphere, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions. Such risks, uncertainties and other factors are set out more fully in the section of this Circular headed "Risk Factors" and include, among others: risks relating to commodity prices, risks relating to the economic conditions of the markets in which Old Melrose, New Melrose and the Melrose Group operates and risks relating to the possible volatility of the price of Old Melrose Ordinary Shares and/or the New Melrose Ordinary Shares. These forward-looking statements speak only as at the date of this Circular. Except as required by the FCA, the London Stock Exchange or applicable law (including as may be required by the Prospectus Rules, Listing Rules and the Disclosure and Transparency Rules), Old Melrose expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this Circular to reflect any change in its expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Forward-looking statements contained in this Circular do not in any way seek to qualify the working capital statement contained in paragraph 10 of Part VIII (*Additional Information*) of this Circular.

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INFORMATION FOR US SHAREHOLDERS

This Circular is not an offer of securities for sale in the United States. New Melrose Ordinary Shares to be issued to Shareholders in connection with the Scheme have not been, and will not be, registered with the SEC under the US Securities Act, and will be issued in reliance upon the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) of that act. For the purpose of qualifying for the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) of that act with respect to the New Melrose Ordinary Shares issued pursuant to the Scheme, Old Melrose will advise the Court that it will rely on the Section 3(a)(10) exemption based on the Court's sanctioning of the Scheme, which will be relied upon by Old Melrose as an approval of the Scheme. Notice is hereby given to all Shareholders that the Court will hold a hearing on the Scheme's fairness to Shareholders, at which hearing all such Shareholders will be entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme.

The New Melrose Ordinary Shares have not been and will not be registered on a United States securities exchange or quoted on any inter-dealer quotation system in the United States. New Melrose does not intend to take any action to facilitate a market in New Melrose Ordinary Shares in the United States. Consequently, New Melrose believes that it is unlikely that an active trading market in the United States will develop for the New Melrose Ordinary Shares.

The New Melrose Ordinary Shares have not been, and will not be, registered under the securities laws of any state or jurisdiction in the United States and, accordingly, will only be issued to the extent that exemptions from the registration or qualification requirements of state "blue-sky" securities laws are available or such registration or qualification requirements have been complied with.

Neither the SEC nor any other US federal or state securities commission or regulatory authority has approved or disapproved the New Melrose Ordinary Shares or passed an opinion on the adequacy of this Circular. Any representation to the contrary is a criminal offence in the United States.

A person who is entitled to receive New Melrose Ordinary Shares and who is an affiliate of New Melrose following the Effective Date may not resell such securities without registration under the US Securities Act or pursuant to the applicable resale provisions of Rule 144 of the US Securities Act or another applicable exemption from registration or in a transaction not subject to registration (including a transaction that satisfies the applicable requirements of Regulation S under the US Securities Act). Whether a person is an affiliate of a company for the purposes of the US Securities Act depends on the circumstances but affiliates can include certain officers, directors and significant shareholders. Persons who believe that they may be affiliates of New Melrose should consult their own legal advisers prior to any sale of securities received pursuant to the Scheme.

Shareholders who are citizens or residents of the United States are advised that any securities issued pursuant to the Scheme have not been and will not be registered under the US Exchange Act. New Melrose intends, if necessary, to rely on an exemption from the reporting requirements of Section 12(g) of the US Exchange Act pursuant to Rule 12g3-2(b) thereunder.

Old Melrose and New Melrose are public limited companies incorporated under the laws of England and Wales. All of the Directors of Old Melrose and New Melrose are citizens or residents of countries other than the United States. Substantially all of the assets of such persons and a significant proportion of the assets of Old Melrose and New Melrose are located outside the United States. As a result, it may not be possible to effect service of process within the United States upon such persons, Old Melrose or New Melrose, or to enforce against them judgments of US courts, including judgments predicated upon civil liabilities under the securities laws of the United States or any state or territory within the United States. The United States and the United Kingdom do not have a treaty providing for the reciprocal recognition of judgements (other than arbitral awards) in civil and commercial matters. Consequently, a final and conclusive judgement by any federal or state court of the United States based on civil liability, whether or not predicated solely upon US federal securities laws, would not automatically be enforceable in England and Wales. In addition, it is doubtful whether the courts of England and Wales would accept jurisdiction and impose civil liability if proceedings were commenced in England or Wales in an original action predicated solely upon US federal securities laws.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER RSA 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (“RSA 421-B”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

EXPECTED TIMETABLE OF EVENTS

Each of the times and dates in the table below is indicative only and subject to change without further notice. References to a time of day are to London time.

The Scheme and Initial Reduction of Capital

	<u>Time and Date⁽⁵⁾</u>
	2015
Posting of the Circular to Shareholders	6 October
Latest time and date for receipt of Blue Form of Proxy for the Court Meeting	10:00 a.m. on 27 October ⁽¹⁾
Latest time and date for receipt of White Form of Proxy for the Old Melrose General Meeting	10:15 a.m. on 27 October ⁽²⁾
Scheme Voting Record Time (in respect of the Old Melrose General Meeting and the Court Meeting)	6:00 p.m. on 27 October ⁽³⁾
Court Meeting	10:00 a.m. on 29 October
Old Melrose General Meeting	10:15 a.m. on 29 October ⁽⁴⁾
Court Hearing	18 November
Last day for dealings in Old Melrose Ordinary Shares	18 November
Scheme Record Date	18 November
Scheme Record Time	6:00 p.m. on 18 November
Effective Date of the Scheme	19 November
Delisting of Old Melrose Ordinary Shares, Admission of New Melrose Ordinary Shares, crediting of New Melrose Ordinary Shares to CREST accounts and dealings in New Melrose Ordinary Shares commence on the London Stock Exchange's main market for listed securities	8:00 a.m. on 19 November
Name changes expected to become effective	19 November
Court hearing of the claim form to confirm the Initial Reduction of Capital	20 November
Initial Reduction of Capital becomes effective	23 November
Despatch of the New Melrose Ordinary Share certificates	By 3 December

Notes:

- (1) Blue Forms of Proxy for the Court Meeting not returned by this time may be handed to the Chairman or the Registrars at the Court Meeting prior to the vote being taken.
- (2) To be valid the White Forms of Proxy for the Old Melrose General Meeting must be lodged at least 48 hours (excluding any part of a day that is not a working day) before the time appointed.
- (3) If either the Court Meeting or the Old Melrose General Meeting is adjourned, the Scheme Record Time for the adjourned meeting will be 6:00 p.m. on the day which is two days (excluding any part of a day that is not a working day) before the date of the adjourned meeting.
- (4) To commence at the time fixed or, if later, immediately following the conclusion or adjournment of the Court Meeting.
- (5) These dates are indicative only and will depend, among other things, on the date upon which the Court sanctions the Scheme and confirms the Initial Reduction of Capital.

The Proposed Return of Capital

Following the completion of the Disposal, which is expected to occur in the first quarter of 2016, steps will be taken to effect the Proposed Return of Capital, unless the Board considers that it is no longer in the best interests of Shareholders to do so. Whilst the precise timing of the Proposed Return of Capital will depend, among other things, on the availability of Court dates, New Melrose would seek to return capital to Shareholders within 5 to 7 weeks following the completion of the Disposal. The Proposed Return of Capital will require two court hearings, but no further general meeting of the Shareholders of New Melrose.

PART I
LETTER FROM THE CHAIRMAN OF OLD MELROSE



Incorporated and registered in England and Wales with Registration No. 8243706

Directors:

Christopher Miller (*Executive Chairman*)
David Roper (*Executive Vice-Chairman*)
Simon Peckham (*Chief Executive*)
Geoffrey Martin (*Group Finance Director*)
Perry Crosthwaite (*Senior Non-Executive Director*)
John Grant (*Non-Executive Director*)
Justin Dowley (*Non-Executive Director*)
Elizabeth Hewitt (*Non-Executive Director*)

Registered office:

11th floor
Colmore Plaza
20 Colmore Circus
Queensway
Birmingham
West Midlands
B4 6AT

6 October 2015

Dear Shareholder,

RECOMMENDED PROPOSALS RELATING TO THE INTRODUCTION OF A NEW HOLDING COMPANY, AN INITIAL REDUCTION OF CAPITAL, THE PROPOSED RETURN OF CAPITAL AND SHARE CAPITAL CONSOLIDATION

1. Introduction

Today the Board (the “**Board**”) of Melrose Industries PLC (“**Old Melrose**”) announced its intention to implement a corporate reorganisation in order to enable the Melrose Group to efficiently and promptly return the proceeds of the disposal of the Elster Group to Shareholders. This corporate reorganisation follows a similar process to the one implemented in 2012 and reflects the significantly larger quantum of the proposed return of capital which is to occur following completion of the sale of Elster, a world leader in measuring and improving the flow of natural gas, electricity and water, to Honeywell International Inc. (the “**Disposal**”).

In accordance with the Melrose Group’s “buy, improve, sell” business model, following the intended completion of the Disposal the Board intends to return between £2.0—2.5 billion of the sale proceeds to Shareholders. Other highlights of the Disposal include:

- a return of 2.3 times equity investment and 33 per cent. equity IRR within the three years since the Melrose Group acquired the Elster Group for £1.8 billion in August 2012; and
- the transfer of pension liabilities, which includes the Melrose Group’s FKI UK and McKechnie defined benefit pension schemes, freeing up the Melrose Group balance sheet from approximately £900 million of gross long term liabilities.

This Disposal and subsequent Return of Capital will be a significant validation of the success of the Melrose Group’s model and the Board views the resultant reduction in the size of the Melrose Group as an exciting opportunity. The Board wishes to make clear to Shareholders that there is no change to the Melrose business model nor will this sale influence the size of the acquisition opportunities that the Melrose Group are able to pursue. The search for the next acquisition continues and the Board believes that the Melrose Group will, if anything, benefit from a greater level of flexibility for its next acquisition. The Board is excited to begin the next successful chapter in Melrose’s history and in due course looks forward to inviting shareholders to invest in the next project.

2. Summary of Proposals

The Board is seeking your approval in connection with the implementation of three related actions. Firstly, it is proposed that a new holding company be introduced for the Melrose Group by means of a Court-sanctioned scheme of arrangement (the “**Scheme**”). The new company, New Melrose Industries PLC (to be renamed Melrose Industries PLC shortly after the Scheme becomes effective and referred to as “**New Melrose**”), is a newly incorporated company registered in England and Wales.

After the Scheme becomes effective, it is then intended that a Court-confirmed reduction of capital of New Melrose will be used to create distributable reserves, currently expected to be between £50—150 million (the “**Initial Reduction of Capital**”).

Finally, subject to the Scheme becoming effective and the completion of the Disposal, New Melrose intends to capitalise its merger reserves and undertake a Court-confirmed return of capital to Shareholders of between £2.0—2.5 billion (the “**Proposed Return of Capital**” and together with the Scheme and the Initial Reduction of Capital, the “**Proposals**”).

The Proposals will not affect the trading operations of the Melrose Group.

You will own the same number of ordinary shares in the Melrose Group before and after implementation of the Scheme and the Initial Reduction of Capital. However, the Proposed Return of Capital is expected to involve a share capital consolidation which will reduce the number of ordinary shares in New Melrose so that, subject to normal market movements, the Melrose Group share price stays approximately the same immediately before and after the Proposed Return of Capital. The consolidation involved in the Proposed Return of Capital will affect the number of ordinary shares in New Melrose which you own, but not the proportion (subject to allowance for fractional entitlements). The ratio used for the share capital consolidation will be determined by the Board prior to the date of the Proposed Return of Capital.

Inserting a holding company is a common method of creating reserves. All of the Directors of Old Melrose have been appointed as Directors of New Melrose. The implementation of the Scheme will have no impact on the reported historical financial statements of the Melrose Group or the way in which the Melrose Group will report its financial results on an ongoing basis. The Proposals are being put forward to Shareholders at this stage due to the lengthy process required to undertake such a corporate reorganisation and to approve the Proposed Return of Capital. Proceeding with the Proposals now reduces the time required for the implementation of the Proposed Return of Capital following completion of the Disposal. The Board considers the combination of the Proposals in this manner will also be beneficial in the ability to move quickly to secure any new acquisition opportunity that may arise prior to the Proposed Return of Capital.

This Circular sets out details of the steps required to implement the Proposals and why the Board considers the Proposals to be in the best interests of Old Melrose and Shareholders as a whole. The Board is unanimously recommending that you vote in favour of the Proposals.

A summary of the Proposals is set out on pages 6 to 11 to help you understand what is involved. **You should nevertheless read the whole of this Circular and the documents incorporated herein by reference and not rely solely on the “Summary” section of this Circular.**

3. The Scheme

The reorganisation will be carried out by a formal procedure, known as a scheme of arrangement, under the Companies Act. The key features of the Scheme are as follows:

3.1 *Share capital*

Under the Scheme:

- (a) all of the issued ordinary share capital of Old Melrose will be cancelled by way of a Court confirmed reduction of capital;
- (b) as a result of such cancellation the reserve arising will be applied in paying up and issuing to New Melrose such number of ordinary shares in the capital of Old Melrose that have an aggregate nominal value equal to the aggregate nominal value of the Old Melrose Ordinary Shares cancelled pursuant to paragraph (a) above, so that New Melrose will own all of the issued share capital of Old Melrose and accordingly Old Melrose will become a subsidiary of New Melrose; and

- (c) you will receive 1 New Melrose Ordinary Share for every 1 Old Melrose Ordinary Share that you hold at the Scheme Record Time.

The Scheme Record Time is expected to be 6:00 p.m. on 18 November 2015 (subject to the date on which the Court sanctions the Scheme).

The nominal value of each New Melrose Ordinary Share will be set by the Board on or prior to the Effective Date of the Scheme and will be announced at that time. The difference between the aggregate nominal value of the New Melrose Ordinary Shares and the market capitalisation of Old Melrose at the Scheme Record Time will be credited to a merger reserve of New Melrose.

Overseas Shareholders should refer to paragraph 8 of Part III (*Explanatory Statement*) of this Circular for further information.

3.2 Court Meeting and General Meeting

The Scheme requires the approval of Shareholders at the Court Meeting. If the Scheme is approved by the requisite majority at the Court Meeting, an application will be made to the Court to sanction the Scheme at the Court Hearing.

All holders of options over Old Melrose 2012 Incentive Shares have undertaken not to exercise their options between the Latest Practicable Date and the Effective Date (inclusive) or, if the Scheme lapses, 31 December 2015 and, pursuant to the terms of the options, upon the Scheme becoming effective, will receive options over New Melrose 2012 Incentive Shares in exchange for their existing options over Old Melrose 2012 Incentive Shares on a one-for-one basis on substantially the same terms and economic basis as their existing options. The terms of the options over the New Melrose 2012 Incentive Shares are set out in paragraph 2 of Part VIII (*Additional Information*) of this Circular.

Shareholders will also be asked to approve resolutions implementing matters in connection with the Scheme at the Old Melrose General Meeting including, among other things, providing the Directors with authority to give effect to: (i) the Scheme by approving the cancellation of the Old Melrose Ordinary Shares and authorising the allotment and issue of the Capitalisation Shares to New Melrose as part of the Scheme; (ii) the Initial Reduction of Capital; and (iii) the Proposed Return of Capital.

3.3 Admission

The New Melrose Ordinary Shares will be listed only in the United Kingdom. Application will be made to the UKLA for the New Melrose Ordinary Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for such shares to be admitted to trading on the London Stock Exchange's main market for listed securities. The Board expects that the New Melrose Ordinary Shares will be admitted, and that dealings in them will commence, at 8:00 a.m. on 19 November 2015. No application has been or is currently intended to be made for any other class of shares issued by New Melrose to be admitted to the Official List or to trading on the London Stock Exchange or to be admitted to listing or dealing on any other exchange.

In relation to Old Melrose Ordinary Shares held in uncertified form, such Old Melrose Ordinary Shares under the ISIN GB00BV9FYX34 will be disabled by 4:30 p.m. on 18 November 2015 and on, or soon after 8:00 a.m. on 19 November 2015, the CREST accounts of holders of such shares will be credited with New Melrose Ordinary Shares under ISIN GB00BYRJP462.

3.4 Name Change

Shortly after Admission, pursuant to resolutions of the Boards of New Melrose and Old Melrose, respectively, New Melrose will be renamed Melrose Industries PLC and Old Melrose will be renamed and will be re-registered as a private limited company.

4. Initial Reduction of Capital

New Melrose has not traded since incorporation and, as such, lacks distributable reserves. The Initial Reduction of Capital which will occur following, and subject to, the Scheme becoming effective will involve the reduction of New Melrose's ordinary share capital by reducing the nominal amount of each New Melrose Ordinary Share issued pursuant to the Scheme to 1 penny. This reduction will create distributable reserves, currently expected to be between £50—150 million, which can be used for future dividends and/or used to absorb any costs of New Melrose without hindering the ability to pay future dividends.

This is a legal and accounting adjustment and should not have any impact on the market value of the New Melrose Ordinary Shares. Prior to confirming the reduction of capital of New Melrose, the Court will need to be satisfied that the creditors (if any) of New Melrose are not thereby prejudiced. New Melrose will put in place such form of creditor protection (if any) as it may be advised is appropriate to satisfy the Court in this regard.

The Initial Reduction of Capital is expected to become effective on 23 November 2015.

5. Proposed Return of Capital

Following, and subject to, the Scheme becoming effective and the completion of the Disposal, New Melrose intends to undertake a Court-confirmed return of capital to Shareholders of between £2.0—2.5 billion.

The Proposed Return of Capital will involve: (i) the issue to the holders of New Melrose Ordinary Shares, as at a record time and date to be determined by the Board, of non-voting B shares in New Melrose credited as fully paid up with an aggregate nominal value which is equal to the aggregate amount of capital to be returned and carrying the rights and restrictions set out in paragraph 3 of Part VIII (*Additional Information*) of this Circular (the “**B Shares**”); (ii) the subsequent cancellation of each of the B Shares in return for a payment to the holder of the B Share of an amount equal to the nominal value of such B Share; and (iii) the consolidation of New Melrose Ordinary Shares (the “**Share Capital Consolidation**”) in order to reduce the number of New Melrose Ordinary Shares in line with a ratio to be determined by the Board prior to the date of the Proposed Return of Capital, to reflect the size of the Proposed Return of Capital relative to the market capitalisation of New Melrose immediately prior to the Share Capital Consolidation.

The B Shares will not be admitted to listing or dealing on any exchange.

The Board shall not proceed with the Proposed Return of Capital if, at the relevant time, they no longer believe it to be in the best interests of the Shareholders of New Melrose as a whole to proceed.

6. United Kingdom Taxation

Certain UK tax considerations which arise from the implementation of the Proposals and which will apply to Shareholders resident in the UK are summarised in Part VII (*United Kingdom Taxation*) of this Circular.

All Shareholders who are unsure of their tax position, including those who are subject to tax in a jurisdiction other than the United Kingdom, should consult their professional advisers without delay.

7. Action to be Taken

For guidance on what action you need to take with respect to the Court Meeting and the Old Melrose General Meeting, please refer to paragraph 12 of Part III (*Explanatory Statement*) of this Circular.

YOUR VOTES COUNT. It is important that the maximum number of votes possible are cast at the Court Meeting so as to demonstrate that there is a fair representation of Shareholder opinion. You are encouraged to vote at both the Court Meeting and the Old Melrose General Meeting.

8. Recommendation

The Board has received advice in respect of the Proposals from Rothschild. In providing their advice, Rothschild have placed reliance on the Board’s commercial assessment of the Proposals.

In the Board’s opinion the Proposals are in the best interests of the Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Scheme at the Court Meeting and the resolutions to be proposed at the Old Melrose General Meeting, as the Directors intend to do in respect of their own aggregate shareholdings of 34,173,740 Old Melrose Ordinary Shares, representing approximately 3.43 per cent. of the existing issued ordinary share capital of Old Melrose.

Yours faithfully

Christopher Miller
Executive Chairman

PART II SUMMARY

This Circular explains the steps to be effected to implement the Proposals. Old Melrose has prepared this summary to help you understand what is involved in the Proposals. You should read the whole of this Circular and not rely solely on the summary below.

1. What changes are the Board proposing?

The Proposals consist of three principal events: (a) the Scheme; (b) the Initial Reduction of Capital; and (c) the Proposed Return of Capital.

(a) The Scheme

As part of the Proposals, New Melrose will be put in place as the new listed holding company of Old Melrose. Upon the Scheme becoming effective, New Melrose will own all shares in the current listed company, Old Melrose, and you will hold New Melrose Ordinary Shares in New Melrose in place of your Old Melrose Ordinary Shares. All the New Melrose Ordinary Shares will be admitted to the premium listing segment of the Official List and admitted to trading on the London Stock Exchange's main market for listed securities. No application has been or is currently intended to be made for any other class of shares issued by New Melrose to be admitted to the Official List or to trading on the London Stock Exchange or to be admitted to listing or dealing on any other exchange.

Under the Scheme, you will receive 1 New Melrose Ordinary Share for every 1 Old Melrose Ordinary Share that you hold at the Scheme Record Time.

The Scheme Record Time is expected to be 6:00 p.m. on 18 November 2015 (subject to the date on which the Court sanctions the Scheme).

You will not have to pay anything for the New Melrose Ordinary Shares issued to you pursuant to the Scheme.

If the Proposals proceed as currently envisaged, it is expected that dealings in Old Melrose Ordinary Shares will continue until close of business on 18 November 2015 and that Admission of the New Melrose Ordinary Shares will become effective, and that dealings in the New Melrose Ordinary Shares will commence, at 8:00 a.m. on 19 November 2015. Shortly after Admission, pursuant to resolutions of the Boards of New Melrose and Old Melrose, respectively, New Melrose will be renamed Melrose Industries PLC and Old Melrose will be renamed and will be re-registered as a private limited company.

The nominal value of each New Melrose Ordinary Share will be set by the Board on or prior to the Effective Date of the Scheme and will be announced at that time. The difference between the aggregate nominal value of the New Melrose Ordinary Shares and the market capitalisation of Old Melrose at the Scheme Record Time will be credited to a merger reserve of New Melrose.

(b) The Initial Reduction of Capital

The Initial Reduction of Capital which will occur following, and subject to, the Scheme becoming effective will involve the reduction of the New Melrose's ordinary share capital by reducing the nominal amount of each New Melrose Ordinary Share issued pursuant to the Scheme to 1 penny. This reduction will create distributable reserves, currently expected to be between £50—150 million, which can be used for future dividends and/or used to absorb any costs of New Melrose without hindering the ability to pay future dividends.

(c) The Proposed Return of Capital

Following, and subject to, the Scheme becoming effective and completion of the Disposal, New Melrose intends to return capital of between £2.0 and 2.5 billion to Shareholders. It is envisaged that this will be carried out through the issue, and subsequent cancellation, of B Shares, with a sum equal to the nominal value of the B Shares being returned as capital to holders of the B Shares.

The rights and restrictions attaching to the B Shares are set out in paragraph 3 of Part VIII (*Additional Information*) of this Circular.

The Proposals will not affect the trading operations of the Melrose Group and you will own the same number and proportion of the ordinary share capital of the Melrose Group before and after

implementation of the Scheme and the Initial Reduction of Capital. The Proposed Return of Capital is expected to involve a consolidation of the ordinary shares of New Melrose, which will reduce the number of ordinary shares in New Melrose which you own, but not the proportion (subject to allowance for fractional entitlements).

2. Why is your Board proposing these changes?

The introduction of the New Melrose as the holding company of the Melrose Group provides flexibility within New Melrose's capital structure by creating reserves in New Melrose to enable the Melrose Group to efficiently and promptly return the proceeds of the Disposal to Shareholders. The Board of New Melrose is and will, on the Scheme becoming effective, be identical to the current Board of Old Melrose and the management and business of the Melrose Group will not change as a result of the Proposals.

3. Will there be any change to the value of my shareholding?

You will own the same number and proportion of the ordinary share capital of the Melrose Group before and after implementation of the Scheme. There is no reason to believe (subject to normal market movements after the date of this Circular) that the market value of one New Melrose Ordinary Share immediately following Admission would not be approximately equal to the market value of one Old Melrose Ordinary Share immediately beforehand.

The Initial Reduction of Capital is being effected in order to create distributable reserves and is not expected to affect the value of your New Melrose Ordinary Shares.

Pursuant to the Proposed Return of Capital, it is expected that the New Melrose Ordinary Shares will undergo a Share Capital Consolidation into such number of ordinary shares in New Melrose and at such nominal value as the Board shall determine prior to the Proposed Return of Capital. This will affect the number of ordinary shares in New Melrose which you own, but not the proportion (subject to allowance for fractional entitlements). The Share Capital Consolidation is designed to result in a reduction in the number of ordinary shares in the capital of New Melrose by reference to a ratio which, in the judgment of the Board, is the most appropriate to ensure, so far as possible and subject to normal market movements, that the market share price of one New Melrose Ordinary Share immediately after the Proposed Return of Capital is approximately equal to the market share price immediately before the Proposed Return of Capital, and to maintain comparability of historical and future 'per share data'.

4. What if I am an Overseas Shareholder?

If you live outside the United Kingdom or are a national or citizen of a country outside the United Kingdom, you should read the additional information set out in paragraph 8 of Part III (*Explanatory Statement*) of this Circular.

5. Why are you implementing the Proposals by way of the Scheme?

The Scheme is a formal procedure under the Companies Act and this procedure is commonly used to carry out corporate reorganisations involving the introduction of a new holding company. The Scheme requires the approval of Shareholders and sanction by the Court. If the relevant approvals are obtained, all Shareholders will be bound by the Scheme regardless of whether or how they voted.

6. What is happening to holders of options over Old Melrose 2012 Incentive Shares?

In accordance with the terms of the Old Melrose 2012 Incentive Options, conditional on the Scheme becoming effective, options over Old Melrose 2012 Incentive Shares will, at the direction of the New Melrose and Old Melrose Remuneration Committees, be automatically exchanged for like options over shares in New Melrose on substantially the same terms as the Old Melrose 2012 Incentive Options and upon such exchange taking effect the existing Old Melrose 2012 Incentive Options will lapse.

7. Why am I being sent this Circular?

The Proposals require Shareholders to vote on certain matters. This Circular contains information to inform your voting decision.

8. Do I have to pay anything under the Scheme?

All New Melrose Ordinary Shares arising as a result of the Scheme are being issued to Old Melrose Ordinary Shareholders in consideration for the cancellation of their Old Melrose Ordinary Shares. No payment is required.

9. How is New Melrose reducing its capital pursuant to the Initial Reduction of Capital?

For the Initial Reduction of Capital, the share capital of New Melrose will be reduced by reducing the nominal value of each New Melrose Ordinary Share to 1 penny. This reduction will create distributable reserves, currently expected to be between £50—150 million, which can be used for future dividends and/or used to absorb any costs of New Melrose without hindering the ability to pay future dividends. This is a legal and accounting adjustment and should not have any impact on the market value of the New Melrose Ordinary Shares.

Although a resolution authorising the Initial Reduction of Capital was passed at a general meeting of New Melrose held on 2 October 2015, as Old Melrose Ordinary Shareholders will be shareholders of New Melrose at the time the Initial Reduction of Capital takes effect, the Board is also requesting your approval to the Initial Reduction of Capital at the Old Melrose General Meeting.

10. How is New Melrose planning to return capital to its Shareholders, following the Disposal?

For the Proposed Return of Capital, conditional upon completion of the Disposal, it is anticipated that a sum of between £2.0—2.5 billion of capital will be returned to Shareholders. The exact amount of the Proposed Return of Capital within this range is expected to be announced at the same time as the completion of the Disposal and will be determined at the sole discretion of the Board of New Melrose.

The Proposed Return of Capital will involve:

- (a) the issue to the holders of New Melrose Ordinary Shares, as at a record time and date to be determined by the Board, of B Shares;
- (b) following a further meeting of the Board, the subsequent cancellation of each of the B Shares in return for a payment to the holder of the B Share of an amount equal to the nominal value of such B Share; and
- (c) the Share Capital Consolidation of New Melrose Ordinary Shares in order to reduce the number of New Melrose Ordinary Shares in line with a ratio to be determined by the Board prior to the date of the Proposed Return of Capital, to reflect the size of the Proposed Return of Capital relative to the market capitalisation of New Melrose immediately prior to the Share Capital Consolidation. The Share Capital Consolidation is designed to result in a reduction in the number of ordinary shares in the capital of New Melrose by reference to a ratio which, in the judgment of the Board, is the most appropriate to ensure, so far as possible and subject to normal market movements, that the market share price of one New Melrose Ordinary Share immediately after the Proposed Return of Capital is approximately equal to the market share price immediately before the Proposed Return of Capital, and to maintain comparability of historical and future 'per share data'.

Although a resolution authorising the Proposed Return of Capital was passed at a general meeting of New Melrose held on 2 October 2015, as Old Melrose Ordinary Shareholders will be shareholders of New Melrose at the time the Proposed Return of Capital takes effect, the Board is also requesting your approval to the Proposed Return of Capital at the Old Melrose General Meeting.

11. What if the Disposal does not complete?

If the Disposal does not complete, the Board will not proceed with the Proposed Return of Capital.

12. Why are the Scheme and the Initial Reduction of Capital being done now and not after the completion of the Disposal?

The Board is seeking to return the proceeds of the Disposal to Shareholders as efficiently and promptly as possible. By approving the Proposals and introducing New Melrose as a new holding company for the Melrose Group prior to the completion of the Disposal, there should be no need for New Melrose to hold a further general meeting of the Shareholders, and to provide the requisite notice period, following

completion of the Disposal, which will reduce the time between completion of the Disposal and the Proposed Return of Capital.

The Initial Reduction of Capital will provide New Melrose with distributable reserves, which can be used for future dividends and/or used to absorb any costs of New Melrose without hindering the ability to pay future dividends.

13. Why are there two meetings of Shareholders?

There are two meetings of Shareholders: the Court Meeting and the Old Melrose General Meeting, which are being called for different purposes. The Court Meeting is to seek the approval of Shareholders for the Scheme. The Old Melrose General Meeting will be held immediately after the Court Meeting and will enable Shareholders to vote on various matters required to implement the Scheme and the other Proposals, as described in the section entitled “Meetings and consents for the implementation of the Proposals” in paragraph 9 of Part III (*Explanatory Statement*) of this Circular. Both meetings will be held on 29 October 2015.

14. Do I need to vote?

It is important that as many Shareholders as possible cast their votes either in person or by proxy. This applies to both the Court Meeting and the Old Melrose General Meeting.

The Scheme needs to be approved by a majority in number, representing not less than 75 per cent. in value of those Shareholders present and voting, either in person or by proxy, at the Court Meeting and the special resolutions to approve certain matters to give effect to the Scheme and the other Proposals need to be duly passed at the Old Melrose General Meeting by a majority of not less than 75 per cent. of the votes cast.

YOUR VOTES COUNT. It is important that the maximum number of votes possible are cast at the Court Meeting so as to demonstrate that there is a fair representation of Shareholder opinion. You are encouraged to vote at both the Court Meeting and the Old Melrose General Meeting.

If you do not wish, or are unable, to attend the Court Meeting and/or the Old Melrose General Meeting you may appoint a proxy to act on your behalf and vote. Your proxy can be the Chairman of Old Melrose. At the Court Meeting voting will be by way of a poll and at the Old Melrose General Meeting voting will be by way of a show of hands (unless a poll is duly demanded). You may appoint your proxy by completing the Forms of Proxy and returning them in accordance with the instructions set out in the section entitled “Action to be taken” in paragraph 12 of Part III (*Explanatory Statement*) of this Circular and on the relevant Form of Proxy.

You will have been sent a Blue Form of Proxy for the Court Meeting and a White Form of Proxy for the Old Melrose General Meeting. Whether or not you propose to attend the Court Meeting and/or the Old Melrose General Meeting in person, you are strongly encouraged to complete, sign and return your Forms of Proxy as soon as possible and in any event no later than 48 hours (excluding any part of a day that is not a working day) before the time appointed for the relevant meeting (although the Blue Form of Proxy for use at the Court Meeting may be handed to Old Melrose’s Receiving Agent or the Chairman immediately prior to the Court Meeting).

If you would like to submit your proxy vote electronically you can do so by visiting www.sharevote.co.uk. You will need to enter your voting reference numbers (the three numbers quoted on your Forms of Proxy) and follow the online instructions. The deadline for receipt of electronic proxies is 48 hours (excluding any part of a day that is not a working day) before the time appointed for the relevant meeting.

If you hold your Old Melrose Ordinary Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the Old Melrose’s Receiving Agent (under CREST participant ID RA19) by no later than 48 hours (excluding any part of a day that is not a working day) before the time appointed for the relevant meeting.

The return of completed Forms of Proxy, transmitting CREST Proxy Instructions or submitting your proxy vote electronically will not prevent you from attending either the Court Meeting or the Old Melrose General Meeting and voting in person if you so wish and are so entitled.

15. What will I end up with after the Scheme comes into effect?

When the Scheme becomes effective, you will receive 1 New Melrose Ordinary Share for every 1 Old Melrose Ordinary Share you hold at the Scheme Record Time.

The Scheme Record Time is expected to be 6:00 p.m. on 18 November 2015 (subject to the date on which the Court sanctions the Scheme).

New Melrose Ordinary Shares will rank equally and in full for all dividends or distributions declared, made or paid after the Effective Date.

16. Will I be entitled to receive dividends on my New Melrose Ordinary Shares?

New Melrose will follow Old Melrose's dividend policy (further details of which are set out in paragraph 4 of Part I (*Information on the Proposals*) of the Prospectus).

All mandates in force at the Scheme Record Time relating to payment of dividends on Old Melrose Ordinary Shares and all instructions then in force relating to notices and other communications will, unless and until varied or revoked, be deemed from the Effective Date to be valid and effective mandates or instructions to New Melrose in relation to the corresponding holding of New Melrose Ordinary Shares.

17. What will happen to my Dividend Reinvestment Plan ("DRIP") mandate as a consequence of the Scheme?

Following Admission, all existing evergreen or recurring instructions relating to the DRIP (including any recurring DRIP mandates received in paper or by electronic means via CREST) will operate in respect of the New Melrose Ordinary Shares.

18. If I hold share certificates, what do I do with them?

If you hold share certificates for Old Melrose Ordinary Shares, they will cease to be valid on the Effective Date. When the relevant share certificates for New Melrose Ordinary Shares are sent to you, your original share certificates for Old Melrose Ordinary Shares should be destroyed.

19. If I hold share certificates, how can I transfer my New Melrose Ordinary Shares after the Effective Date but before I receive share certificates in respect of my New Melrose Ordinary Shares?

Pending the despatch of certificates for New Melrose Ordinary Shares, certificated holdings of New Melrose Ordinary Shares may be transferred and any such transfers will be certified against the register of members of New Melrose.

20. What if I have sold or otherwise transferred, or do sell or otherwise transfer, my existing Old Melrose Ordinary Shares prior to the date of the Scheme?

If you have sold or otherwise transferred, or sell or otherwise transfer, your entire holding of Old Melrose Ordinary Shares prior to the date of the Old Melrose General Meeting, please forward this Circular and the accompanying Forms of Proxy as soon as possible to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

If you have sold or otherwise transferred, or sell or otherwise transfer, only part of your holding of Old Melrose Ordinary Shares prior to the date of the Old Melrose General Meeting, please consult the bank, stockbroker or other agent through whom the sale or transfer was effected.

The Circular should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws of such jurisdiction. Any person who may intend to forward this Circular to any jurisdiction outside the United Kingdom should seek appropriate advice before taking any action.

New Melrose Ordinary Shares will be issued to those Shareholders who are shown on the register of members of Old Melrose to hold Old Melrose Ordinary Shares as at the Scheme Record Time. The Scheme Record Time is expected to be 6:00 p.m. on 18 November 2015 (subject to the date on which the Court sanctions the Scheme). If you sell or otherwise transfer any of your Old Melrose Ordinary Shares prior to the Scheme Record Time, you will not receive any New Melrose Ordinary Shares in respect of the Old Melrose Ordinary Shares which you have sold or otherwise transferred.

21. What if I sell or otherwise transfer my New Melrose Ordinary Shares prior to the date of the Proposed Return of Capital?

If the Board decides to proceed with the Proposed Return of Capital, it will set a record date and time. B Shares will be issued to those Shareholders who are shown on the register of members of New Melrose to hold New Melrose Ordinary Shares as at this record date and time. If you sell or otherwise transfer any of your New Melrose Ordinary Shares prior to this record date and time, you will not receive any B Shares in respect of the New Melrose Ordinary Shares which you have sold or otherwise transferred.

22. Can I trade my B Shares?

The B Shares will not be admitted to listing or dealing on any exchange and therefore will not be freely transferable.

23. What will happen if the number of New Melrose Ordinary Shares I hold does not divide exactly by the consolidation denominator determined by the Board for the Share Capital Consolidation?

If, immediately prior to the Proposed Return of Capital, your holding of New Melrose Ordinary Shares does not divide exactly by the consolidation denominator set by the Board for the Share Capital Consolidation, you will be left with a fractional entitlement to a New Melrose Ordinary Share.

New Melrose will combine all the fractions into new ordinary shares in New Melrose and arrange to have these sold in the market. The aggregated proceeds of sale, net of commission, will be donated to charities chosen by the Board.

24. Will I have to pay any tax as a result of the Proposals?

A summary of the UK tax treatment of the Proposals is set out in Part VII (*United Kingdom Taxation*) of this Circular. If you are in any doubt about your tax position and/or are subject to tax in any jurisdiction other than the UK, you should consult a professional adviser without delay.

25. Do I need to take any further action?

It is important that you vote at the Court Meeting and the Old Melrose General Meeting. You are strongly encouraged to complete, sign and return your Forms of Proxy, submit your proxy vote electronically or (if you are a CREST Shareholder) transmit a CREST Proxy Instruction.

If you hold your Old Melrose Ordinary Shares in certificated form, then upon receipt of your share certificates for New Melrose Ordinary Shares, your share certificates for Old Melrose Ordinary Shares should be destroyed. See paragraph 18 above for further details.

26. What if I still have questions?

If you have read this Circular and still have questions, please call Equiniti Limited, Old Melrose's Receiving Agent, on telephone number 0871 384 2946 (or +44 121 415 0851 if calling from outside the United Kingdom) between 8:30 a.m. and 5:30 p.m. Monday to Friday (excluding public holidays in the UK). Calls to the 0871 number are charged at 10 pence per minute, plus your phone company's access charge.

NOTE: For legal reasons, Equiniti Limited will only be able to provide practical information about how to complete the enclosed Forms of Proxy and other information contained in this Circular and will be unable to give advice on the merits of the Proposals described in this Circular or to provide legal, financial or taxation advice. For legal, financial or taxation advice, you will need to consult an independent adviser.

PART III
EXPLANATORY STATEMENT
(In compliance with section 897 of the Companies Act 2006)

N M Rothschild & Sons Limited
New Court, St Swithin's Lane
London, EC4N 8AL



6 October 2015

Dear Shareholder,

Recommended Proposals for introduction of a new holding company and creation of distributable reserves

1. Introduction

Today the Board of Old Melrose announced its intention to implement a corporate reorganisation in order to efficiently and promptly return the proceeds of the Disposal to Shareholders. It is envisaged that the corporate reorganisation will consist of three principal events: (a) the Scheme; (b) the Initial Reduction of Capital; and (c) the Proposed Return of Capital.

Firstly, it is proposed that a new holding company be introduced for the Melrose Group by means of the Scheme. The new company, New Melrose Industries PLC (to be renamed Melrose Industries PLC shortly after the Scheme becomes effective), is a newly incorporated company registered in England and Wales. All of the Directors of Old Melrose have been appointed as Directors of New Melrose.

The Scheme is subject to various conditions, including approval by Shareholders and the sanction of the Court. If these conditions are satisfied and the Scheme is implemented in full, New Melrose will own the entire issued share capital of Old Melrose and Shareholders of Old Melrose will hold New Melrose Ordinary Shares in place of their Old Melrose Ordinary Shares. It is expected that, if approved, the Scheme will become effective and that trading in New Melrose Ordinary Shares will commence at 8:00 a.m. on 19 November 2015.

After the Scheme becomes effective, it is intended that a Court-confirmed reduction of capital of New Melrose, the Initial Reduction of Capital, will be used to create distributable reserves, currently expected to be between £50—150 million.

Following, and subject to, the Scheme becoming effective and the completion of the Disposal, New Melrose intends to undertake the Proposed Return of Capital, a Court-confirmed return of capital to Shareholders of between £2.0—2.5 billion.

The structure intended to be implemented as part of the Proposals will enable the Melrose Group to efficiently and promptly return the proceeds of the Disposal to Shareholders.

Your attention is drawn to the Chairman's Letter in Part I (*Letter from the Chairman of Old Melrose*) of this Circular which contains, among other things, information on the reasons for the Proposals and the unanimous recommendation by the Board of Old Melrose to Shareholders to vote in favour of the Scheme at the Court Meeting and in favour of the resolutions to be proposed at the Old Melrose General Meeting. That letter and Parts X (*Notice of Court Meeting*) and XI (*Notice of Old Melrose General Meeting*) of this Circular form part of this Explanatory Statement.

The Directors have been advised by Rothschild in connection with the Proposals. We have been authorised by the Directors of Old Melrose to write to you to explain the terms of the Proposals and to provide you with other relevant information. The Scheme is set out in full in Part VI (*Scheme of Arrangement*) of this Circular. The Notice of Court Meeting and the Notice of Old Melrose General Meeting which contain the full text of each of the resolutions to be proposed at each of the meetings are set out in Parts X (*Notice of Court Meeting*) and XI (*Notice of Old Melrose General Meeting*) respectively of this Circular.

2. Summary of the Proposals

2.1 *Effects of the Scheme*

- (a) The effects of the implementation of the Scheme will be as follows:
- (i) instead of having its issued share capital owned by Old Melrose Ordinary Shareholders, Old Melrose will become a wholly-owned subsidiary of New Melrose with its entire issued share capital owned by New Melrose;
 - (ii) instead of owning a given number of Old Melrose Ordinary Shares, each Old Melrose Ordinary Shareholder will become a New Melrose Ordinary Shareholder and will own the same number of New Melrose Ordinary Shares; and
 - (iii) New Melrose will be the new holding company of the Melrose Group.
- (b) The effect of the implementation of the Scheme on Old Melrose 2012 Incentive Optionholders is that instead of owning a given number of Old Melrose 2012 Incentive Options, they will own the same number of New Melrose 2012 Incentive Options and such options will be on substantially the same terms and economic basis as their existing options.
- (c) Immediately following the Scheme becoming effective, New Melrose will own no assets other than £50 cash, the Capitalisation Shares, a Deferred A Share in the capital of Old Melrose and a receivable of £50,000 in respect of Redeemable Preference Shares in the capital of New Melrose which were issued to Shield Trust Limited shortly after New Melrose's incorporation.

2.2 *The Scheme*

The insertion of New Melrose will be effected through a Court-sanctioned scheme of arrangement under section 899 of the Companies Act.

Under the Scheme, all Old Melrose Ordinary Shares will be cancelled on the Effective Date. In consideration for the cancellation, Old Melrose Ordinary Shareholders on the register of members of Old Melrose at the Scheme Record Time, expected to be 6:00 p.m. on 18 November 2015, will receive 1 New Melrose Ordinary Share for every 1 Old Melrose Ordinary Share that they hold at the Scheme Record Time.

The rights attaching to the New Melrose Ordinary Shares will be substantially the same as those attaching to the Old Melrose Ordinary Shares. Upon implementation of the Scheme, a holder of New Melrose Ordinary Shares will have the same interest in the profits, net assets and dividends of New Melrose as he or she had as a holder of Old Melrose Ordinary Shares in the profits, net assets and dividends of Old Melrose before the Scheme became effective.

The nominal value of each New Melrose Ordinary Share will be set by the Board on or prior to the Effective Date of the Scheme and will be announced at that time. The difference between the aggregate nominal value of the New Melrose Ordinary Shares and the market capitalisation of Old Melrose at the Scheme Record Time will be credited to a merger reserve of New Melrose.

A summary of the rights attaching to the New Melrose Ordinary Shares is set out at paragraph 4 of Part IX (*Additional Information*) of the Prospectus.

Pursuant to the Scheme, the issued share capital of Old Melrose will be reduced by cancelling and extinguishing the Old Melrose Ordinary Shares and the credit arising in the books of Old Melrose as a result of the cancellation will be applied in paying up in full the Capitalisation Shares, such that the aggregate nominal value of such Capitalisation Shares equals the aggregate nominal value of the Old Melrose Ordinary Shares cancelled. The Capitalisation Shares will be issued to New Melrose which will, as a result, become the holding company of Old Melrose and the Melrose Group.

2.3 *Exchange of the Old Melrose 2012 Incentive Options*

In accordance with the terms of the Old Melrose 2012 Incentive Options, conditional on the Scheme becoming effective, options over Old Melrose 2012 Incentive Shares will, at the direction of the New Melrose and Old Melrose Remuneration Committees, be automatically exchanged for like options over shares in New Melrose on substantially the same terms as the Old Melrose 2012 Incentive Options and upon such exchange taking effect the existing Old Melrose 2012 Incentive Options will lapse.

2.4 *The Initial Reduction of Capital*

New Melrose has not traded since incorporation and, as such, lacks distributable reserves. The Initial Reduction of Capital, which will occur following, and subject to, the Scheme becoming effective, will involve the reduction of New Melrose's ordinary share capital by reducing the nominal amount of each New Melrose Ordinary Share issued pursuant to the Scheme to 1 penny. This reduction will create distributable reserves, currently expected to be between £50—150 million, which can be used for future dividends and/or used to absorb any costs of New Melrose without hindering the ability to pay future dividends.

Although a resolution authorising the Initial Reduction of Capital (conditional upon the Scheme becoming effective) was passed at a general meeting of New Melrose held on 2 October 2015, as Old Melrose Ordinary Shareholders will be shareholders of New Melrose at the time the Initial Reduction of Capital takes effect, the Board is also requesting approval from the Old Melrose Ordinary Shareholders to the Initial Reduction of Capital at the Old Melrose General Meeting.

This is a legal and accounting adjustment and should not have any impact on the market value of the New Melrose Ordinary Shares.

2.5 *The Proposed Return of Capital*

Following, and subject to both the Scheme becoming effective and the completion of the Disposal, New Melrose intends to undertake a Court-confirmed return of between £2.0—2.5 billion in capital to Shareholders. The Proposed Return of Capital will involve:

- (a) the issue to the holders of New Melrose Ordinary Shares, as at a record time and date to be determined by the Board, of B Shares;
- (b) following a further meeting of the Board, the subsequent cancellation of each of the B Shares in return for a payment to the holder of the B Share of an amount equal to the nominal value of such B Share; and
- (c) the Share Capital Consolidation of New Melrose Ordinary Shares in order to reduce the number of New Melrose Ordinary Shares in line with a ratio to be determined by the Board prior to the date of the Proposed Return of Capital, to reflect the size of the Proposed Return of Capital relative to the market capitalisation of New Melrose immediately prior to the Share Capital Consolidation. The Share Capital Consolidation is designed to result in a reduction in the number of ordinary shares in the capital of New Melrose by reference to a ratio which, in the judgment of the Board, is the most appropriate to ensure, so far as possible and subject to normal market movements, that the market share price of one New Melrose Ordinary Share immediately after the Proposed Return of Capital is approximately equal to the market share price immediately before the Proposed Return of Capital, and to maintain comparability of historical and future 'per share data'.

Although a resolution authorising the Proposed Return of Capital (conditional, among other things, upon the completion of the Disposal) was passed at a general meeting of New Melrose held on 2 October 2015, as Old Melrose Ordinary Shareholders will be shareholders of New Melrose at the time the Proposed Return of Capital takes effect, the Board is also requesting approval from the Old Melrose Ordinary Shareholders to the Proposed Return of Capital at the Old Melrose General Meeting.

3. *Conditions to the implementation of the Proposals*

3.1 *The Scheme*

The implementation of the Scheme is conditional upon:

- (a) approval of the Scheme at the Court Meeting by a majority in number, representing not less than 75 per cent. in value, of those Shareholders present and voting, either in person or by proxy;
- (b) the passing of the special resolution set out in the Notice of Old Melrose General Meeting to approve, among other things, the cancellation of the Old Melrose Ordinary Shares and the allotment of the Capitalisation Shares by the Directors of Old Melrose (pursuant to the Scheme);
- (c) sanction by the Court of the Scheme and confirmation by the Court of the reduction of capital of Old Melrose which occurs as a result of the cancellation of Old Melrose Ordinary Shares as part of the Scheme; and

- (d) the delivery of a copy of the order of the Court sanctioning the Scheme and confirming the reduction of capital of Old Melrose in relation to the Scheme to the Registrar of Companies.

The Court Hearing (at which it is proposed that the Court sanction the Scheme) is expected to be held on or around 18 November 2015. Any creditors or Shareholders who wish to oppose the Scheme will be informed by advertisement in a newspaper with national distribution of their right to appear in person, or be represented by counsel, at the Court Hearing.

In addition, the Directors of Old Melrose will not take the necessary steps to enable the Scheme to become effective unless, at the relevant time, the conditions below have been satisfied and, at the relevant time, they consider that it continues to be in the best interests of Old Melrose and Old Melrose Ordinary Shareholders that the Scheme should be implemented:

- (e) the formal processes having been put in place to approve the application to admit (subject to the allotment of the New Melrose Ordinary Shares and the satisfaction of conditions (a) to (d) above, save to the extent such conditions are already satisfied) the New Melrose Ordinary Shares to be issued in connection with the Scheme to the Official List (including a listing hearing having been held); and
- (f) the agreement of the London Stock Exchange to admit the New Melrose Ordinary Shares to be issued in connection with the Scheme to trading on its main market for listed securities and its agreement not being withdrawn prior to the Effective Date.

If the Scheme is sanctioned by the Court and the conditions described at (e) and (f) above are satisfied, the Scheme is expected to become effective and dealings in the New Melrose Ordinary Shares to be issued pursuant to the Scheme are expected to commence at 8:00 a.m. on 19 November 2015.

If the Scheme has not become effective by 31 December 2015 (or such later date as the Court may allow), it will lapse, in which event neither the Scheme, nor the Initial Reduction of Capital, nor the Proposed Return of Capital will proceed and Old Melrose Ordinary Shareholders will remain holders of Old Melrose Ordinary Shares.

The Scheme contains a provision for Old Melrose and New Melrose jointly to consent, on behalf of all persons concerned, to any modification of, or addition to, the Scheme or to any condition that the Court may think fit to approve or impose. The Court would be unlikely to approve or impose any modification of, or addition or condition to, the Scheme which might be material to the interests of Shareholders unless such Shareholders were informed of any such modification, addition or condition. It will be a matter for the Court to decide, in its discretion, whether or not the consent of Shareholders should be sought at a further meeting. If the Court approves or imposes a modification of, addition or condition to, the Scheme which, in the opinion of the Directors of Old Melrose, is of such a nature or importance as to require the approval of Shareholders at a further meeting (or meetings), the Directors of Old Melrose will not take the necessary steps to enable the Scheme to become effective unless and until such approval is obtained.

Shortly after Admission, pursuant to resolutions of the Boards of New Melrose and Old Melrose, respectively, New Melrose will be renamed Melrose Industries PLC and Old Melrose will be renamed and will be re-registered as a private limited company.

3.2 Exchange of the Old Melrose 2012 Incentive Options

In accordance with the terms of the Old Melrose 2012 Incentive Options, conditional on the Scheme becoming effective, options over Old Melrose 2012 Incentive Shares will, at the direction of the New Melrose and Old Melrose Remuneration Committees, be automatically exchanged for like options over shares in New Melrose on substantially the same terms as the Old Melrose 2012 Incentive Options and upon such exchange taking effect the existing Old Melrose 2012 Incentive Options will lapse.

If the Scheme has not become effective by 31 December 2015 (or such later date as the Court may allow), it will lapse, in which event Old Melrose 2012 Incentive Optionholders will remain holders of Old Melrose 2012 Incentive Options.

3.3 The Initial Reduction of Capital

The Initial Reduction of Capital involves the following:

- (a) the Scheme becoming effective and being fully implemented;
- (b) the confirmation of the Initial Reduction of Capital by the Court; and

- (c) the delivery of a copy of the order of the Court confirming the Initial Reduction of Capital to the Registrar of Companies for registration.

The Court hearing to confirm the Initial Reduction of Capital is expected to be held on or around 20 November 2015. Shareholders will have the right to attend the Court hearing to support or oppose the Initial Reduction of Capital and to appear in person or be represented by counsel.

The Initial Reduction of Capital is expected to become effective on 23 November 2015.

3.4 *The Proposed Return of Capital*

The Proposed Return of Capital involves the following:

- (a) the Scheme becoming effective and being fully implemented;
- (b) the Disposal completing and funds being received by New Melrose;
- (c) the allotment and issue of B Shares to the persons entitled to such B Shares;
- (d) the confirmation of the Proposed Return of Capital by the Court; and
- (e) the delivery of a copy of the order of the Court confirming the Proposed Return of Capital to the Registrar of Companies for registration.

The Board shall not proceed with the Proposed Return of Capital if they no longer believe it to be in the best interests of the Shareholders of New Melrose as a whole to proceed. Should the Board resolve to move forward with the Proposed Return of Capital, Shareholders will have the right to attend the Court hearing to support or oppose the Proposed Return of Capital and to appear in person or be represented by counsel.

4. Listings, dealings, share certificates and settlement

Application will be made to the UKLA for the 995,206,996 New Melrose Ordinary Shares issued pursuant to the Scheme to be admitted to the Official List and to the London Stock Exchange for such shares to be admitted to trading on the London Stock Exchange's main market for listed securities. There will be no such application for any other class of shares of New Melrose to be admitted to listing or trading on any exchange.

The listing of Old Melrose Ordinary Shares is expected to be cancelled on the Effective Date and the last day of dealings in Old Melrose Ordinary Shares is expected to be 18 November 2015. The last time for registration of transfers of Old Melrose Ordinary Shares is expected to be 6:00 p.m. on 18 November 2015, the Scheme Record Time.

It is expected that Admission will become effective and that dealings in the New Melrose Ordinary Shares will commence at 8:00 a.m. on 19 November 2015, the Effective Date.

These dates may be deferred if it is necessary to adjourn any meetings required to approve the arrangements described in this Circular or if there is any delay in obtaining the Court's sanction of the Scheme.

In the event of a delay, the application for the Old Melrose Ordinary Shares to be delisted will be deferred, so that the listing of those shares will not be cancelled until immediately before the Scheme takes effect.

With effect from and including the Effective Date, all share certificates representing Old Melrose Ordinary Shares will cease to be of value and should be destroyed.

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Directors will apply for the New Melrose Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in New Melrose Ordinary Shares following Admission may take place within the CREST system.

For those holding their Old Melrose Ordinary Shares in a CREST account at the Scheme Record Time, the Old Melrose Ordinary Shares under ISIN GB00BV9FYX34 will be disabled by 4:30 p.m. on the Scheme Record Date. New Melrose Ordinary Shares are expected to be credited under ISIN GB00BYRJP462 to the relevant CREST members' accounts on 19 November 2015, the Effective Date.

For those holding their Old Melrose Ordinary Shares in certificated form at the Scheme Record Time, certificates for the New Melrose Ordinary Shares are expected to be despatched by 3 December 2015, being 14 days after the Effective Date. In the case of joint holders, certificates will be despatched to the joint holder whose name appears first in the relevant register. All certificates will be sent by pre-paid first class post at the risk of the person entitled thereto. Pending the despatch of certificates for New Melrose Ordinary Shares, transfers of New Melrose Ordinary Shares will be certified against the register of members of New Melrose.

Old Melrose Ordinary Shares held in uncertificated form will be disabled in CREST on the Scheme Record Date. New Melrose reserves the right to issue New Melrose Ordinary Shares to any or all Shareholders in certificated form if, for any reason, it wishes to do so.

All mandates in force at the Scheme Record Time relating to payment of dividends on Old Melrose Ordinary Shares and all instructions then in force relating to notices and other communications will, unless and until varied or revoked, be deemed from the Effective Date to be valid and effective mandates or instructions to New Melrose in relation to the corresponding holding of New Melrose Ordinary Shares.

All documents, certificates, cheques or other communications sent by or to Shareholders, or as such persons shall direct, will be sent at their own risk and may be sent by post.

Following Admission, all existing evergreen or recurring instructions relating to the Dividend Reinvestment Plan (DRIP) (including any recurring DRIP mandates received in paper or by electronic means via CREST) will operate in respect of the New Melrose Ordinary Shares.

5. Directors' and other interests

All of the Directors of Old Melrose have been appointed as Directors of New Melrose.

The effect of the Scheme on the interests of the Directors of Old Melrose does not differ from its effect on the like interests of other persons.

The service agreements with the Executive Directors of Old Melrose will be novated from Old Melrose to New Melrose. All the Directors of Old Melrose except Simon Peckham and Geoffrey Martin will resign as Directors of Old Melrose. The service agreements with New Melrose will be on similar terms to the Directors' existing service agreements with Old Melrose.

The non-executive Directors of Old Melrose have been appointed as non-executive Directors of New Melrose and will enter into new letters of appointment with New Melrose on similar terms to their existing letters of appointment with Old Melrose. Such new letters of appointment will take effect upon the Scheme becoming effective, and all the non-executive Directors will resign as Directors of Old Melrose.

6. Taxation

Certain UK tax considerations which arise from the implementation of the Proposals and which will apply to Shareholders resident in the UK are summarised in Part VII (*United Kingdom Taxation*) of this Circular.

Any Shareholders who are in any doubt as to their tax position and/or who are subject to tax in a jurisdiction other than the UK should consult their professional advisers without delay.

7. New Melrose Articles

The rights attaching to the New Melrose Ordinary Shares will be substantially the same as those attaching to the Old Melrose Ordinary Shares. The New Melrose Articles have also been amended to: (a) include a description of the rights of the B Shares; and (b) ensure the rights attaching to the New Melrose 2012 Incentive Shares take account of both the Old Scheme and the Scheme.

8. Overseas Shareholders

No New Melrose Ordinary Shares nor any other securities in New Melrose have been marketed to, nor are any available for purchase, in whole or in part, by, the public in the United Kingdom or elsewhere in connection with Admission or the Proposals. This Circular does not constitute or form part of any offer or invitation to purchase, subscribe for, sell or issue, or any solicitation of any offer to purchase, subscribe for, sell or issue, New Melrose Ordinary Shares or any other securities of New Melrose or any other entity.

The distribution of this Circular and the allotment and issue of New Melrose Ordinary Shares in jurisdictions other than the United Kingdom may be restricted by law. No action has been taken by Old Melrose or New Melrose to obtain any approval, authorisation or exemption to permit the allotment or issue of New Melrose Ordinary Shares or the possession or distribution of this Circular (or any other publicity material relating to the New Melrose Ordinary Shares) in any jurisdiction other than in the United Kingdom.

Overseas Shareholders may be affected by the laws of other jurisdictions in relation to the distribution of this Circular or the Proposals. Persons into whose possession this Circular comes should inform themselves about and observe any applicable restrictions and legal, exchange control or regulatory requirements in relation to the distribution of this Circular and the Proposals. Any failure to comply with such restrictions or requirements may constitute a violation of the securities laws of any such jurisdiction.

This Circular is not for publication or distribution in or into any jurisdiction in which such act would constitute a violation of the relevant laws of such jurisdiction. The New Melrose Ordinary Shares may not be offered, sold or otherwise transferred, directly or indirectly, in or into any jurisdiction or for the account or benefit of citizens or residents of any such jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such jurisdiction.

It is the responsibility of any person into whose possession this Circular comes to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the distribution of this Circular or the allotment and issue of New Melrose Ordinary Shares pursuant to the Scheme, including the obtaining of any governmental, exchange control or other consents which may be required and/or compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes or levies due in such jurisdiction.

If, in respect of any Overseas Shareholders, Old Melrose or New Melrose is advised that the allotment and issue of New Melrose Ordinary Shares would or might infringe the laws of any jurisdiction outside the United Kingdom or would or might require New Melrose to obtain any governmental or other consent or effect any registration, filing or other formality with which, in the opinion of New Melrose, it would be unable to comply or which it regards as unduly onerous, the Scheme provides that:

- (a) in the case of such New Melrose Ordinary Shares, New Melrose may in its sole discretion determine that such shares shall be allotted and issued to such persons as New Melrose may procure, as nominee for such Overseas Shareholder, on terms that they shall, as soon as practicable following the Effective Date, be sold on behalf of such Overseas Shareholder at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale (after the deduction of all expenses, taxes and commissions) shall be paid to such Overseas Shareholder; or
- (b) where such New Melrose Ordinary Shares have already been allotted and issued (in circumstances where paragraph (a) does not apply), New Melrose may in its sole discretion determine that such New Melrose Ordinary Shares shall be sold, and New Melrose shall appoint a person who shall be authorised on behalf of such Overseas Shareholder to procure that any shares in respect of which New Melrose has made such determination shall, as soon as practicable following the Effective Date, be sold at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale (after the deduction of all expenses, taxes and commissions) shall be paid to such Overseas Shareholder.

Any remittance of the net proceeds of sale referred to in this section shall be at the risk of the relevant Overseas Shareholder.

Overseas Shareholders should consult their own legal and tax advisers with respect to the legal and tax consequences of the Proposals in their particular circumstances.

Further information for Shareholders who are citizens of or resident in the US or Canada is set out at paragraphs 5.2 and 5.3, respectively, of Part I (*Information on the Proposals*) of the Prospectus.

9. Meetings and consents for implementation of the Proposals

The Scheme will require Shareholders to vote on the Scheme at the Court Meeting, convened pursuant to an order of the Court, and the passing of the special resolution relating to the Scheme at the Old Melrose General Meeting, both of which have been convened for 29 October 2015 and will be held at the offices of Investec at 2 Gresham Street, London EC2V 7QP at 10:00 a.m. for the Court Meeting, and 10:15 a.m. for

the Old Melrose General Meeting (or, if later, immediately following the conclusion or adjournment of the Court Meeting) respectively.

New Melrose has agreed to appear by counsel at the final hearing to sanction the Scheme and to undertake to be bound by the Scheme.

Each of the Scheme, the Initial Reduction of Capital and the Proposed Return of Capital requires a separate sanction from the Court. Further details regarding the court hearings to sanction the Scheme, the Initial Reduction of Capital and the Proposed Return of Capital are set out in paragraphs 3.1, 3.3 and 3.4, respectively, of this Part III.

Notices of the Court Meeting and the Old Melrose General Meeting are set out in Parts X (*Notice of Court Meeting*) and XI (*Notice of Old Melrose General Meeting*) respectively of this Circular.

9.1 Court Meeting

The Court Meeting has been convened for 10:00 a.m. on 29 October 2015, pursuant to an order of the Court, at which meeting, or at any adjournment thereof, Shareholders appearing on the register at the Scheme Voting Record Time will consider and, if thought fit, approve the Scheme.

At the Court Meeting, voting will be by poll and each Shareholder present in person or by proxy will be entitled to one vote for each Old Melrose Ordinary Share held. The statutory majority required to approve the Scheme at the Court Meeting is a majority in number of the Shareholders present and voting (either in person or by proxy) at the Court Meeting representing 75 per cent. in value of the Old Melrose Ordinary Shares held and voted by them.

In order that the Court can be satisfied that the votes cast constitute a fair representation of the views of the Shareholders, it is important that as many votes as possible are cast at the Court Meeting.

Shareholders are therefore encouraged to take the action referred to in paragraph 12 below.

Shareholders should be aware that if the Scheme is approved and becomes effective, it will be binding on all Shareholders irrespective of whether they attended and voted at the Court Meeting or the way they voted.

9.2 Old Melrose General Meeting

The Old Melrose General Meeting has been convened for 10:15 a.m. on 29 October 2015 (or, if later, immediately following the conclusion or adjournment of the Court Meeting). The resolutions to be proposed at the Old Melrose General Meeting are set out in full in the Notice of Old Melrose General Meeting set out in Part XI (*Notice of Old Melrose General Meeting*) of this Circular.

The special resolutions set out in the Notice of Old Melrose General Meeting are proposed in order to approve:

- (a) the Scheme;
- (b) the cancellation of the Old Melrose Ordinary Shares (including the related reduction of share capital);
- (c) the application of the reserve arising as a result of the cancellation of the Old Melrose Ordinary Shares to paying up the Capitalisation Shares and the allotment of the Capitalisation Shares to New Melrose;
- (d) the Initial Reduction of Capital; and
- (e) the Proposed Return of Capital (including the Share Capital Consolidation).

The special resolutions referred to above will be decided on a show of hands (unless a poll is duly demanded). The majority required for the passing of such resolution is not less than 75 per cent. of the votes cast.

10. Authorities relating to New Melrose's share capital

A general meeting of New Melrose has already been held at which, among other matters, the Directors of New Melrose were granted authority to issue and allot New Melrose Ordinary Shares requisite to the implementation of the Scheme and to undertake the Initial Reduction of Capital and the Proposed Return

of Capital. The Directors have also been granted authorities to allot New Melrose Ordinary Shares and the B Shares, to make allotments otherwise than in accordance with pre-emption rights and to make purchases of New Melrose Ordinary Shares, in each case on substantially the same terms and basis as those authorities granted at the annual general meeting of Old Melrose held on 14 May 2015, and to allot 50,000 New Melrose 2012 Incentive Options on substantially the same terms as the authority granted in relation to the Old Melrose 2012 Incentive Options at the general meeting of Old Melrose held on 11 October 2012.

For additional information on the authorities relating to New Melrose's share capital which have been granted, please see paragraph 3 of Part X (*Additional Information*) of the Prospectus.

11. Prospectus

The Prospectus relating to New Melrose and the New Melrose Ordinary Shares which is required to be published in connection with the introduction of the New Melrose Ordinary Shares to the Official List, can be accessed in electronic form via www.melroseplc.net. Should you wish to receive a paper copy of the Prospectus free of charge, please contact Old Melrose's Receiving Agent on 0871 384 2946 (or +44 121 415 0851 if calling from outside the United Kingdom) between 8:30 a.m. and 5:30 p.m. Monday to Friday (excluding public holidays in the UK). Calls to the 0871 number are charged at 10 pence per minute, plus your phone company's access charge. Please note that calls to these numbers may be monitored or recorded, and no advice on the Proposals can be given. The Prospectus contains information (including financial information and information incorporated by reference) in relation to New Melrose, a business overview of the Melrose Group, an operating and financial review in relation to the Melrose Group and a section of additional information, including details of the remuneration and shareholding of the Directors and material contracts of the Melrose Group.

12. Action to be taken

On 29 October 2015, the Court Meeting and the Old Melrose General Meeting will be held to seek approval for the Proposals. Notices of the Court Meeting and the Old Melrose General Meeting are set out as Parts X (*Notice of Court Meeting*) and XI (*Notice of Old Melrose General Meeting*) respectively of this Circular.

Forms of Proxy are enclosed as follows:

(A) *for the Court Meeting, a Blue Form of Proxy; and*

(B) *for the Old Melrose General Meeting, a White Form of Proxy.*

Whether or not you propose to attend the meetings in person, you are requested, if you hold Old Melrose Ordinary Shares in certificated form, to complete and sign both Forms of Proxy.

Completed Forms of Proxy should be returned (together with any power of attorney or other authority under which it is signed or a duly certified copy of such power or authority) to Old Melrose's Receiving Agent, Equiniti Limited either by post to, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, or by hand during normal business hours only, to Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, as soon as possible, and in any event so as to arrive not later than 10:00 a.m. on 27 October 2015 in respect of the Blue Form of Proxy for the Court Meeting and 10:15 a.m. on 27 October 2015 in respect of the White Form of Proxy for the Old Melrose General Meeting. In each case, the Forms of Proxy should be completed in accordance with the instructions printed on them.

The Blue Form of Proxy in respect of the Court Meeting may also be handed to Old Melrose's Receiving Agent or the chairman at the Court Meeting before the start of such meeting. However, in the case of the Old Melrose General Meeting, unless the White Form of Proxy is returned to Old Melrose's Receiving Agent so as to arrive by 10:15 a.m. on 27 October 2015 or, if the meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time appointed for the adjourned meeting, it will be invalid.

Alternatively, you can submit your proxy vote electronically by visiting www.sharevote.co.uk. You will need to enter your voting reference numbers (the three numbers quoted on your Forms of Proxy) and follow the online instructions. The deadline for receipt of electronic proxies is 10:00 a.m. for the Court Meeting and 10:15 a.m. for the Old Melrose General Meeting on 27 October 2015 or, if either of the meetings is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time appointed for the adjourned meeting(s).

If you hold your Old Melrose Ordinary Shares in CREST, you can appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual. Your CREST Proxy Instruction must be received by Old Melrose's Receiving Agent by no later than 48 hours (excluding any part of a day that is not a working day) before the time appointed for the relevant meeting.

The lodging of the Forms of Proxy, submitting your proxy vote electronically or transmitting a CREST Proxy Instruction will not prevent you from attending either the Court Meeting or the Old Melrose General Meeting and voting in person should you decide to do so.

13. Further information

Your attention is drawn to the Chairman's Letter set out in Part I (*Letter from the Chairman of Old Melrose*) of this Circular, the Scheme (which is set out in full in Part VI (*Scheme of Arrangement*) of this Circular) and the additional information set out in Part VIII (*Additional Information*) of this Circular.

Yours very truly

Ravi Gupta

for and on behalf of

N M Rothschild & Sons Limited

PART IV RISK FACTORS

This section describes the risk factors which are considered by the Directors to be material in relation to the Proposals, the new material risks to the Melrose Group as a result of the Proposals and the existing material risks which may be impacted by the Proposals. However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties that are not presently known to the Directors, or that the Board currently deems immaterial or that the Board considers material to the Group but will not be impacted by the Proposals, may also have an adverse effect on Old Melrose or New Melrose. If any or a combination of the following risks materialise, Old Melrose or New Melrose could be materially adversely affected. In such circumstances, the market price of the New Melrose Ordinary Shares could decline and you could lose all or part of your investment. The information given is as of the date of this Circular and, except as required by the FCA, the London Stock Exchange, the Listing Rules, the Disclosure and Transparency Rules or any other applicable law, will not be updated. Any forward looking statements are made subject to the reservations specified under the section titled "Cautionary Note on Forward Looking Statements" of this Circular.

The Proposals are subject to a number of risks. You should consider carefully the risks and uncertainties described below, together with all other information contained in this Circular and the information incorporated by reference herein, before deciding whether to vote in favour of the Proposals. The risks and uncertainties described below are not set out in any order of priority.

1. An impairment of goodwill or other intangible assets would adversely affect the Melrose Group's financial condition and results of operation

Under IFRS, goodwill and intangible assets with indefinite lives are not amortised but are tested for impairment annually or more often if an event or circumstance indicates that an impairment loss may have been incurred. Other intangible assets with a finite life are amortised on a straight-line basis over their estimated useful lives and reviewed for impairment whenever there is an indication of impairment. In particular if the combination of the businesses meets with unexpected difficulties, or if the business of the Melrose Group does not develop as expected, impairment charges may be incurred in the future which could be significant and which could have an adverse effect on the Melrose Group's financial condition.

The Melrose Group has significant intangible assets, long-lived assets, goodwill and deferred tax assets that are susceptible to valuation adjustments as a result of changes in various factors or conditions. The Melrose Group assesses impairment of amortisable intangible and long-lived assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. In addition, many asset classes are subject to impairment consideration on a periodic basis under applicable accounting rules. Factors that could trigger an impairment of such assets include the following:

- a significant underperformance relative to historical or projected future operating results;
- significant changes in the nature of or use of the acquired assets or the strategy for its overall business;
- significant negative industry or general economic trends;
- changes in the Melrose Group's organisation or management reporting structure could result in additional reporting units, which may require alternative methods of estimating fair values or greater aggregation or disaggregation in the Melrose Group's analysis by reporting unit;
- a sustained decline in its market capitalisation below net book value; and
- the harmonisation of company trademarks throughout the Melrose Group.

The Proposals will create reserves within New Melrose. The Melrose Group assesses the potential impairment of goodwill and other intangible assets as of 31 December of each year. It also assesses the potential impairment of goodwill and other intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Adverse changes in operations or other unforeseeable factors could result in an impairment charge to the Melrose Group's investment assets in future periods that would impact the amount of reserves available to the Melrose Group.

2. Confirmation of the Scheme, the Initial Reduction of Capital and the Proposed Return of Capital is in each case within the discretion of the Court

The Scheme is conditional upon, among other things, confirmation by the Court. There are risks that this will not be given and that the Scheme will not occur on a timely basis or at all.

Implementation of the Initial Reduction of Capital is conditional upon, among other things, confirmation of the Scheme and the Initial Reduction of Capital by the Court. There are risks that this will not be given and that the Initial Reduction of Capital will not occur on a timely basis or at all. If this does not happen, the Initial Reduction of Capital will not be implemented and the benefits expected to result from the Initial Reduction of Capital will not be achieved.

Implementation of the Proposed Return of Capital is subject to, among other things, the Scheme becoming effective, the completion of the Disposal, the discretion of the Board and confirmation by the Court. There are risks that the Scheme and the completion of the Disposal will not occur, the confirmation will not be given and that the circumstances may change such that the Board no longer feels that the Proposed Return of Capital is in the best interests of the Shareholders.

3. The Disposal may not complete

The Disposal Agreement remains conditional on various matters, including the relevant approvals having been obtained from the regulatory authorities in Brazil, China, the European Union, South Africa and Turkey and there being no material adverse effect on the Elster Group between the date of the Disposal Agreement and completion of the Disposal. In the event that such conditions are not met, the Disposal may not be completed. Should the Disposal fail to complete, the Melrose Group would be obliged to pay out of pocket fees incurred in relation to the transaction without being able to set these off against the Disposal proceeds and the Proposed Return of Capital would not be implemented.

4. The value of an investment in New Melrose may go down as well as up

The market price of New Melrose Ordinary Shares could be volatile and subject to significant fluctuations due to a variety of factors outside the control of the Melrose Group including changes in sentiment in the market regarding the New Melrose Ordinary Shares (or securities similar to them), any regulatory changes affecting the Melrose Group's operations, variations in the Melrose Group's operating results, business developments of the Melrose Group or its competitors, the operating and share price performance of other companies in the industries and markets in which the Melrose Group operates, speculation about the Melrose Group's business in the press, media or the investment community, changes to the Melrose Group's profit estimates or the publication of reports by analysts and general market conditions. Stock markets have from time to time experienced significant price and volume fluctuations that have affected the market prices for securities and which may be unrelated to the Melrose Group's operating performance, underlying asset value or prospects. The market price of the New Melrose Ordinary Shares may be adversely affected by any of the preceding or other factors regardless of the Melrose Group's actual results of operations and financial condition. Furthermore, the Melrose Group's operating results and prospects from time to time may be below the expectations of market analysts and investors.

5. Any future issues of New Melrose Ordinary Shares and sales of New Melrose Ordinary Shares by major Shareholders may have an adverse effect on the market price of the New Melrose Ordinary Shares

The Melrose Group's stated strategy is to buy, improve and sell companies and the Directors expect that the Melrose Group will make further acquisitions which may be material in the context of the Melrose Group. Any such acquisitions in the future may require funding by debt and equity finance, including by way of an issue of a new class of shares, should any such acquisition occur prior to the Proposed Return of Capital. Any future equity financing may dilute Shareholders' shareholdings in the Melrose Group.

An additional offering or a significant sale of New Melrose Ordinary Shares by any major Shareholder could have an adverse effect on the market price of the outstanding New Melrose Ordinary Shares.

6. New Melrose's ability to continue to pay dividends on the New Melrose Ordinary Shares will depend on the availability of distributable reserves

New Melrose's ability to pay dividends is limited under English company law, which limits a company to only paying dividends to the extent that it has distributable reserves available for this purpose. As a holding company, New Melrose's ability to pay dividends in the future is affected by a number of factors, principally its ability to receive sufficient dividends from subsidiaries. The payment of dividends to New Melrose by its subsidiaries is, in turn, subject to restrictions, including certain regulatory requirements and the existence of sufficient distributable reserves in such subsidiaries. The ability of these subsidiaries to pay dividends and the Melrose Group's ability to receive distributions from its investments in other entities is subject to applicable local laws and regulatory requirements and other restrictions, including, but not limited to, applicable tax laws and restrictions in some of the Melrose Group's debt facilities. These laws and restrictions could limit the payment of future dividends and distributions to the Melrose Group by its subsidiaries, which could restrict the Melrose Group's ability to pay a dividend to holders of the New Melrose Ordinary Shares.

7. Exchange rate fluctuations may impact the price of New Melrose Ordinary Shares or the value of any dividends paid

The New Melrose Ordinary Shares, and any dividends or return of capital to be announced in respect of such shares, will be quoted in pounds sterling. An investment in New Melrose Ordinary Shares by an investor in a jurisdiction whose principal currency is not pounds sterling exposes the investor to foreign currency rate risk. Any depreciation of the pound sterling in relation to such foreign currency will reduce the value of the investment in the New Melrose Ordinary Shares in foreign currency terms and may adversely impact the value of any dividends.

8. Holders of New Melrose Ordinary Shares outside the United Kingdom may not be able to participate in future equity offerings

English law provides for pre-emptive rights generally to be granted to the shareholders, unless such rights are disappplied by shareholder resolution. However, Shareholders outside the United Kingdom may not be entitled to exercise these rights. For example, US holders of shares are customarily excluded from exercising any such pre-emption rights they may have unless a registration statement under the US Securities Act is effective with respect to those rights, or an exemption from the registration requirements or an exemption from similar requirements in other relevant jurisdictions thereunder is available. The Melrose Group has no current intention to file any such registration statement, and cannot assure prospective investors that any exemption from the registration requirements would be available to enable US or other overseas holders to exercise such pre-emption rights or, if available, that it will utilise any such exemption.

PART V
UNAUDITED PRO FORMA INFORMATION ON THE MELROSE GROUP

The following unaudited pro forma income statement and statement of net assets of the Melrose Group has been based on the income statement of the Old Melrose Group for the year ended 31 December 2014 and the net assets of the Old Melrose Group as at 30 June 2015 and has been prepared in accordance with Annex II of the Prospectus Rules and on the basis of the notes set out below.

The unaudited pro forma income statement has been prepared to illustrate the effect of the Disposal and the Proposed Return of Capital on the income statement of the Melrose Group as if completion of the Disposal and the Proposed Return of Capital had occurred on 1 January 2014.

The unaudited pro forma statement of net assets has been prepared to illustrate the effect of the Disposal and the Proposed Return of Capital on the IFRS position of the Melrose Group as if completion of the Disposal and the Proposed Return of Capital had occurred on 30 June 2015.

As indicated above, the unaudited pro forma income statement and statement of the net assets has been prepared for illustrative purposes only. Due to its nature, it addresses a hypothetical situation and, therefore, does not represent the Melrose Group's actual financial position or results following completion of the Disposal or the Proposed Return of Capital.

Deloitte LLP's report on the unaudited pro forma information is set out in this Part V (*Unaudited Pro Forma Information on the Melrose Group*) of this Circular.

Unaudited pro forma income statement of the Melrose Group for year ended 31 December 2014

	Melrose Group year to 31 December 2014	Elster Group year to 31 December 2014	Adjustments to reflect disposal proceeds and Proposed Return of Capital	Pro forma continuing group
	£m Note 1	£m Note 2	£m Note 3	£m Note 4
Revenue	1,377.5	(1,050.2)	—	327.3
Cost of sales	(875.0)	654.8	—	(220.2)
Gross profit	502.5	(395.4)	—	107.1
Headline ⁽⁵⁾ operating expenses	(259.7)	199.6	—	(60.1)
Share of headline ⁽⁵⁾ results of joint ventures	3.2	(2.1)	—	1.1
Intangible asset amortisation	(54.7)	46.1	—	(8.6)
Exceptional operating costs	(34.3)	26.5	(1.0)	(8.8)
Exceptional operating income	5.4	—	—	5.4
Total net operating expenses	(340.1)	270.1	(1.0)	(71.0)
Operating profit	162.4	(125.3)	(1.0)	36.1
Headline⁽⁵⁾ operating profit	246.0	(197.9)	—	48.1
Finance costs	(48.2)	9.5	35.5	(3.2)
Finance income	14.7	(0.5)	(13.1)	1.1
Profit before tax	128.9	(116.3)	21.4	34.0
Headline⁽⁵⁾ profit before tax	212.5	(188.9)	22.4	46.0
Headline ⁽⁵⁾ tax	(57.4)	52.2	(4.8)	(10.0)
Exceptional tax	15.6	(14.7)	—	0.9
Total tax	(41.8)	37.5	(4.8)	(9.1)
Profit for the year from continuing operations	87.1	(78.8)	16.6	24.9
Headline⁽⁵⁾ profit for the year from continuing operations	155.1	(136.7)	17.6	36.0
Profit for the year from discontinued operations	107.6	78.8	—	186.4
Profit for the year	194.7	—	16.6	211.3

Notes:

- (1) The income statement of the Melrose Group has been extracted without material adjustment from the Old Melrose Group's audited 2014 financial statements for the year ended 31 December 2014 prepared in accordance with International Financial Reporting Standards.
- (2) These adjustments remove the income statement balances relating to the Elster Group, reflecting the fact that, following the Disposal, the Melrose Group will no longer consolidate the results of the Elster Group (including the McKechnie Plan and the FKI UK DB Scheme). The financial information extracted is based upon the disclosures made in the Old Melrose Group's unaudited interim financial statements for the six months ended 30 June 2015 in which the 2014 income statement was restated to exclude the results of the Elster Group from continuing operations.
- (3) This adjustment is made based on the assumption that the proceeds from the sale of the Elster Group were received and the corresponding Proposed Return of Capital took place on 1 January 2014. An adjustment has been made to reduce the net finance costs for the year ended 31 December 2014 on the basis that part of the cash proceeds from the Disposal will be used to repay the Melrose Group's interest-bearing loans and borrowings. For illustrative purposes only, the repayment of all debt is assumed. The adjustment reflects the illustrative subsequent reduction in net finance costs, being the net of finance costs and finance income relating to loan balances held throughout the period of £22.4 million. In addition estimated project costs of £1.0 million have been recognised as an exceptional operating cost. Headline tax has also been updated to reflect these adjustments.
- (4) The unaudited pro forma income statement does not constitute statutory accounts within the meaning of section 434 of the Companies Act.
- (5) Before exceptional costs, exceptional income and intangible asset amortisation.

Unaudited pro forma statement of net assets of the Melrose Group as at 30 June 2015

	Adjustments for the Disposal			Proposed Return of Capital and repayment of borrowings	Un-audited pro forma of the Melrose Group as at 30 June 2015
	Melrose Group as at 30 June 2015	Elster Group as at 30 June 2015	Net proceeds		
	£m Note 1	£m Note 2	£m Note 3	£m Note 4	£m Note 4
Non-current assets					
Goodwill and other intangible assets	272.5				272.5
Property, plant and equipment	110.6				110.6
Deferred tax assets	5.4				5.4
	388.5	—	—	—	388.5
Current assets					
Inventories	58.6				58.6
Trade and other receivables . .	73.2				73.2
Derivative financial assets . . .	7.6				7.6
Cash and cash equivalents . . .	45.6		3,279.0	(3,037.9)	286.7
Assets held for sale	2,455.6	(2,455.6)			—
	2,640.6	(2,455.6)	3,279.0	(3,037.9)	426.1
Total assets	3,029.1	(2,455.6)	3,279.0	(3,037.9)	814.6
Current liabilities					
Trade and other payables	(93.0)				(93.0)
Interest-bearing loans and borrowings	(1.2)			1.2	—
Derivative financial liabilities .	(7.5)				(7.5)
Current tax liabilities	(1.8)				(1.8)
Provisions	(15.4)				(15.4)
Liabilities held for sale	(737.3)	737.3			—
	(856.2)	737.3	—	1.2	(117.7)
Net current assets	1,784.4	(1,718.3)	3,279.0	(3,036.7)	308.4
Non-current liabilities					
Interest-bearing loans and borrowings	(786.7)			786.7	—
Derivative financial liabilities .	(2.2)				(2.2)
Deferred tax liabilities	(15.9)				(15.9)
Retirement benefit obligations	(34.1)				(34.1)
Provisions	(22.3)				(22.3)
	(861.2)	—	—	786.7	(74.5)
Total liabilities	(1,717.4)	737.3	—	787.9	(192.2)
Net assets	1,311.7	(1,718.3)	3,279.0	(2,250.0)	622.4

Notes:

The unaudited pro forma statement of net assets as at 30 June 2015 has been compiled on the following basis:

- (1) The net assets of the Melrose Group have been extracted without material adjustment from the Old Melrose Group's unaudited interim financial statements for the six months ended 30 June 2015 prepared in accordance with IAS 34: "Interim Financial Reporting" as adopted by the European Union.
- (2) These adjustments remove the assets and liabilities relating to the Elster Group, reflecting the fact that, following the Disposal, the Melrose Group will no longer consolidate the results of the Elster Group. The financial information on the Elster Group (including the McKechnie Plan and the FKI UK DB Scheme) has been extracted, without material adjustment, from the historical information on the Elster Group set out in part IV (*Financial Information Relating to the Elster Group*) of the Old Melrose Elster Circular incorporated by reference into this Circular.
- (3) The adjustment reflects the estimated cash proceeds of £3,300 million to be received from the Disposal, less associated costs of the Disposal of an estimated £21 million.
- (4) It is intended that £2,000 million—£2,500 million of the cash proceeds from the Disposal will be returned to shareholders. For illustrative purposes only, a Proposed Return of Capital of £2,250 million is shown, which is the mid-point of the £2,000 million—£2,500 million range. The remainder of the cash proceeds will be used, in part, to repay the Melrose Group's interest-bearing loans and borrowings. For illustrative purposes only, a repayment of £787.9 million is shown, which is the total amount of the Melrose Group's interest-bearing loans and borrowings at 30 June 2015.
- (5) No adjustments have been made to reflect the trading or other transactions of the Melrose Group since 30 June 2015. The unaudited pro forma statement of net assets does not constitute statutory accounts within the meaning of section 434 of the Companies Act.



Deloitte LLP
2 New Street Square
London
EC4A 3BZ

The Board of Directors
on behalf of Melrose Industries PLC
11th Floor Colmore Plaza
20 Colmore Circus Queensway
Birmingham
B4 6AT

N M Rothschild & Sons Limited
New Court
St Swithin's Lane
London
EC4N 8AL

6 October 2015

Dear Sirs,

Melrose Industries PLC (the “**Company**”)

We report on the unaudited pro forma financial information (the “**Pro Forma Financial Information**”) set out in Part V of the circular dated 6 October 2015 (the “**Circular**”), which has been prepared on the basis described in that Part V, for illustrative purposes only, to provide information about how the disposal of the Elster Group and the subsequent Proposed Return of Capital might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 30 June 2015. This report is required by the Commission Regulation (EC) No 809/2004 (the “**Prospectus Directive Regulation**”) as applied by Listing Rule 13.3.3R and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the “**Directors**”) to prepare the Pro Forma Financial Information in accordance with Annex II items 1 to 6 of the Prospectus Directive Regulation as applied by Listing Rule 13.3.3R.

It is our responsibility to form an opinion as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive Regulation as applied by Listing Rule 13.3.3R.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to Shareholders as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

Deloitte LLP
Chartered Accountants

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**PART VI
SCHEME OF ARRANGEMENT**

**IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT**

No. 6367 of 2015

IN THE MATTER OF MELROSE INDUSTRIES PLC

and

IN THE MATTER OF THE COMPANIES ACT 2006

SCHEME OF ARRANGEMENT

(under section 899 of the Companies Act 2006)

Between

MELROSE INDUSTRIES PLC

And

THE SCHEME SHAREHOLDERS

(as hereinafter defined)

PRELIMINARY

(A) In this scheme of arrangement, references to clauses are references to clauses of this scheme of arrangement and, unless the context otherwise requires, the following expressions shall bear the following meanings:

Business Day	a day (other than a Saturday or Sunday or public holiday) on which banks are open for business in London, other than solely for trading and settlement in Euro
Capitalisation Shares	the ordinary shares of $\frac{7}{55}$ pence nominal value each in the capital of Old Melrose to be allotted and issued to New Melrose following the cancellation of the Old Melrose Ordinary Shares pursuant to the operation of the Scheme
Circular	the circular sent to Old Melrose Ordinary Shareholders on or around 6 October 2015 containing details, among other things, of the Scheme and the subsequent Initial Reduction of Capital
Companies Act	the Companies Act 2006, as amended and for the time being in force
Court	the High Court of Justice of England and Wales
Court Hearing	the hearing of the claim form to sanction the Scheme and confirm the reduction of capital of Old Melrose involved in the Scheme
Court Meeting	the meeting of the holders of Old Melrose Ordinary Shares convened for 29 October 2015 by order of the Court pursuant to section 896 of the Companies Act to consider and, if thought fit, approve this Scheme, and any adjournment of that meeting
CREST	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in the CREST Regulations)
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), as amended

Effective Date	the date on which this Scheme becomes effective in accordance with clause 7
Euroclear	Euroclear UK & Ireland Limited, the operator of CREST
FSMA	the Financial Services and Markets Act 2000, as amended from time to time
Initial Reduction of Capital	the proposed reduction of capital of New Melrose under Part 17 Chapter 10 of the Companies Act to reduce the nominal amount of each New Melrose Ordinary Share to 1 penny
New Melrose	New Melrose Industries PLC, a public limited company incorporated in England and Wales with registered number 9800044, to be renamed Melrose Industries PLC shortly after the Scheme becomes effective
New Melrose Ordinary Shares	the ordinary shares in the capital of New Melrose to be allotted and issued pursuant to the Scheme, of such nominal amount each as New Melrose shall resolve on or prior to the Effective Date of the Scheme (ISIN: GB00BYRJP462)
Official List	the official list maintained by the UKLA for the purposes of Part V of FSMA
Old Melrose	Melrose Industries PLC, a public limited company incorporated in England and Wales with registered number 8243706, to be renamed shortly after the Scheme becomes effective
Old Melrose Ordinary Shareholders	holders of Old Melrose Ordinary Shares
Old Melrose Ordinary Shares	the ordinary shares of $\frac{7}{55}$ pence nominal value each in the capital of Old Melrose (ISIN: GB00BV9FYX34)
Overseas Shareholder	a Scheme Shareholder who is a citizen, resident or national of any jurisdiction outside the United Kingdom
penny, pence, p, £, GBP or pounds sterling	the lawful currency of the United Kingdom
Receiving Agent	Equiniti Limited
Redeemable Preference Shares	the redeemable non-voting preference shares of £1 each in the capital of New Melrose which will be redeemed by New Melrose shortly after the Initial Reduction of Capital
Register	Old Melrose's statutory register of members
Registrar of Companies	the Registrar of Companies in England and Wales
Scheme	this scheme of arrangement in its present form or with or subject to any modification, addition or condition approved or imposed by the Court
Scheme Record Date	the Business Day immediately preceding the Effective Date
Scheme Record Time	6:00 p.m. on the Scheme Record Date
Scheme Shareholder	a holder of Scheme Shares as appearing in the Register at the Scheme Record Time
Scheme Shares	(A) all Old Melrose Ordinary Shares in issue at the date of the Circular; and (B) all (if any) additional Old Melrose Ordinary Shares in issue after the date of the Circular (but prior to the Scheme Voting Record Time) and remaining in issue at the Scheme Record Time

Scheme Voting Record Time	6:00 p.m. on 27 October 2015 or, if either the Court Meeting or the Old Melrose General Meeting is adjourned, 6:00 p.m. on the second day before the date of such adjourned meeting (excluding any part of a day that is not a working day)
Subscriber Share	the one share of £1 in the capital of New Melrose whose rights will be deferred upon the Scheme becoming effective and which will be cancelled pursuant to the Initial Reduction of Capital
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
UKLA	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA and in the exercise of its functions in respect of admission to the Official List; and
uncertificated or in uncertificated form	a share or other security title to which is recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST.

All times referred to in this Scheme are references to London time unless otherwise specified.

- (A) The issued share capital of Old Melrose at the date of this Scheme is £1,266,627.047636 divided into 995,206,966 Old Melrose Ordinary Shares, all of which are credited as fully paid.
- (B) New Melrose was incorporated and registered in England and Wales as a public limited company on 29 September 2015, with registered number 9800044.
- (C) The issued share capital of New Melrose at the date of this Circular is £50,001 divided into one Subscriber Share and 50,000 Redeemable Preference Shares.
- (D) No Scheme Shares are or will be beneficially owned by New Melrose. It is intended that, in the period after the Old Melrose General Meeting and before the Court Hearing, the Board of Old Melrose will exercise its authority under the general authorities of the Directors of Old Melrose existing at the time of such allotment and under the Old Melrose Articles to issue to New Melrose a non-voting deferred A share for £1 credited as fully paid.
- (E) New Melrose has agreed to appear by counsel at the Court Hearing, to consent to the Scheme and to undertake to be bound thereby and to execute and do or procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by it or them for the purpose of giving effect to this Scheme.

THE SCHEME

1. Cancellation of Scheme Shares

- (A) The share capital of Old Melrose shall be reduced by cancelling and extinguishing all of the Scheme Shares.
- (B) Forthwith and contingent upon the reduction of capital referred to in sub-clause (A) of this clause 1 taking effect, the credit arising in the books of account of Old Melrose as a result of such reduction of capital shall be capitalised and applied in paying up, in full at par, such number of Capitalisation Shares as shall be equal to the aggregate nominal value of the Scheme Shares cancelled in accordance with sub-clause (A) of this clause 1, which shall be allotted and issued, credited as fully paid, to New Melrose.

2. Consideration for the cancellation of the Scheme Shares and issue of Capitalisation Shares

In consideration of the cancellation of the Scheme Shares and the issue of the Capitalisation Shares to New Melrose pursuant to clause 1, New Melrose shall (subject to the remaining provisions of this Scheme) allot and issue (credited as fully paid) New Melrose Ordinary Shares to the holders of Scheme Shares on the basis of 1 New Melrose Ordinary Share for every 1 Old Melrose Ordinary Share held at the Scheme Record Time (as appearing in the Register).

3. Allotment and issue of New Melrose Ordinary Shares

- (A) The New Melrose Ordinary Shares to be issued pursuant to clause 2 shall rank in full for all dividends or distributions declared, made or paid after the Effective Date on the ordinary share capital of New Melrose.
- (B) The provisions of clause 2 shall be subject to any prohibition or condition imposed by law. Without prejudice to the generality of the foregoing, if, in respect of any Overseas Shareholder, New Melrose is advised that the allotment and issue of New Melrose Ordinary Shares pursuant to clause 2 would or might infringe the laws of any jurisdiction outside the United Kingdom or would or might require New Melrose to obtain any governmental or other consent or effect any registration, filing or other formality with which, in the opinion of New Melrose, it would be unable to comply or which it regards as unduly onerous, then New Melrose may in its sole discretion determine that:
- (i) in the case of the allotment and issue of New Melrose Ordinary Shares, such shares shall be allotted and issued to such person as New Melrose may procure, as nominee for such Overseas Shareholder, on terms that they shall, as soon as practicable following the Effective Date, be sold on behalf of such Overseas Shareholder at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale (after the deduction of all expenses, taxes and commissions) shall be paid to such Overseas Shareholder in accordance with the provisions of clause 4. None of Old Melrose, New Melrose or any nominee so appointed or any broker or agent of any of them shall have any liability (save in the case of fraud) for any loss or damage arising as a result of the timing or terms of any such sale; or
 - (ii) where such New Melrose Ordinary Shares have already been allotted and issued (in circumstances where sub-clause (B)(i) of this clause 3 does not apply), such New Melrose Ordinary Shares shall be sold, and New Melrose shall appoint a person to act pursuant to this sub-clause (B)(ii) and such person shall be authorised on behalf of such Overseas Shareholder to procure that any shares in respect of which New Melrose has made such determination shall, as soon as practicable following the Effective Date, be sold at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale (after the deduction of all expenses, taxes and commissions) shall be paid to such Overseas Shareholder in accordance with the provisions of clause 4. To give effect to any such sale, the person so appointed shall be authorised on behalf of such Overseas Shareholder to execute and deliver a form of transfer and to give such instructions and to do all such things which he may consider necessary or expedient in connection with such sale. None of Old Melrose, New Melrose or the person so appointed or any broker or agent or any of them shall have any liability (save in the case of fraud) for any loss or damage arising as a result of the timing or terms of any such sale.

4. Certificates and payments

- (A) Not later than five Business Days after the Effective Date, New Melrose shall allot and issue all New Melrose Ordinary Shares which it is required to allot and issue to give effect to this Scheme and, not later than fifteen Business Days after the Effective Date, New Melrose shall send by first class post to the allottees of the New Melrose Ordinary Shares certificates in respect of due entitlement to such shares save that where Old Melrose Ordinary Shares are held in uncertificated form, New Melrose will procure that Euroclear is instructed to cancel the entitlement to Old Melrose Ordinary Shares of each of the Scheme Shareholders concerned and to credit to the appropriate stock account in CREST of each such Scheme Shareholder the due entitlement to New Melrose Ordinary Shares.
- (B) Not later than five Business Days following the sale of any relevant New Melrose Ordinary Shares pursuant to sub-clause (B) of clause 3, New Melrose shall procure that the nominee or appointee, as the case may be, shall account for the cash payable by either despatching to the persons respectively entitled thereto cheques and/or warrants by post or where Old Melrose Ordinary Shares are held in uncertificated form, crediting the relevant amount to the appropriate account in CREST of each such Scheme Shareholder.
- (C) All certificates required to be sent by New Melrose pursuant to sub-clause (A) of this clause 4 and all cheques or warrants required to be sent pursuant to sub-clause (B) of this clause 4 shall be

sent by first class post in envelopes addressed to and at the risk of the persons respectively entitled thereto at their respective addresses appearing in the Register at the Scheme Record Time (or, in the case of joint holders, to the address of that one of the joint holders whose name stands first in the Register in respect of the joint holding) or in accordance with any special instructions regarding communications received at the registered office of Old Melrose prior to the Scheme Record Time.

- (D) If New Melrose Ordinary Shares are consolidated and divided or sub-divided or if the nominal value of New Melrose Ordinary Shares is reduced prior to the despatch of any relevant certificates or the giving of any instructions in accordance with this clause 4, the relevant certificates or instructions shall relate to such New Melrose Ordinary Shares as so consolidated, divided, subdivided and/or reduced.
- (E) None of Old Melrose, New Melrose, any nominee referred to in sub-clauses (B)(i) or (B)(ii) of clause 3, such person appointed to act under sub-clause (B)(ii) of clause 3 or any agent of any of them shall be responsible for any loss or delay in transmission of certificates, cheques or warrants sent in accordance with this clause 4.
- (F) All cheques and warrants shall be made payable to the holder(s) and the encashment of any such cheque or warrant shall be a complete discharge of New Melrose for the monies represented thereby.
- (G) This clause 4 shall be subject to any prohibition or condition imposed by law.

5. Certificates representing Scheme Shares

With effect from and including the Effective Date, all certificates representing holdings of Scheme Shares shall cease to be valid in respect of such holdings. The holders of such shares shall be bound at the request of Old Melrose or New Melrose to deliver such certificates for cancellation to Old Melrose, New Melrose or to any person appointed by Old Melrose to receive the same, unless such certificates have been destroyed on receipt of the share certificates in respect of the New Melrose Ordinary Shares to which they are entitled.

6. Mandated payments and other instructions

Each mandate in force at the Scheme Record Time relating to the payment of dividends on Scheme Shares and each instruction then in force as to notices and other communications from Old Melrose shall, unless and until varied or revoked, be deemed as from the Effective Date to be a valid and effective mandate or instruction to New Melrose in relation to the corresponding New Melrose Ordinary Shares to be allotted and issued to Scheme Shareholders pursuant to this Scheme.

From the Effective Date, all existing evergreen or recurring instructions relating to the Dividend Reinvestment Plan (“**DRIP**”) (including any recurring DRIP mandates received in paper or by electronic means via CREST) will operate in respect of the New Melrose Ordinary Shares.

7. Effective Date

- (A) This Scheme shall become effective as soon as an office copy of the order of the Court sanctioning this Scheme under section 899 of the Companies Act and confirming the reduction of capital provided for by this Scheme under section 648 of the Companies Act shall have been duly delivered to the Registrar of Companies for registration.
- (B) Unless this Scheme shall have become effective on or before 31 December 2015 or such later date, if any, as Old Melrose and New Melrose may agree and the Court may allow, it shall lapse.

8. Modification

Old Melrose and New Melrose may jointly consent on behalf of all persons concerned to any modification of or addition to this Scheme or to any condition which the Court may think fit to approve or impose.

Dated: 6 October 2015

PART VII
UNITED KINGDOM TAXATION

1. General

The following summary is intended as a general guide only and relates only to certain UK tax consequences of the Proposals. It is based on current UK tax law and published HMRC practice (which may not be binding on HMRC), as at the date of this Circular, both of which are subject to change, possibly with retrospective effect. The summary is intended to apply only to Shareholders who are resident, and in the case of an individual, domiciled, in (and only in) the UK for UK tax purposes, who hold the New Melrose Ordinary Shares as investments and not on trading account and who are the absolute beneficial owners of the New Melrose Ordinary Shares and any dividends paid on them. The discussion does not address all possible tax consequences relating to an investment in the New Melrose Ordinary Shares. The summary is not intended to apply to certain classes of Shareholders such as dealers in securities, insurance companies, those holding shares by reason of their employment or collective investment schemes.

Any Shareholders who are in any doubt as to their tax position regarding the acquisition, ownership and/or disposal of the New Melrose Ordinary Shares and/or who are subject to tax in a jurisdiction other than the UK should consult their professional advisers without delay.

2. The Proposals

2.1 The Scheme

For the purposes of the UK taxation of chargeable gains, the cancellation of the Old Melrose Ordinary Shares and the issue of New Melrose Ordinary Shares should be treated as a reorganisation of share capital. Accordingly, Shareholders will not be treated as making a disposal in respect of the cancellation of Old Melrose Ordinary Shares or an acquisition in respect of the issue to them of the New Melrose Ordinary Shares. The New Melrose Ordinary Shares will be treated as having been acquired at the same time and for the same consideration as the Old Melrose Ordinary Shares for the purposes of UK taxation of chargeable gains.

Shareholders who alone, or together with connected persons, hold more than five per cent. of the Old Melrose Ordinary Shares are advised that Old Melrose has not sought clearance under section 138 of the Taxation of Chargeable Gains Act 1992.

A Shareholder's original base cost in his Old Melrose Ordinary Shares will be attributed to the New Melrose Ordinary Shares.

2.2 The Initial Reduction of Capital

For the purposes of the UK taxation of chargeable gains, the Initial Reduction of Capital, which will be effected by decreasing the nominal value of each New Melrose Ordinary Share, should be treated as another reorganisation of share capital. Accordingly, Shareholders should not be treated as making a disposal of the New Melrose Ordinary Shares for the purposes of the UK taxation of chargeable gains as a result of that reduction of capital.

2.3 The Proposed Return of Capital

For the purposes of UK taxation of chargeable gains, the Proposed Return of Capital should be treated as a further reorganisation of share capital, followed by a disposal of the B Shares.

The receipt of a B Share, issued out of New Melrose's merger reserve, should be treated as a reorganisation of share capital. The combined holding of New Melrose Ordinary Shares and B Shares will be treated as the same holding as the original New Melrose Ordinary Shares (and, therefore, where applicable, as described above, the same holding as the Old Melrose Ordinary Shares).

A Shareholder's base cost in his New Melrose Ordinary Shares will be apportioned between the B Shares and the New Melrose Ordinary Shares by reference to the market value of the New Melrose Ordinary Shares on the first day following the issue of the B Shares on which the market value for the New Melrose Ordinary Shares is quoted or published. The apportionment ratio between the B Shares and the New Melrose Ordinary Shares will be published on New Melrose's website at the earliest practicable time following the Proposed Return of Capital.

On the basis that the B Shares are treated, for UK tax purposes, as being paid up as to an amount equal to the nominal value of the B Shares for “new consideration” received by New Melrose, neither the issue of B Shares nor their cancellation for payment equal to or less than that nominal value should give rise to any income distribution and therefore should not be subject to UK income tax or corporation tax on income in the Shareholder’s hands.

Upon cancellation of the B Shares, an individual Shareholder may, depending on his or her individual circumstances, be subject to UK capital gains tax on the amount of any chargeable gains realised. Any gain will be measured by reference to the excess of the cancellation payment received above the Shareholder’s allowable expenditure for the B Shares cancelled, apportioned in accordance with the above paragraph.

The amount of UK capital gains tax, if any, payable by an individual Shareholder in relation to the chargeable gain described above will depend on his or her personal tax position. No tax will be payable on any gain realised on the cancellation if the amount of the chargeable gain, when aggregated with other chargeable gains realised by the Shareholder in the year of assessment in question, does not exceed the annual allowance of tax-free gains for the relevant tax year. Broadly, any gains in excess of this amount will be taxed at the individual’s relevant capital gains tax rate (18 or 28 per cent.). The net gain is taxable at 18 per cent. if the individual is (also taking into account the gain on the cancellation) only a basic-rate income taxpayer. If the gain exceeds the unused part of an individual’s basic rate band for income tax, the gain will be taxed at 18 per cent. to the extent of the unused element and 28 per cent. for the excess. If an individual is subject to income tax at a rate in excess of the basic rate, the net gain will be taxable at 28 per cent.

A corporate Shareholder is taxable on all of its chargeable gains. Corporate Shareholders are entitled to indexation allowance up to the date on which the chargeable gain is realised.

On any subsequent disposal of the whole or part of a Shareholder’s holding of New Melrose Ordinary Shares, a Shareholder may, depending on his or her circumstances, be subject to UK capital gains tax on the amount of any chargeable gain realised. Please refer to the paragraphs above for details of the manner in which a Shareholder’s allowable expenditure is allocated between the New Melrose Ordinary Shares and the B Shares and for details of how a gain will be taxed.

3. Stamp Duty and Stamp Duty Reserve Tax

Except in relation to arrangements for depositary receipts or clearance services to which special rules apply:

- (i) No stamp duty or stamp duty reserve tax (“SDRT”) should be payable on the issue of the New Melrose Ordinary Shares, nor on the cancellation of the Old Melrose Ordinary Shares.
- (ii) An unconditional agreement to sell New Melrose Ordinary Shares would normally give rise to liability on the purchaser to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration paid or provided. If an instrument of transfer of the New Melrose Ordinary Shares were subsequently produced it would generally be subject to stamp duty at the rate of 0.5 per cent. of the amount or value of the consideration paid or provided (rounded up to the nearest £5), subject to an exemption for low-value transactions (£1,000 or less). When such stamp duty is paid, provided it is paid within six years of the agreement, the SDRT charge will be cancelled and any SDRT already paid will be refunded. Stamp duty and SDRT are generally the liability of the purchaser.

The above statements are intended as a general guide to the current position. Certain categories of person, including market makers, brokers, dealers and persons connected with depositary arrangements and clearance services are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for it.

4. ISAs

If existing Shareholders of Old Melrose currently hold their Old Melrose Ordinary Shares in the stocks and shares component of an ISA, the New Melrose Ordinary Shares should qualify for inclusion in the same way.

**PART VIII
ADDITIONAL INFORMATION**

1. Responsibility

Old Melrose and the Directors, whose names appear at paragraph 4 (*Directors of Old Melrose*) of this Part VIII (*Additional Information*) of this Circular, accept responsibility for the information contained in this Circular. To the best of the knowledge of Old Melrose and the Directors (having taken all reasonable care to ensure that such is the case), the information contained in this Circular is in accordance with the facts and contains no omission that is likely to affect its import.

Deloitte LLP, whose registered address is at 2 New Street Square, London EC4A 3BZ and who is a member of the Institute of Chartered Accountants in England and Wales, accepts responsibility for its report on pro forma financial information set out in Part V (*Unaudited Pro Forma Information on the Melrose Group*) of this Circular. To the best of the knowledge of Deloitte LLP (having taken all reasonable care to ensure that such is the case), the information contained in that report is in accordance with the facts and contains no omissions likely to affect its import.

2. New Melrose Articles of Association

The rights attaching to the New Melrose Ordinary Shares will be substantially the same as those attaching to the Old Melrose Ordinary Shares. The rights relating to the New Melrose 2012 Incentive Shares have been amended to ensure that such shares are on the same economic basis as the Old Melrose 2012 Incentive Shares and therefore apply to Old Melrose up to the Effective Date. The New Melrose Articles have also been amended to: (a) include a description of the rights of the B Shares; and (b) ensure the rights attaching to the New Melrose 2012 Incentive Shares take account of both the Old Scheme and the Scheme.

3. Rights attaching to B Shares

The B Shares shall confer no right to participate in the profits of New Melrose. On a return of capital on winding up (but not otherwise), the holders of the B Shares shall be entitled, in priority to any payment to the holders of New Melrose Ordinary Shares, to an amount per B Share held by them equal to the nominal capital paid up or credited as paid up on such B Share. The holders of the B Shares shall not be entitled to any further right of participation in the assets of New Melrose. The holders of the B Shares do not have the right to receive notice of, attend or vote at a general meeting of New Melrose unless the business of the meeting includes the consideration of a resolution for the winding up of New Melrose, in which case the holders of the B Shares have the right to attend such meeting and vote only on such resolution.

4. Directors of Old Melrose

The following table sets out information relating to the Directors of Old Melrose, each of whom is also currently a Director of New Melrose:

Christopher Miller	<i>Executive Chairman</i>
David Roper	<i>Executive Vice-Chairman</i>
Simon Peckham	<i>Chief Executive</i>
Geoffrey Martin	<i>Group Finance Director</i>
Perry Crosthwaite	<i>Senior Non-Executive Director</i>
John Grant	<i>Non-Executive Director</i>
Justin Dowley	<i>Non-Executive Director</i>
Elizabeth Hewitt	<i>Non-Executive Director</i>

The business address of each of the Directors is 11th Floor, Colmore Plaza, 20 Colmore Circus Queensway, Birmingham, West Midlands B4 6AT, United Kingdom.

4.1 Interests of the Directors

As at the Latest Practicable Date, the interests (all of which are beneficial) of the Directors, their immediate families and (so far as is known to them or could with reasonable diligence be ascertained by them) persons connected (within the meaning of section 96B of FSMA) with the Directors in the issued share capital of Old Melrose, including: (i) those arising pursuant to transactions notified to Old Melrose pursuant to Disclosure and Transparency Rule 3.1.2R; or (ii) those of the connected persons of the

Directors, which would, if such connected person were a Director, be required to be disclosed under (i) above, together with such interests in New Melrose as are expected to subsist immediately following Admission, are set out in the following table:

	<u>Number of Old Melrose Ordinary Shares</u>	<u>Number of New Melrose Ordinary Shares</u>	<u>Percentage of issued ordinary share capital</u>
Executive Chairman			
Christopher Miller ⁽¹⁾	14,203,260	14,203,260	1.427%
Executive Vice-Chairman			
David Roper	7,530,783	7,530,783	0.757%
Executive Directors:			
Simon Peckham	7,775,196	7,775,196	0.781%
Geoffrey Martin	3,739,054	3,739,054	0.376%
Non-Executive Directors:			
Perry Crosthwaite	174,724	174,724	0.018%
John Grant	275,257	275,257	0.028%
Justin Dowley	451,264	451,264	0.045%
Elizabeth Hewitt	24,202	24,202	0.002%

Note:

(1) The interest of Christopher Miller includes 5,311,426 Old Melrose Ordinary Shares held by Harris & Sheldon Investments Limited, a company which is connected with Christopher Miller within the meaning of section 252 of the Companies Act.

Taken together, the combined percentage interest of the Directors in the issued ordinary share capital of Old Melrose as at the Latest Practicable Date was approximately 3.43 per cent. The percentage holding of New Melrose Ordinary Shares is expected to be the same as the percentage of Old Melrose Ordinary Shares.

Details of options over a new class of incentive shares in Old Melrose (the “**Old Melrose 2012 Incentive Shares**”) held by the Directors as at the Latest Practicable Date are set out below. Those options are not included in the interests of the Directors shown in the table above.

4.2 *Directors’ interests in share-based long-term incentive plans*

On 27 November 2012, certain directors and employees of the Melrose Group were granted options over Old Melrose 2012 Incentive Shares (“**Old Melrose 2012 Incentive Options**”) (the “**Old Melrose 2012 Incentive Scheme**”). Details of the number of options held by Directors under the Old Melrose 2012 Incentive Scheme are set out below. The rights and restrictions attaching to the Old Melrose 2012 Incentive Options are set out at paragraph 13 (*Options over New Melrose 2012 Incentive Shares*) of Part XIII (*Additional Information*) of the Old Melrose Prospectus, which is incorporated into this Circular by reference. The rights attaching to the Old Melrose 2012 Incentive Shares (including a description of the conversion rights) are set out at paragraph 4.4 (*Further rights attaching to New Melrose 2012 Incentive Shares*) of Part XIII (*Additional Information*) of the Old Melrose Prospectus, which is incorporated into this Circular by reference.

All Old Melrose 2012 Incentive Optionholders have undertaken not to exercise their options between the Latest Practicable Date and the Effective Date (inclusive) or, if the Scheme lapses, 31 December 2015. Pursuant to the terms of the Old Melrose 2012 Incentive Options, upon the Scheme becoming effective and at the direction of the New Melrose and Old Melrose Remuneration Committees, Old Melrose 2012 Incentive Options will be automatically exchanged for New Melrose 2012 Incentive Options on a

one-for-one basis on substantially the same terms and economic basis as their existing options. Upon such exchange taking effect, the existing Old Melrose 2012 Incentive Options will lapse.

	Number of Old Melrose 2012 Incentive Options held at the Latest Practicable Date
Christopher Miller	8,500
David Roper	8,500
Simon Peckham	8,500
Geoffrey Martin	8,500
Perry Crosthwaite	Nil
John Grant	Nil
Justin Dowley	Nil
Elizabeth Hewitt	Nil

4.3 *Directors' Service Agreements and Letters of Appointment*

Details of the terms of each of the Executive Directors' service agreements are set out below. Upon the Scheme becoming effective, the existing Executive Director service agreements will be novated from Old Melrose to New Melrose and all the Executive Directors except Simon Peckham and Geoffrey Martin will resign as Executive Directors of Old Melrose. The service agreements with New Melrose will be on similar terms to the Directors' existing service agreements with Old Melrose.

<u>Name</u>	<u>Date of Initial Appointment</u>	<u>Date of Expiry of Current Office</u>	<u>Salary per annum (£'000)</u>	<u>Leave (days)⁽¹⁾</u>	<u>Benefits on Termination</u>	<u>Notice Period</u>	<u>Confidentiality Obligations</u>
Christopher Miller	8 October 2012	End of 2016 AGM	435	25	None other than payment in lieu of untaken holiday entitlement	12 months	During and after employment
David Roper	8 October 2012	End of 2016 AGM	435	25	None other than payment in lieu of untaken holiday entitlement	12 months	During and after employment
Simon Peckham	8 October 2012	End of 2016 AGM	435	25	None other than payment in lieu of untaken holiday entitlement	12 months	During and after employment
Geoffrey Martin	8 October 2012	End of 2016 AGM	348	25	None other than payment in lieu of untaken holiday entitlement	12 months	During and after employment

Note:

(1) In addition to bank and public holidays.

Details of the terms of each non-executive Director's appointment with Old Melrose are set out below. The non-executive Directors of Old Melrose have been appointed as Directors of New Melrose and will enter into new letters of appointment with New Melrose on similar terms to their existing letters of appointment with Old Melrose on or before the Scheme becoming effective. Such new letters of

appointment will take effect upon the Scheme becoming effective and all the non-executive Directors will resign as Directors of Old Melrose.

Name	Date of initial appointment	Date of Expiry of Current Office	Date of Expiry of New Melrose Office ⁽¹⁾	Non-executive fee per annum (£'000)	Expenses	Confidentiality Obligations	Termination Provisions ⁽²⁾
Perry Crosthwaite . . .	8 October 2012	End of 2016 AGM of Old Melrose	End of 2016 AGM of New Melrose	67	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	Without notice and/or compensation if removed from office by shareholders in general meeting
John Grant	8 October 2012	End of 2016 AGM of Old Melrose	End of 2016 AGM of New Melrose	70	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	Without notice and/or compensation if removed from office by shareholders in general meeting
Justin Dowley	8 October 2012	End of 2016 AGM of Old Melrose	End of 2016 AGM of New Melrose	68	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	Without notice and/or compensation if removed from office by shareholders in general meeting
Elizabeth Hewitt . . .	8 October 2013	End of 2016 AGM of Old Melrose	End of 2016 AGM of New Melrose	64	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	Without notice and/or compensation if removed from office by shareholders in general meeting

Notes:

- (1) Subject to re-appointment at the annual general meeting in each relevant year.
- (2) In addition, for New Melrose, at the end of any annual general meeting if not re-elected.

Save as set out above, there are no existing or proposed service agreements between any Director and any member of the Melrose Group providing for benefits upon termination of employment.

In the financial year ended 31 December 2014, the amount of remuneration paid (including any contingent or deferred compensation) and benefits in kind granted to each of the Directors by the Melrose Group for services in all capacities to the Melrose Group were as follows:

	Total salary and fees (£'000)	Taxable benefits (£'000)	Annual bonus (£'000)	Long-term incentives ⁽¹⁾ (£'000)	Pension related benefits ⁽²⁾ (£'000)	Total (£'000)
Christopher Miller	435	9	—	—	65	509
David Roper	435	19	—	—	65	519
Simon Peckham	435	21	252	—	65	773
Geoffrey Martin	348	46	202	—	52	648
Miles Templeman ⁽³⁾	23	—	—	—	—	23
Perry Crosthwaite ⁽⁴⁾	67	—	—	—	—	67
John Grant ⁽⁵⁾	70	—	—	—	—	70
Justin Dowley ⁽⁶⁾	68	—	—	—	—	68
Elizabeth Hewitt ⁽⁷⁾	64	—	—	—	—	64

Notes:

- (1) Old Melrose's long-term incentive arrangement for Directors is the Old Melrose 2012 Incentive Scheme. This five year plan was scheduled to crystallise in 2017 and, accordingly, no value vested to participants in respect of the year to 31 December 2014.
- (2) Of the £247,836 attributable to pension contributions, £195,660 was paid as a supplement to base salary in lieu of pension arrangements. The balance of £52,176 was paid into the individual Directors' nominated private pension plans.
- (3) Miles Templeman stood down as a non-executive Director of Old Melrose with effect from the annual general meeting on 13 May 2014 and the fees referred to above reflect his fees for the period from 1 January 2014 to 13 May 2014.
- (4) Perry Crosthwaite was chairman of the remuneration committee of Old Melrose up to the close of the annual general meeting on 13 May 2014 but was then replaced by Justin Dowley. Perry Crosthwaite received an amount of £1,822 in recognition of his chairmanship of the remuneration committee from 1 January 2014 to 13 May 2014. Perry Crosthwaite was senior non-executive Director from 13 May 2014 and received an amount of £3,178 in recognition of his holding that position.
- (5) Includes £8,181 in recognition of chairmanship of the audit committee of Old Melrose.

- (6) Justin Dowley became chairman of the remuneration committee of Old Melrose following the close of the annual general meeting on 13 May 2014, in place of Perry Crosthwaite. In recognition of Justin Dowley's chairmanship of this committee from 13 May 2014 to 31 December 2014 an amount of £6,365 was paid.
- (7) Includes £1,586 in recognition of chairmanship of the nomination committee of Old Melrose from the close of the annual general meeting on 13 May 2014 to 31 December 2014.

5. Major Interests in Shares

So far as Old Melrose is aware, as at the Latest Practicable Date, the following persons (other than the Directors) hold voting rights, whether directly or indirectly of (and/or holdings, whether direct or indirect, of certain financial instruments which give the holder an unconditional right or a right exercisable in his sole discretion to acquire) three per cent. or more of the ordinary issued share capital of Old Melrose:

<u>Shareholder</u>	<u>Number of Old Melrose Ordinary Shares⁽¹⁾</u>	<u>Approximate percentage of Old Melrose issued share capital</u>
BlackRock, Inc.	104,103,286	9.71%
Aberdeen Asset Managers Limited.	53,456,498	4.99%
Schroders plc	46,308,210	4.32%

Note:

- (1) Where the holding of Old Melrose Ordinary Shares has not been re-notified to Old Melrose since the share capital consolidation became effective on 20 February 2015, the number of Old Melrose Ordinary Shares is as notified to Old Melrose prior to this consolidation.

Save as set out in above, Old Melrose is not aware of any person who holds, voting rights, whether directly or indirectly (and/or holdings, whether direct or indirect, of certain financial instruments which give the holder an unconditional right or a right exercisable in his sole discretion to acquire), three per cent. or more of the ordinary issued share capital of Old Melrose.

6. Litigation

There are no, nor have there been any, governmental, legal or arbitration proceedings (nor is Old Melrose aware of any such proceedings which are pending or threatened) during the last twelve months prior to the date of this Circular which may have, or during the last twelve months prior the date of this Circular have had, a significant effect on Old Melrose and/or any member of the Melrose Group's financial position or profitability.

7. Material Contracts

No contracts have been entered into (other than contracts entered into in the ordinary course of business) by Old Melrose and/or any member of Melrose Group either: (i) within the period of two years immediately preceding the date of this Circular which are or may be material to Old Melrose and/or any member of the Melrose Group; or (ii) which, regardless of when entered into, contain any provisions under which Old Melrose and/or any member of the Melrose Group has any obligation or entitlement which is, or may be, material to Old Melrose and/or the Melrose Group as at the date of this Circular, save as disclosed below:

7.1 Disposal Agreement

Overview

The Disposal Agreement was entered into on 28 July 2015 between: (i) Old Melrose; (ii) Melrose PLC; (iii) the Elster Seller (an indirect, wholly-owned subsidiary of Old Melrose); and (iv) the Elster Purchaser. Under the terms of the Disposal Agreement, the Elster Seller has agreed, subject to the satisfaction of certain conditions, to sell the entire issued share capital of the Teaford GmbH.

Consideration

The consideration for the Disposal is £3.3 billion, subject to customary adjustments, and is payable in cash on completion.

Locked box and pre-completion undertakings

The Elster Seller has provided certain covenants and undertakings to the Elster Purchaser that in the period commencing on 1 July 2015 and ending on and including the date of completion of the Disposal, there has been no transfer of value from the Elster Group to or for the benefit of the Melrose Group, other than pursuant to certain agreed actions. In the event of any breach of such covenants or undertakings, the Elster Seller has agreed to pay to the Elster Purchaser a sum equal to the aggregate of: (i) the amount which would be necessary to put the relevant member of the Elster Group into the financial position which would have existed had there been no breach; and (ii) any liabilities, costs and expenses incurred by the Elster Purchaser or a member of its group as a result of the breach.

The Elster Seller has also undertaken to cause the Elster Group to operate in the ordinary course of business during the period from the date of the Disposal Agreement to completion of the Disposal, and has given a number of specific undertakings to the Elster Purchaser regarding the conduct of the business and affairs of the Elster Group during such period.

Conditions to completion

Completion of the Disposal is conditional upon:

- (a) the passing of a shareholders resolution approving the Disposal at the general meeting of Old Melrose, held on 21 August 2015 (the “**Shareholder Consent Condition**”);
- (b) the relevant approvals having been obtained from the relevant regulatory authorities, including each of Brazil, China, the European Union, Russia, South Africa, Turkey and the United States (the “**Regulatory Conditions**”); and
- (c) no material adverse effect on the Elster Group having occurred on or prior to completion which is continuing.

The Elster Seller and the Elster Purchaser have each agreed to use their reasonable best endeavours to achieve satisfaction of their respective Regulatory Conditions. The Shareholder Consent Condition was satisfied on 21 August 2015, following the general meeting of Old Melrose. As at the Latest Practicable Date, the relevant approvals for the Disposal had been obtained from the relevant regulatory authorities in the United States and Russia.

Warranties, indemnities and limitations on liability

Old Melrose, Melrose PLC and the Elster Seller have provided certain warranties to the Elster Purchaser with respect to themselves and the Elster Group. These warranties relate to, among other things, title, capacity and authority. The Elster Seller has also agreed to be responsible for any payments in relation to squeeze-out proceedings brought by former minority shareholders of Elster Group GmbH.

The Elster Seller’s liability for all claims under the interim operating covenants is subject to a £40,000,000 threshold and a £500,000,000 cap. The Elster Seller’s overall aggregate liability for all claims (including a claim for a breach of an interim operating covenant and in relation to the squeeze out proceedings) under the Disposal Agreement is capped at the total consideration payable to the Elster Seller.

Termination

The Disposal Agreement may be terminated by written notice from either party to the other party in the event that:

- (a) any of the Regulatory Conditions have not been satisfied by 3.00 p.m. on 30 June 2016; or
- (b) completion of the Disposal does not take place on the date set for completion because the other party has failed to comply with any of its completion obligations under the Disposal Agreement and, following postponement of completion by the non-defaulting party, completion fails to take place on the postponed date of completion due to failure by the defaulting party to comply with any of its completion obligations under the Disposal Agreement.

The Disposal Agreement may be terminated by written notice from the Elster Purchaser in the event that there is a material adverse effect on the Elster Group prior to completion of the Disposal.

Melrose PLC guarantee

Melrose PLC, a wholly-owned subsidiary of Old Melrose, has given an irrevocable and unconditional guarantee to the Elster Purchaser of the Elster Seller's obligations and liabilities pursuant to the Disposal Agreement.

'No shop' undertaking

Old Melrose has undertaken not to solicit or enter into any discussions in relation to any proposal or transaction relating to any of the material businesses and/or material assets of the Elster Group including any securities of any member of the Elster Group, Melrose PLC or the Elster Seller from the date of the Disposal Agreement until the date of completion of the Disposal, or the termination of the Disposal Agreement, if earlier.

7.2 Warranty Agreement

Pursuant to the terms of the Disposal Agreement, the Warranty Agreement was entered into on 28 July 2015 between the Elster Seller and the Elster Purchaser.

Pursuant to the Warranty Agreement, the Elster Seller has provided certain warranties to the Elster Purchaser with respect to the business of the Elster Group. The Warranty Agreement also contains a covenant in respect of certain tax matters relating to the Elster Group arising on or before completion of the Disposal. However, other than in the event of fraud, the Elster Purchaser's sole recourse for any breach of such business warranties and/or under the tax covenant shall be to an insurance policy taken out by the Elster Purchaser and the Elster Purchaser will not be able to recover against the Melrose Group for any claims in respect of the business warranties or the tax covenant.

The Warranty Agreement shall automatically terminate in the event that the Disposal Agreement is terminated prior to completion of the Disposal.

7.3 FKI UK DB Scheme Agreement

On 28 July 2015, Melrose PLC and the Elster Purchaser entered into an agreement with the trustees of the FKI UK DB Scheme providing for the replacement of certain Melrose PLC guarantees in relation to the liabilities of the FKI UK DB Scheme with the Elster Purchaser guarantees with effect from and conditional on completion of the Disposal.

7.4 McKechnie Plan Agreement

On 28 July 2015, Melrose PLC and the Elster Purchaser entered into an agreement with the trustees of the McKechnie Plan providing for the replacement of certain Melrose PLC guarantees in relation to the liabilities of the McKechnie Plan with the Elster Purchaser guarantees with effect from and conditional on completion of the Disposal.

7.5 Bridon Group Disposal Agreement

On 11 October 2014, Melrose PLC and FKI Limited entered into an agreement with Bridge Bidco Limited, an affiliate of the Ontario Teachers' Pension Plan, in respect of the sale and purchase of the Bridon Group for an enterprise value of £365 million payable in cash on completion of the transaction, subject to limited adjustments. As part of the transaction, the Melrose Group contributed £6.7 million into the Bridon Group (2013) Pension Scheme, which remains with the Bridon Group following completion. The disposal completed on 12 November 2014.

7.6 Crosby and Acco Disposal Agreement

On 10 October 2013, Old Melrose and Crosby Overseas Holdings Limited entered into an agreement (as amended on 21 November 2013) with Crosby Worldwide Limited (formerly known as Oliver Bidco Limited, a newly incorporated company controlled by affiliates of Kohlberg Kravis Roberts & Co L.P.) for the sale of Certex France S.à r.l., Crosby Premier Stampings Limited, Crosby Industria e Comercio de Ferramentas Ltda, FKI Industries Inc., Inter Product B.V., Parson Chaine Europe SAS and Rhombus Rollen Verwaltungsgesellschaft for total consideration of \$1,010 million (£627.3 million). The disposal completed on 22 November 2013.

7.7 *Facilities Agreement*

On 29 June 2012, Melrose PLC entered into a multi-currency term and revolving credit facilities agreement, as amended and/or amended and restated from time to time including by way of an amendment and restatement agreement dated 11 July 2014, pursuant to which a £180 million multi-currency term facility, a USD 500 million revolving credit facility, a £690 million multi-currency revolving credit facility, a EUR 300 million revolving credit facility and a £70 million multi-currency revolving credit facility were provided to the Melrose Group by a group of lenders. Further information about the Facilities Agreement can be found in paragraph 2 of Part IV (*Capital Resources*) of the Prospectus.

By an amendment and restatement agreement dated 30 September 2015 between, among others, Melrose PLC and Lloyds Bank PLC, as agent, the multi-currency term and revolving credit facilities agreement will, subject to satisfaction of customary conditions precedent, be amended so that shortly after completion of the Disposal, each of the facilities will be prepaid and cancelled, except for £200 million of the multi-currency revolving credit facility. Such revolving credit facility will remain on substantially the same terms as previously save for a reduction in various baskets to reflect the smaller size of the remaining group.

8. **Related Party Transactions**

Save as disclosed below and in the financial information set out in the related party transactions in notes 28 to each of the 2014 Account Report and Accounts, the 2013 Annual Reports and Accounts, the 2012 Annual Reports and Accounts and the 2015 Half Year Results which are incorporated by reference into this Circular, neither Old Melrose nor the Melrose Group entered into any related party transactions (which for these purposes are those set out in the standards adopted according to the Regulation (EC) No 1606/2002) during the period covered by the historical financial information and up to the date of this Circular.

Old Melrose has entered into agreements with each of the Old Melrose 2012 Incentive Optionholders, whereby each Old Melrose 2012 Incentive Optionholder has undertaken not to exercise their options between the Latest Practicable Date and the Effective Date (inclusive) or, if the Scheme lapses, 31 December 2015.

9. **Deferred A Share Issue to New Melrose**

As at the Latest Practicable Date, New Melrose did not own or control any Old Melrose Ordinary Shares. It is intended that, in the period after the Old Melrose General Meeting and before the Court Hearing, the Board of Old Melrose will exercise its authority under the general authorities of the Directors of Old Melrose existing at the time of such allotment and under the Old Melrose Articles to issue to New Melrose one share in the capital of Old Melrose as a non-voting deferred A share with a nominal value of £1 (the “**Deferred A Share**”).

The Deferred A Share will confer no rights on the holder to vote at any general meetings of Old Melrose, no right to receive any share in the profits of Old Melrose and the right to receive on a return of assets in a winding-up only up to the nominal amount of the Deferred A Share after payment of £1,000,000 per ordinary share but no other right to participate in any amount paid or distributed by Old Melrose whatsoever. As the Deferred A Share will have no voting rights or dividend rights and very limited rights on any return of assets in a winding-up, it will be of effectively no economic value. The Deferred A Share will be a separate class of shares from the Old Melrose Ordinary Shares and will be eligible to receive bonus shares issued by Old Melrose, including the Capitalisation Shares. The Deferred A Share will not be subject to the Scheme.

It is intended that the Deferred A Share will be subscribed for by New Melrose for a subscription price of £1 payable in cash. By acquiring the Deferred A Share, New Melrose will be a shareholder of Old Melrose on the Effective Date and accordingly, there will be no requirement under section 593 of the Companies Act for an independent valuation of the Capitalisation Shares to be allotted to New Melrose pursuant to the Scheme. The Deferred A Share will be allotted under the general authorities of the Directors of Old Melrose existing at the time of such allotment and the Old Melrose Articles.

10. Current Trading, Trends and Prospects

On 28 July 2015, Old Melrose published its unaudited results for the six month period to 30 June 2015. The following text has been extracted from that statement:

“Elster has performed strongly. Headline operating profit is up 22%, at constant currency, at the half year and headline operating margins have increased in all three of its businesses to a combined 20.1% on sales. Revenue growth of 14%, at constant currency, has been achieved, driven by strong performances in Gas and Electricity. With order intake growth at 18%, Elster’s prospects remain exciting.

Brush has experienced challenging markets in the first half of 2015. However, with actions being taken to reduce cost and enhance efficiency and with a better order phasing, a much improved performance is expected going forward.”

“Current trading conditions remain challenging for Brush, but with action being taken in the business, coupled with a better order phasing, a much improved second half of 2015 is anticipated. Brush is a high quality business and your Board believes that its medium to long term prospects continue to look attractive.

Your Board is optimistic about the future and believes that Melrose is very well positioned to continue to create superior value for shareholders.”

There has been no change to the Board’s expectations since the publication of the interim results on 28 July 2015.

11. Working Capital

Old Melrose is of the opinion that, taking into account the bank facilities available to it and on the basis of a maximum Proposed Return of Capital of £2.5 billion, the Melrose Group has sufficient working capital for its present requirements, that is, for at least the 12 months following the date of publication of this Circular.

12. Significant Change

Save for the signing of the Disposal Agreement (as described above), there has been no significant change in the financial or trading position of the Melrose Group since 30 June 2015, being the date to which the last unaudited interim results of the Melrose Group were prepared.

13. General

13.1 *Consent*

Rothschild has given and has not withdrawn its written consent to the inclusion in this Circular of the references to its name in the form and context in which they are included.

Investec has given and has not withdrawn its written consent to the inclusion in this Circular of the references to its name in the form and context in which they are included.

13.2 *Costs and Expenses*

All costs and expenses relating to the issue of this Circular and the Prospectus and the negotiation, preparation and implementation of the Proposals will be borne by the Melrose Group.

13.3 *Shares held in treasury*

As at the date of this Circular, Old Melrose holds no shares in treasury.

14. Documents Available for Inspection

Copies of the following documents may be inspected at (i) the registered office of Old Melrose and New Melrose (being 11th Floor, Colmore Plaza, 20 Colmore Circus Queensway, Birmingham, West Midlands, B4 6AT) and (ii) the offices of Simpson Thacher & Bartlett LLP (being CityPoint, One Ropemaker Street, London, EC2Y 9HU) during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Circular up to and including the date of the Old Melrose General Meeting

and will also be available for inspection for at least 15 minutes before and during the Old Melrose General Meeting:

- (a) the Old Melrose Articles;
- (b) the New Melrose Articles;
- (c) the 2014 Annual Report and Accounts, the 2013 Annual Report and Accounts and the 2012 Annual Report and Accounts;
- (d) the 2015 Half Year Results;
- (e) the Old Melrose Prospectus;
- (f) the report on the unaudited pro forma financial information of the Melrose Group from Deloitte LLP as set out in Part V (*Unaudited pro forma information on the Melrose Group*) of this Circular;
- (g) the consent letters referred to in paragraph 12.1 above;
- (h) the Prospectus; and
- (i) this Circular and the Forms of Proxy.

15. Information Incorporated by Reference

The information set out in the following table has been incorporated by reference into this Circular by reference:

<u>Documents containing information incorporated by reference</u>	<u>Section of this Circular which refers to the document containing information incorporated by reference</u>	<u>Where the information can be accessed by Shareholders</u>
2012 Annual Report and Accounts	Part VIII (<i>Additional Information</i>), Section 8	http://www.melroseplc.net/investors/reports/
2013 Annual Report and Accounts	Part VIII (<i>Additional Information</i>), Section 8	http://www.melroseplc.net/investors/reports/
2014 Annual Report and Accounts	Part VIII (<i>Additional Information</i>), Section 8	http://www.melroseplc.net/investors/reports/
2015 Half Year Results	Part VIII (<i>Additional Information</i>), Section 8	http://www.melroseplc.net/investors/reports/
Old Melrose Elster Circular	Part V (<i>Unaudited Pro Forma Information on the Melrose Group</i>)	http://www.melroseplc.net/investors/shareholder-information/shareholder-meetings/
Old Melrose Prospectus	Part VIII (<i>Additional Information</i>), Section 4	In accordance with paragraph 14 of this Part VIII (<i>Additional Information</i>)

A copy of each of the documents listed above is available for inspection in accordance with terms of paragraph 14 of this Part VIII (*Additional Information*).

Dated: 6 October 2015

**PART IX
DEFINITIONS**

In this Circular, the following expressions have the following meanings, unless the context requires otherwise:

2012 Annual Report and Accounts . . .	the annual report and accounts prepared by the Melrose Group for the financial year ended 31 December 2012 and published by Old Melrose on 6 March 2013
2013 Annual Report and Accounts . . .	the annual report and accounts prepared by the Melrose Group for the financial year ended 31 December 2013 and published by Old Melrose on 5 March 2014
2014 Annual Report and Accounts . . .	the annual report and accounts prepared by the Melrose Group for the financial year ended 31 December 2014 and published by Old Melrose on 4 March 2015
2015 Half Year Results	the half year results prepared by the Melrose Group for the six month period ended 30 June 2015 and published by Old Melrose on 28 July 2015
2016 AGM	the annual general meeting of Old Melrose or New Melrose as applicable to be held in 2016
Admission	admission of the New Melrose Ordinary Shares to listing on the premium segment of the Official List and to trading on the main market of the London Stock Exchange becoming effective
B Shares	has the meaning given to such term at paragraph 5 (<i>Proposed Return of Capital</i>) of Part I (<i>Letter from the Chairman of Old Melrose</i>) of this Circular
Blue Form of Proxy	the blue form of proxy for use at the Court Meeting as provided to Shareholders with this Circular
Board(s)	the board of Directors of Old Melrose and/or the board of Directors of New Melrose (as the context shall indicate)
Bridon or Bridon Group	the Bridon business which comprised, as at 12 November 2014, Bridon Limited, together with each of its direct and indirect subsidiaries and subsidiary undertakings
Business Day	a day (other than a Saturday or Sunday or public holiday) on which banks are open for business in London, other than solely for trading and settlement in Euro
Capitalisation Shares	the ordinary shares of $\frac{7}{55}$ pence nominal value each in the capital of Old Melrose to be allotted and issued to New Melrose following the cancellation of the Old Melrose Ordinary Shares pursuant to the operation of the Scheme
certificated or in certificated form . . .	in relation to a share or other security, a share or other security title to which is recorded in the relevant register of the share or other security as being held in certificated form (that is, not in CREST)
Circular	this circular (of which the Scheme forms a part) dated 6 October 2015
Companies Act	the Companies Act 2006, as amended and for the time being in force
Court	the High Court of Justice of England and Wales

Court Hearing	the hearing of the claim form to sanction the Scheme and confirm the reduction of capital of Old Melrose involved in the Scheme
Court Meeting	the meeting, notice of which is set out in Part X (<i>Notice of Court Meeting</i>) of this Circular, of the holders of Old Melrose Ordinary Shares convened for 10:00 a.m. on 29 October 2015 at the offices of Investec at 2 Gresham Street, London EC2V 7QP by order of the Court pursuant to section 896 of the Companies Act to consider and, if thought fit, approve the Scheme, and any adjournment of that meeting
CREST	the electronic transfer and settlement system for the paperless settlement of trades in listed securities operated by Euroclear
CREST Manual	the manual, as amended from time to time, produced by Euroclear describing the CREST system and supplied by Euroclear to users and participants thereof
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), as amended
Deferred A Share	the deferred share intended to be issued by Old Melrose to New Melrose in the period after the Old Melrose General Meeting and before the Court Hearing (being a separate class from the Old Melrose Ordinary Shares and, therefore, not forming part of the shares in the capital of Old Melrose that are subject to the effects of the Scheme)
Director(s)	the directors of Old Melrose, or the directors of New Melrose, as the context may require
Disclosure and Transparency Rules	the disclosure and transparency rules produced by the FCA pursuant to FSMA (as set out in the FCA Handbook), as amended
Disposal	the proposed disposal of the Elster Group by Sageford UK Limited pursuant to the terms of the Disposal Agreement
Disposal Agreement	the sale and purchase agreement dated 28 July 2015 between Old Melrose, Melrose PLC, Sageford UK Limited and Honeywell International Inc.
Effective Date	the date on which the Scheme becomes effective in accordance with its terms, expected to be 19 November 2015
Elster Group	Teaford GmbH, its subsidiaries and subsidiary undertakings, including, in the context of the Disposal, the McKechnie Plan and the FKI UK DB Scheme
Elster Purchaser	Honeywell International Inc., in its capacity as purchaser pursuant to the Disposal Agreement
Elster Seller	Sageford UK Limited, in its capacity as seller pursuant to the Disposal Agreement
EU	the member states of the European Union
Euroclear	Euroclear UK & Ireland Limited, the operator of CREST
Executive Director(s)	the executive directors of Old Melrose or New Melrose as the context shall indicate
FCA	the United Kingdom Financial Conduct Authority
FKI UK DB Scheme	the occupational pension scheme known as the FKI Group Pension Scheme established by a definitive deed dated 29 September 1989

Form(s) of Proxy	the Blue Form of Proxy and the White Form of Proxy
FSMA	the Financial Services and Markets Act 2000, as amended from time to time
HMRC	HM Revenue & Customs, the UK tax authority
IFRS	International Financial Reporting Standards, as issued by the International Accounting Standards Board and endorsed by the EU
Initial Reduction of Capital	the proposed reduction of capital of New Melrose under Part 17 Chapter 10 of the Companies Act as described in paragraph 2 of Part I (<i>Letter from the Chairman of Old Melrose</i>) of this Circular
Investec	Investec Investment Banking, a division of Investec Bank plc, broker to Old Melrose and New Melrose
Latest Practicable Date	1 October 2015 (being the latest practicable date prior to publication of this Circular)
Listing Rules	the listing rules produced by the FCA pursuant to FSMA (as set out in the FCA Handbook), as amended
London Stock Exchange	London Stock Exchange plc or its successor
McKechnie Plan	the occupational pension scheme known as the McKechnie Pension Plan established by a deed dated 10 April 1963
Melrose Group or Melrose	(i) before the Effective Date, Old Melrose, its subsidiaries and subsidiary undertakings from time to time including the Elster Group (which for the avoidance of doubt, does not include New Melrose); (ii) from the Effective Date, New Melrose, its subsidiaries and subsidiary undertakings including the Elster Group (which will include Old Melrose, its subsidiaries and subsidiary undertakings) and (iii) from the date of completion of the Disposal, New Melrose, its subsidiaries and subsidiary undertakings (which will include Old Melrose, its subsidiaries and subsidiary undertakings, but shall no longer include the Elster Group)
National Storage Mechanism	the document publication facility made available by the FCA at www.Morningstar.co.uk/uk/nsm
New Melrose	New Melrose Industries PLC, a public limited company incorporated in England and Wales with registered number 9800044, to be renamed Melrose Industries PLC shortly after the Scheme becomes effective
New Melrose 2012 Incentive Options	options over the New Melrose 2012 Incentive Shares
New Melrose 2012 Incentive Shares	the 2012 incentive shares of £1 each of New Melrose having the rights and restrictions attaching to them as more specifically set out in paragraph 4 of Part IX (<i>Additional Information</i>) of the Prospectus
New Melrose Articles	the articles of association of New Melrose, as amended from time to time
New Melrose Ordinary Shareholders	holders of New Melrose Ordinary Shares
New Melrose Ordinary Shares	the ordinary shares in the capital of New Melrose to be allotted and issued pursuant to the Scheme, including any ordinary shares arising from the Share Capital Consolidation (ISIN: GB00BYRJP462)
Notice of Court Meeting	the notice to Shareholders in respect to the Court Hearing, as set out in Part X (<i>Notice of Court Meeting</i>) of this Circular

Notice of Old Melrose General Meeting	the notice to Shareholders in respect to the Old Melrose General Meeting, as set out in Part XI (<i>Notice of Old Melrose General Meeting</i>) of this Circular
OFAC	the US Department of the Treasury's Office of Foreign Assets Control
Official List	the official list maintained by the UKLA for the purposes of Part V of FSMA
Old Melrose	Melrose Industries PLC, a public limited company incorporated in England and Wales with registered number 8243706, to be renamed shortly after the Scheme becomes effective
Old Melrose 2012 Incentive Optionholders	holders of Old Melrose 2012 Incentive Options
Old Melrose 2012 Incentive Options	has the meaning given to such term at paragraph 4.2 of Part VIII (<i>Additional Information</i>) of this Circular
Old Melrose 2012 Incentive Scheme	has the meaning given to such term at paragraph 4.2 of Part VIII (<i>Additional Information</i>) of this Circular
Old Melrose 2012 Incentive Shares	has the meaning given to such term at paragraph 4.1 of Part VIII (<i>Additional Information</i>) of this Circular
Old Melrose Articles	the articles of association of Old Melrose as adopted or amended from time to time
Old Melrose Elster Circular	the circular sent to Old Melrose Ordinary Shareholders on 29 July 2015 containing details of the Disposal
Old Melrose General Meeting	the general meeting of Old Melrose to be held at 10:15 a.m. on 29 October 2015 at the offices of Investec at 2 Gresham Street, London EC2V 7QP to vote on the resolutions set out in the Notice of Old Melrose General Meeting contained in Part XI (<i>Notice of Old Melrose General Meeting</i>) of this Circular
Old Melrose Group	Old Melrose, its subsidiaries and subsidiary undertakings but excluding the Elster Group (and which for the avoidance of doubt, does not include New Melrose)
Old Melrose Ordinary Shareholders	holders of Old Melrose Ordinary Shares
Old Melrose Ordinary Shares	ordinary shares with a nominal value of $\frac{7}{55}$ pence each in the capital of Old Melrose (ISIN: GB00BV9FYX34)
Old Melrose Prospectus	the prospectus published by Old Melrose on 12 October 2012 in relation to the listing of the ordinary share capital of Old Melrose Ordinary Shares on the Official List
Overseas Shareholders	Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the United Kingdom
penny, pence, p, £, GBP or pounds sterling	the lawful currency of the United Kingdom
Proposals	the proposed reorganisation of the Melrose Group involving the Scheme, the Initial Reduction of Capital and the Proposed Return of Capital, more specifically described in Part III (<i>Explanatory Statement</i>) of this Circular
Proposed Return of Capital	the proposed return of capital to Shareholders of New Melrose under Part 17 Chapter 10 of the Companies Act as described in paragraph 2 of Part I (<i>Letter from the Chairman of Old Melrose</i>) of this Circular

Prospectus	the document published on or around the date of this Circular, comprising a prospectus relating to New Melrose and the listing of the New Melrose Ordinary Shares on the Official List (together with any supplements or amendments thereto)
Prospectus Directive Regulation	Directive 2003/71/EC (as amended from time to time, including by Directive 2010/73/EC (the “ PD Amending Directive ”) to the extent implemented in the relevant EEA State) and includes any relevant implementing measures in each EEA State that has implemented Directive 2003/71/EC
Prospectus Rules	the prospectus rules produced by the FCA pursuant to FSMA (as set out in the FCA Handbook), as amended
Receiving Agent or Equiniti	Equiniti Limited or any other receiving agent/registrars appointed by Old Melrose from time to time
Redeemable Preference Shares	the redeemable non-voting preference shares of £1 each in the capital of New Melrose which will be redeemed by New Melrose shortly after the Initial Reduction of Capital
Register	Old Melrose’s statutory register of members
Registrar of Companies	the Registrar of Companies in England and Wales
Rothschild	N M Rothschild & Sons Limited, sponsor and financial adviser to New Melrose and financial adviser to Old Melrose
Scheme	the proposed scheme of arrangement under section 899 of the Companies Act between Old Melrose, New Melrose and Old Melrose Ordinary Shareholders including any modification, addition or condition approved or imposed by the Court, details of which are set out in Part VI (<i>Scheme of Arrangement</i>) of this Circular
Scheme Document	the document in relation to the implementation of the Scheme, which is set out in Part VI (<i>Scheme of Arrangement</i>) of this Circular
Scheme Record Date	the Business Day immediately preceding the Effective Date
Scheme Record Time	the time and date specified as such in the Scheme Document, expected to be 6:00 p.m. on the Scheme Record Date
Scheme Shareholder	a holder of Scheme Shares as appearing in the Register at the Scheme Record Time
Scheme Shares	(A) all Old Melrose Ordinary Shares in issue at the date of the Circular; and (B) all (if any) additional Old Melrose Ordinary Shares in issue after the date of the Circular (but prior to the Scheme Voting Record Time) and remaining in issue at the Scheme Record Time
Scheme Voting Record Time	6:00 p.m. on 27 October 2015 or, if either the Court Meeting or the Old Melrose General Meeting is adjourned, 6:00 p.m. on the second day before the date of such adjourned meeting (excluding any part of a day that is not a working day)
SDRT	stamp duty reserve tax
SEC	the US Securities and Exchange Commission

Share Capital Consolidation	the consolidation or sub-division and subsequent consolidation of the New Melrose Ordinary Shares in such manner as is determined by the Board, pursuant to the resolution 5 in the Notice of Old Melrose General Meeting set out in Part XI (<i>Notice of Old Melrose General Meeting</i>) of this Circular.
Shareholder(s)	registered holder(s) of Old Melrose Ordinary Shares or of New Melrose Ordinary Shares, as the context may require
Subscriber Share	the ordinary share of £1 in the capital of New Melrose
subsidiary and subsidiary undertaking	have the meanings given to them in sections 1159 and 1162 of the Companies Act respectively
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
UKLA	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA and in the exercise of its functions in respect of admission to the Official List
uncertificated or in uncertificated form	a share or other security title to which is recorded in the relevant register of the share or security as being held in uncertificated form, in CREST, and title to which, by virtue of the CREST Regulations may be transferred by means of CREST
US Exchange Act	the US Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder
US or United States or United States of America	the United States of America (including the states of the United States and the District of Columbia), its possessions and territories and all areas subject to its jurisdiction
US Securities Act	the US Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
Warranty Agreement	the warranty agreement dated 28 July 2015 between the Elster Seller and the Elster Purchaser
White Form of Proxy	the white form of proxy for use at the Old Melrose General Meeting as provided to Shareholders with this Circular

All times referred to are London times unless otherwise stated.

All references to legislation in this Circular are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

**PART X
NOTICE OF COURT MEETING**

**IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT**

No. 6367 of 2015

Registrar Baister

**IN THE MATTER OF MELROSE PLC
AND
IN THE MATTER OF THE COMPANIES ACT 2006**

Notice is hereby given that by an order dated 2 October 2015 made in the above matters the Court has directed a meeting (the “**Court Meeting**”) to be convened of the holders (the “**Shareholders**”) of ordinary shares of 7/55 pence each in the capital of Melrose Industries PLC (“**Old Melrose**”) for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement (the “**Scheme**”) proposed to be made between Old Melrose, New Melrose Industries PLC and the Scheme Shareholders (as defined in the Scheme) and that such meeting will be held at the offices of Investec at 2 Gresham Street, London EC2V 7QP at 10:00 a.m. on 29 October 2015 at which place and time all Shareholders are requested to attend.

A copy of the Scheme and the explanatory statement required to be furnished pursuant to section 897 of the Companies Act 2006 are incorporated in the document of which this notice forms a part.

Shareholders are entitled to attend and vote at the Court Meeting in person or they may appoint another person, whether a member of Old Melrose or not, as their proxy to attend and vote in their stead. A Blue Form of Proxy for use at the Court Meeting is enclosed herewith.

Shareholders are entitled to appoint a proxy in respect of some or all of their shares. Shareholders are also entitled to appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A space has been included in the Blue Form of Proxy to allow Shareholders to specify the number of shares in respect of which that proxy is appointed. Shareholders who return the Blue Form of Proxy duly executed but leave this space blank will be deemed to have appointed the proxy in respect of all their shares. To appoint more than one proxy, please photocopy the Blue Form of Proxy. Such Shareholders should also read the notes to the Notice of Old Melrose General Meeting circulated by Old Melrose on or about the date of this Notice of Court Meeting and note the principles that will be applied in relation to multiple proxies.

It is requested that the Blue Form of Proxy be lodged (together with any power of attorney or other authority under which it is signed or a duly certified copy of such power or authority) with Old Melrose’s Receiving Agent, Equiniti Limited either by post to Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or, by hand during normal business hours only, to Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, no later than 10:00 a.m. on 27 October 2015 or, in the event that the Court Meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time fixed for any adjourned meeting but, if forms are not so lodged, they may be handed to Old Melrose’s Receiving Agent or the chairman at the Court Meeting prior to the vote being taken. For the Blue Form of Proxy to be valid, it must be clearly signed in the relevant space provided indicating the Shareholder’s instruction to vote either in favour or against the Scheme. Completion and return of the Blue Form of Proxy will not preclude a Shareholder from attending and voting in person at the Court Meeting, or any adjournment thereof.

A proxy may be appointed electronically by visiting www.sharevote.co.uk. Shareholders will need to enter their voting reference numbers (the three numbers quoted on the enclosed Blue Form of Proxy) and follow the online instructions. The deadline for receipt of electronic proxies is 10:00 a.m. on 27 October 2015 or, if the Court Meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time fixed for any adjourned meeting. Any electronic communications found to contain a virus will not be accepted.

If shares are held in uncertificated form, a proxy may also be appointed by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual and ensuring that it is received by Old Melrose’s Receiving Agent, Equiniti Limited (under CREST participant ID RA19), by no later than 10:00 a.m. on 27 October 2015 or, if the Court Meeting is adjourned, 48 hours (excluding

any part of a day that is not a working day) before the time of any adjourned meeting. For the CREST Proxy Instruction to be valid, the Shareholder's instruction to vote either in favour or against the Scheme must be clearly entered in the relevant box provided.

Where the appointer is a corporation, for the Blue Form of Proxy to be valid, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised in writing.

In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names appear in the register of members of Old Melrose in respect of the joint holding.

Only those Shareholders registered in the register of members of Old Melrose as at 6:00 p.m. on 27 October 2015 or, if the Court Meeting is adjourned, in the register of members as at 6:00 p.m. two days (excluding any part of a day that is not a working day) before the time of any adjourned meeting, shall be entitled to attend or vote in respect of the number of shares registered in their name at the relevant time. Changes to entries in the register of members after 6:00 p.m. on 27 October 2015 or, if the Court Meeting is adjourned, after 6:00 p.m. two days before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the Court Meeting.

By the said order, the Court has appointed Christopher Miller or, failing him, David Roper or, failing him, Simon Peckham or, failing him, Geoffrey Martin to act as chairman of the Court Meeting and has directed the chairman to report the result thereof to the Court.

The said Scheme will be subject to the subsequent sanction of the Court.

Dated: 6 October 2015

Simpson Thacher & Bartlett LLP
CityPoint
One Ropemaker Street
London EC2Y 9HU
Legal Advisers to Old Melrose

NOTES

Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "**Nominated Person**") may, under an agreement between him/her and the Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Court Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.

The statement of the rights of shareholders in relation to the appointment of proxies above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by Shareholders of Old Melrose.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Court Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual (available at www.euroclear.com/CREST). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments specified in this Notice of Court Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST

Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

Old Melrose may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

Any member holding Ordinary Shares attending the meeting has the right to ask questions. Old Melrose must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of Old Melrose or the good order of the meeting that the question be answered.

A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found at www.melroseplc.net.

You may not use an electronic address provided in either this Notice of Old Melrose General Meeting or any related documents (including the Blue Form of Proxy) to communicate with Old Melrose for any purposes other than those expressly stated.

You may register your vote online by visiting Equiniti's website at www.sharevote.co.uk. In order to register your vote online, you will need to enter the Voting ID, Task ID and your Shareholder Reference Number which are set out on the enclosed Blue Form of Proxy. The return of the Blue Form of Proxy by post or registering your vote online will not prevent you from attending the Old Melrose General Meeting and voting in person, should you so wish. Alternatively, shareholders who have already registered with Equiniti's online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk and then clicking on the link to vote under their Melrose Industries PLC holding details. The on-screen instructions give details on how to complete the appointment process. A proxy appointment made electronically will not be valid if sent to any address other than those provided or if received after 10:00 a.m. on 27 October 2015.

PART XI
NOTICE OF OLD MELROSE GENERAL MEETING

Melrose Industries PLC
(Incorporated in England and Wales with registered number 8243706)

NOTICE OF OLD MELROSE GENERAL MEETING

NOTICE IS GIVEN that a general meeting of Melrose Industries PLC (“**Old Melrose**”) will be held at the offices of Investec at 2 Gresham Street, London EC2V 7QP on 29 October 2015 at 10:15 a.m. (or as soon thereafter as the meeting of holders of the ordinary shares in Old Melrose convened by direction of the Court for the same place and date shall have been concluded or adjourned), for the purpose of considering and, if thought fit, passing the following resolutions, each of which will be proposed as a special resolution (the “**Old Melrose General Meeting**”):

SPECIAL RESOLUTIONS

Resolution 1

THAT:

- (A) the directors of Old Melrose be and are authorised to take all such action as they may consider necessary or appropriate for carrying into effect the scheme of arrangement dated 6 October 2015 (the “**Scheme**”) proposed to be made between Old Melrose, New Melrose Industries PLC (registered in England and Wales with registered number 9800044) (“**New Melrose**”) and the Scheme Shareholders (as defined in the Scheme) in its original form or with or subject to any modification, addition or condition approved or imposed by the Court; and
- (B) for the purpose of giving effect to the Scheme:
- (i) the issued share capital of Old Melrose be reduced by cancelling and extinguishing the Scheme Shares (as defined in the Scheme); and
 - (ii) subject to and conditional upon such reduction of capital taking effect and notwithstanding anything to the contrary in the articles of association of Old Melrose:
 - (a) Old Melrose shall apply the credit arising in its books of account as a result of the reduction of capital referred to at (B)(i) above in paying up, in full at par, such number of ordinary shares in the capital of Old Melrose (the “**Capitalisation Shares**”) such that the aggregate nominal value of the Capitalisation Shares shall be approximately equal to (but no greater than) the aggregate nominal value of the Scheme Shares cancelled in accordance with (B)(i) above, which shall be allotted and issued, credited as fully paid, to New Melrose; and
 - (b) conditional on the Scheme becoming effective, the directors of Old Melrose be and are generally and unconditionally authorised, for the purposes of section 551 of the Companies Act 2006 (the “**Companies Act**”), to exercise all the powers of Old Melrose to allot the Capitalisation Shares **PROVIDED THAT:** (1) the maximum aggregate nominal amount of relevant securities that may be allotted under this authority shall be £1,266,628; (2) this authority shall expire (unless previously revoked, varied or renewed) on 31 December 2015; and; (3) this authority shall be in addition to, and without prejudice to, any other subsisting authority under section 551 of the Companies Act previously granted and in force on the date on which this resolution is passed.

Resolution 2

THAT subject to and conditional upon: (i) resolution 1 having been passed; (ii) the ordinary shares in the capital of New Melrose (the “**New Melrose Ordinary Shares**”) required to be allotted and issued by New Melrose pursuant to the Scheme having been allotted and issued to the persons entitled to such New Melrose Ordinary Shares; and (iii) the Scheme becoming effective:

- (a) the reduction in nominal value of each New Melrose Ordinary Share issued pursuant to the Scheme to 1 penny; and
- (b) the cancellation and extinguishing of the subscriber share in the capital of New Melrose, be and are approved.

Resolution 3

THAT subject to and conditional upon: (i) resolution 1 having been passed; (ii) the New Melrose Ordinary Shares required to be allotted and issued by New Melrose pursuant to the Scheme having been allotted and issued to the persons entitled to such New Melrose Ordinary Shares; (iii) the Scheme becoming effective; and (iv) the Disposal having completed, the Directors of New Melrose be and are authorised to capitalise a sum not exceeding £2,500,000,000 standing to the credit of New Melrose’s merger reserve, and to apply such sum in paying up in full non-voting B shares in New Melrose of such nominal value to be determined by the Board (or a duly appointed committee thereof), having the rights and restrictions set out in paragraph 3 of Part VIII (*Additional Information*) of the circular of Old Melrose dated 6 October 2015 (the “**B Shares**”) and to allot such B Shares credited as fully paid up to the holders of New Melrose Ordinary Shares pro rata to their holdings, as at a record time and date to be determined by the Board (or a duly appointed committee thereof) **PROVIDED THAT** this authority shall expire (unless previously revoked, varied or renewed) at the close of business on 30 September 2016, and **PROVIDED, FURTHER, THAT** no member shall be entitled to a fraction of a B Share. Fractional entitlements shall be disregarded and an amount equal to the aggregate nominal value of such fractional entitlements shall be donated by New Melrose to charities chosen by the Board (or a duly appointed committee thereof).

Resolution 4

THAT subject to and conditional upon: (i) resolution 1 having been passed; (ii) the New Melrose Ordinary Shares required to be allotted and issued by New Melrose pursuant to the Scheme having been allotted and issued to the persons entitled to such New Melrose Ordinary Shares; (iii) the Scheme becoming effective; (iv) the Disposal having completed; (v) the B Shares having been allotted and issued to the persons entitled to such B Shares in accordance with resolution 3; and (vi) the Board having so resolved, the B Shares be and are cancelled and extinguished in return for a payment by New Melrose to each holder of a B Share, as shown in the register of members of New Melrose at a record date and time to be determined by the Board (or a duly appointed committee thereof), of an amount equal to the nominal value of such B Share (the “**Proposed Return of Capital**”).

Resolution 5

THAT subject to and conditional upon the cancellation of the B Shares pursuant to the authority granted in resolution 4 having taken place, in respect of each holding of New Melrose Ordinary Shares as shown in the register of members of New Melrose at a record date and time to be determined by the Board (or a duly appointed committee thereof), each New Melrose Ordinary Share issued pursuant to the Scheme be either, at the discretion of the Board (or a duly appointed committee thereof): (i) consolidated into such number of ordinary shares in the capital of New Melrose of such nominal value as is determined by the Board (or a duly appointed committee thereof) prior to the date of the Proposed Return of Capital; or (ii) sub-divided into such number of ordinary shares in the capital of New Melrose of such nominal value as is determined by the Board (or a duly appointed committee thereof) prior to the date of the Proposed Return of Capital and forthwith upon such sub-division the ordinary shares in the capital of New Melrose be consolidated, in each case, into such number of ordinary shares in the capital of New Melrose of such nominal value as is determined by the Board (or a duly appointed committee thereof) prior to the date of the Proposed Return of Capital **PROVIDED THAT** no member shall be entitled to a fraction of an ordinary share in the capital of New Melrose and all fractional entitlements arising out of the consolidation shall be aggregated into new ordinary shares in the capital of New Melrose and the new ordinary shares so arising sold and the net proceeds of sale be donated to charities chosen by the Board (or a duly appointed committee thereof).

Registered office:
11th Floor, Colmore Plaza
20 Colmore Circus Queensway
Birmingham
West Midlands
B4 6AT

By order of the Board

Adam Westley
Company Secretary
6 October 2015

Notes:

1. The holders of ordinary shares in capital of Old Melrose (“**Old Melrose Ordinary Shares**”) are entitled to attend and vote at the Old Melrose General Meeting. A member entitled to attend and vote at the Old Melrose General Meeting are also entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote instead of him/her. Such a member

may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. A proxy need not be a member of Old Melrose.

2. A White Form of Proxy is enclosed with this notice. To be effective, a White Form of Proxy must be completed and returned, together with any power of attorney or authority under which it is completed or a certified copy of such power or authority, so that it is received by Old Melrose's registrars at the address specified on the White Form of Proxy not less than 48 hours (excluding any part of a day that is not a working day) before the time for holding the meeting (or, in the event of an adjournment, not less than 48 hours before the stated time of the adjourned meeting (excluding any part of a day that is not a working day)). Returning a completed White Form of Proxy will not preclude a member from attending the meeting and voting in person.
3. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act to enjoy information rights (a "**Nominated Person**") may, under an agreement between him and the shareholder by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Old Melrose General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in paragraphs 1 and 2 can only be exercised by shareholders of Old Melrose.
4. To be entitled to attend and vote at the Old Melrose General Meeting (and for the purposes of the determination by Old Melrose of the number of votes they may cast), members must be entered on Old Melrose's register of members by 6.00 p.m. on 27 October 2015 (or, in the event of an adjournment, on the date which is two days, excluding any part of a day that is not a working day, before the time of the adjourned meeting). Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. As at 2 October 2015 (being the last business day prior to the publication of this notice) Old Melrose's issued share capital consists of 995,206,966 Old Melrose Ordinary Shares of 7⁵⁵ pence each, carrying one vote each. Therefore, the total voting rights in Old Melrose as at 2 October 2015 are 995,206,966.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available at www.euroclear.com/CREST). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by 10:15 a.m. on 27 October 2015. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
8. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
9. Old Melrose may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
10. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
11. Any member holding Old Melrose Ordinary Shares attending the meeting has the right to ask questions. Old Melrose must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of Old Melrose or the good order of the meeting that the question be answered.
12. A copy of this notice, and other information required by section 311A of the Companies Act, can be found at: www.melroseplc.net.
13. You may not use an electronic address provided in either this Notice of Old Melrose General Meeting or any related documents (including the White Form of Proxy) to communicate with Old Melrose for any purposes other than those expressly stated.
14. You may register your vote online by visiting Equiniti's website at: www.sharevote.co.uk. In order to register your vote online, you will need to enter the Voting ID, Task ID and your Shareholder Reference Number which are set out on the enclosed White Form of Proxy. The return of the White Form of Proxy by post or registering your vote online will not prevent you from attending the Old Melrose General Meeting and voting in person, should you so wish. Alternatively, shareholders who have already registered with Equiniti's online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk and then clicking on the link to vote under their Melrose Industries PLC holding details. The on-screen instructions give details on how to complete the appointment process. A proxy appointment made electronically will not be valid if sent to any address other than those provided or if received after 10:15 a.m. on 27 October 2015.

