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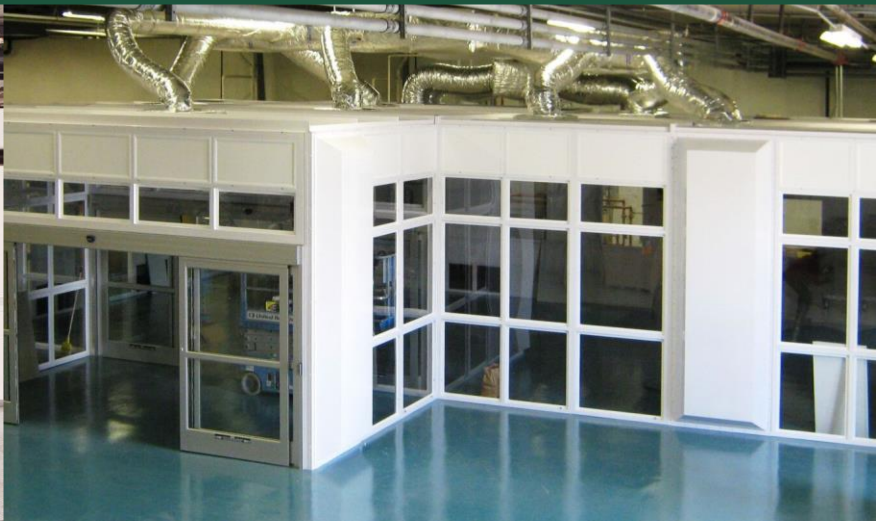

Melrose Industries PLC

Full Year Results

Twelve months to 31 December 2016

2 March 2017

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Highlights

Highlights in 2016

- Melrose's 2016 results have exceeded market expectations:
  - Brush, in its eighth year of Melrose ownership, is still experiencing adverse trading headwinds and management continues to take appropriate action
  - Nortek, acquired on 31 August 2016 for an enterprise value of £2.2 billion, is responding well to Melrose ownership and has materially outperformed, albeit in a short four month period
- In comparison to the same four month period last year, Nortek has achieved:
  - An increase to underlying[1] operating profit of 35%
  - Underlying[1] operating margin of 13.4%, up 4.1 percentage points
  - Underlying[1] profit conversion to cash of 134%
- Since acquisition, Melrose has significantly reduced the debt levels in Nortek and also increased capital investment in the businesses to enhance long-term value
- Future operating margin improvement possibilities for Nortek are better than originally thought
- The Melrose Group achieved an underlying[1] profit before tax of £96.4 million (2015: £2.4 million), despite declaring a statutory loss before tax of £69.3 million (2015: £30.7 million) after non-trading and acquisition costs
- In spite of adverse foreign exchange translation effects on US$ debt, Melrose Group net debt has been reduced since acquisition to £541.5 million, reflecting very strong cash generation
- A final dividend of 1.9 pence per share is proposed (2015: 0.5 pence[2])
- The Melrose Board has started the process of looking for the next acquisition

Christopher Miller, Chairman of Melrose Industries PLC, today said:

"This has been a tremendous year for Melrose and we are delighted with the performance of Nortek which is exceeding expectations. All aspects of the business are being improved and its prospects are better than originally thought. As a result we have started looking for the next acquisition that will materially enhance shareholder value."

1. Considered by the Board to be the best measure of performance. A reconciliation of the statutory result to underlying performance is given on slide 7
2. Adjusted by a bonus factor of 18.8% related to the Rights Issue completed in August 2016

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Summary financial results

Income Statement

Full year to 31 December 2016

Continuing operations	£m
Revenue	**889.3**
Operating loss	**(61.6)**
Loss before tax	**(69.3)**
Tax	**30.3**
Loss after tax	**(39.0)**

Underlying[1] operating profit	**104.1**
Underlying[1] profit before tax	**96.4**
Underlying[1] profit after tax	**70.4**
Underlying[1] diluted earnings per share	**4.4 pence**

- A new format of the Income Statement gives a clearer reflection of results
- Full statutory numbers are followed by the underlying[1] numbers which the Melrose Board believes to be the best measure of trading performance

1. Considered by the Board to be the best measure of performance. A reconciliation of the statutory result to underlying performance is given on slide 7

Reconciliation of statutory results to underlying performance

- A reconciliation of the statutory results to the underlying performance

	£m
2016 statutory loss before tax	**(69.3)**
Restructuring costs	**51.4**
Acquisition and disposal costs	**38.7**
Amortisation of intangible assets	**36.3**
Removal of one-off uplift in value of inventory	**18.2**
Melrose equity-settled compensation scheme	**22.8**
Release of fair value provision	**(1.7)**
2016 underlying profit before tax	**96.4**

- In a year of acquisition the reconciling items between statutory measures and underlying performance are naturally at their largest
- Items excluded from underlying results are significant in size or volatility or by nature are non-trading or non-recurring, or any item released to the income statement that was previously a fair value item booked on acquisition

2016 underlying[1] operating results by division

£m	Air Management	Security & Smart Technology	Ergonomics	Energy	Nortek Central	Melrose Central	Total Group
Revenue	416.5	130.4	96.0	246.4	-	-	889.3
Underlying[1] operating profit	46.8	17.1	24.4	32.0	(2.0)	(14.2)	104.1
Underlying[1] operating margin	11.2%	13.1%	25.4%	13.0%	n/a	n/a	11.7%
Underlying[1] margin increase[2,3]	+2.3ppts	+3.5ppts	+3.6ppts	-1.6ppts	n/a	n/a	n/a
Run rate full year 2016 sales, after exiting certain markets (at US$1.25 : £1)	*c.1,135*	*c.445*	*c.290*				

- Each Nortek division showed a healthy increase in margin
- Nortek future margin improvement possibilities are better than originally thought
- Nortek management is incentivised on profit and cash generation, no longer on sales
- Nortek central HQ has been closed, saving 90% of the £31 million previous central costs and adding 1.4 percentage points to the Nortek margin
- The Nortek Group margin has been increased from 9.3% in the same period in 2015 to 13.4% in 2016, a rise of 4.1 percentage points. The margin uplift has come one third from central cost savings, one third from exiting low margin or loss making sales, and one third from the businesses
- Brush remains tough but is still making 13.0% underlying[1] margins despite the challenging conditions

1. Considered by the Board to be the best measure of performance. A reconciliation of the statutory result to underlying performance is given on slide 7
2. At constant currency
3. 2016 post acquisition performance compared to the same period in 2015. 2015 results are based on previous Nortek accounting policies, reported under US GAAP

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Summary financial results

Cash performance

Strong cash generation

£m	Group FY 2016	Nortek	Brush
Underlying[1] operating profit	104.1	86.3	32.0
Depreciation	18.1	8.9	9.0
Working capital movement	28.2	32.4	(4.6)
Operating cash flow (pre capex)	**150.4**	**127.6**	**36.4**
EBITDA[2] profit conversion to cash (pre capex) %	**123%**	**134%**	**89%**
Net capital expenditure	(17.1)	(13.2)	(3.9)
Operating cash flow (post capex)	133.3	114.4	32.5
Net interest and net tax paid	(8.6)	(6.6)	(1.4)
Defined benefit pension contributions	(1.7)	(1.7)	-
Other (including restructuring)	(36.8)	(26.7)	(7.9)
Cash generated from trading (after all costs including tax)	**86.2**	**79.4**	**23.2**

Underlying[1] profit conversion to cash

Air Management	131%
Security & Smart Technology	140%
Ergonomics	86%
Brush	89%

- Very strong cash generation in 2016
- Underlying[1] profit conversion to cash of 123% for the Group, driven by Nortek which achieved 134%
- The strong cash generation has been achieved through improved working capital management, much lower interest costs and improved funding levels of the pension schemes. This good performance has been achieved even after an increased initial injection of capital expenditure into Nortek
- Group net debt leverage already reduced to 1.9x due to higher profit and better cash generation, giving significant spare debt capacity

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2. Underlying[1] operating profit before depreciation and amortisation

Balance Sheet – working capital, capital expenditure, tax

£m	31 Dec 2016
Fixed assets, intangible assets and goodwill	**2,938.9**
Net working capital	**228.2**
Pensions and retirement benefits	**(33.4)**
Provisions	**(279.6)**
Deferred tax and current tax	**(154.6)**
Other	**4.8**
Net debt	**(541.5)**
Net assets	**2,162.8**

- Nortek working capital reduced by £32 million (16%) since acquisition some of which will be due to normal seasonal patterns
- Early injection of capital into Nortek to start to overcome previous under investment
- The main Brush UK defined benefit scheme is in surplus due to being funded properly under Melrose ownership
- Underlying[1] tax rate of 27%

Working capital

£228.2m

Working capital is 11% of revenue

Capital expenditure - Nortek

1.5x dep'n

Early capital investment into Nortek

Tax

27%

Underlying[1] tax rate

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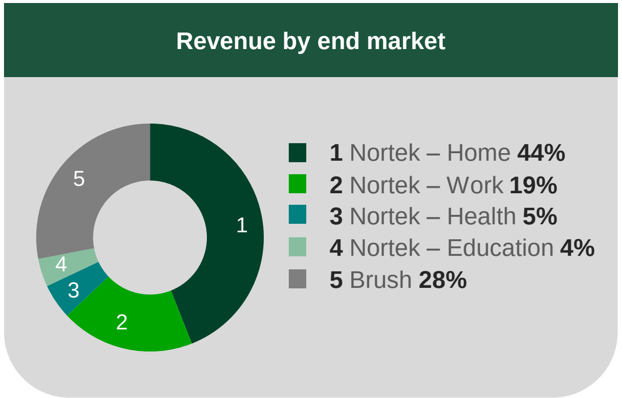
Melrose

Summary of operating divisions

- Nortek
- Brush



Melrose

Nortek → a very strong start

88% of Melrose[1]

NORTEK

Nortek is a global, diversified group which manufactures innovative air management, security, home automation and ergonomic and productivity solutions

1. Based on twelve month 2016 revenue for all continuing businesses

Nortek → a very strong start

- Nortek has had a very good start with profit, margins and cash all better than expected
- In the four months of ownership profit was up 35% and margin was up 4.1ppts
- The improvements have come across all three divisions
- Revenue performance being reshaped to cut out loss making, or low margin, sales

	Underlying[1] operating margin achieved	Underlying[1] profit growth v last year[2,3]	Underlying[1] margin growth v last year[2,3]	Underlying[1] profit conversion to cash
Nortek Group	13.4%	+35%	+4.1ppts	134%
Air Management	11.2%	+20%	+2.3ppts	
Security & Smart Technology	13.1%	+30%	+3.5ppts	
Ergonomics	25.4%	+6%	+3.6ppts	

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3. At constant currency

Nortek

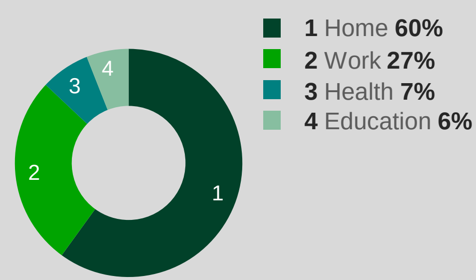
NORTEK

Nortek – underlying[1] results

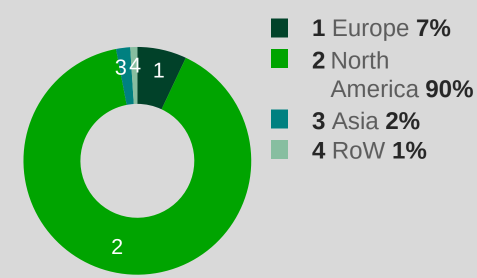
£m	Nortek Group[5] Four months (Sep-Dec) 2016	Nortek Group[5] Growth[3,4]	Air Management Four months (Sep-Dec) 2016	Air Management Growth[3,4]	Security & Smart Technology Four months (Sep-Dec) 2016	Security & Smart Technology Growth[3,4]	Ergonomics Four months (Sep-Dec) 2016	Ergonomics Growth[3,4]
Revenue	642.9	**-6%**	416.5	**-6%**	130.4	**-5%**	96.0	**-9%**
Underlying[1] EBITDA[2]	95.2	**21%**	53.2	**10%**	18.1	**7%**	25.4	**4%**
Underlying[1] EBITDA[2] margin %	14.8%	**3.3ppts**	12.8%	**1.9ppts**	13.9%	**1.6ppts**	26.5%	**3.2ppts**
Underlying[1] operating profit	86.3	**35%**	46.8	**20%**	17.1	**30%**	24.4	**6%**
Underlying[1] operating margin %	13.4%	**4.1ppts**	11.2%	**2.3ppts**	13.1%	**3.5ppts**	25.4%	**3.6ppts**
Run rate full year 2016 sales, after exiting certain markets (at US$1.25 : £1)	*c.1,870*		*c.1,135*		*c.445*		*c.290*	

- Significant underlying[1] profit (+35%) and margin (+4.1ppts) increases achieved. This is only a four month period and with a softer comparative last year, nevertheless this is a strong result
- Many actions completed and more underway to improve performance
- The future operating margin possibilities look better than originally thought
- Cash generation strong, 134% underlying[1] profit conversion to cash

Revenue by end market



Revenue by geographical destination



1. Considered by the Board to be the best measure of performance. A reconciliation of the statutory result to underlying performance is given on slide 7
2. Operating profit before depreciation and amortisation
3. At constant currency
4. 2016 post acquisition performance compared to the same period in 2015. 2015 results are based on previous Nortek accounting policies, reported under US GAAP
5. Includes Nortek central costs

Nortek – actions achieved and underway

NORTEK

Air Management

Management changes

Consolidation of the two HVAC businesses into one management team – one global CEO overseeing both Residential & Commercial

Investment

Investment of c.£3m including clean room and equipment at Saltillo, Mexico facility

Investment in AQH of £10m to improve manufacturing processes, warehousing, new software, website upgrades and a new show room in Beijing, China

Exiting of lower margin sales channels

Exiting low margin Latin American distribution businesses in Residential HVAC

Exiting company owned retail outlets in US Residential HVAC

Product and market profitability review in order to exit low margin businesses

Restructuring and cost reductions

Closure of Eaton Williams in HVAC completed on schedule

Review of Custom & Commercial HVAC sites including Eden Prairie central office closure & St Louis consolidation

Decentralising of functions

Warehouse and distribution functions brought in-house as part of decentralisation

Security & Smart Technology

Management changes

Consolidation of Security & Smart Technology under one management team incorporating Core Brands and GTO

Investment

Investment of c.£3m to improve capacity, technology and safety at Shenzhen, China facility

Investment into new technology and tooling to improve margins and expand the range of ELAN remote controls at Core Brands

Decentralising of functions

Warehouse and distribution functions brought in-house as part of decentralisation

Ergonomics

Investment

Committed to investment of over £1m for tooling to enter the large furniture market, insertion machines and new carts

Exiting of lower margin sales channels

Ongoing review and discontinuance of lower margin products and lines

Decentralising of functions

Warehouse and distribution functions brought in-house as part of decentralisation

Central

Management changes

Nortek Group Board members removed on day one

Restructuring and cost reductions

Head office closed

Decentralising of functions

Decentralisation of HR, IT, legal, supply chain, distribution functions and benefits administration

Melrose central processes introduced

Implementation of Melrose treasury processes for hedging and cash control

New incentive plans being introduced in line with previous Melrose acquisitions

Brush

12% of Melrose[1]

Brush Turbogenerators is the world's largest independent manufacturer of electricity generating equipment for the power generation, industrial, oil & gas and offshore sectors

1. Based on twelve month 2016 revenue for all continuing businesses

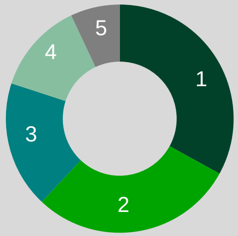
Brush

Brush – underlying[1] results

£m	FY 2016	Growth[3]
		Brush
Revenue	246.4	**-11%**
Underlying[1] EBITDA[2]	41.0	**-15%**
Underlying[1] EBITDA[2] margin %	16.6%	**-0.8ppts**
Underlying[1] operating profit	32.0	**-21%**
Underlying[1] operating margin %	13.0%	**-1.6ppts**
Order intake	*219.1*	***-16%***
Book to bill %	*89%*	

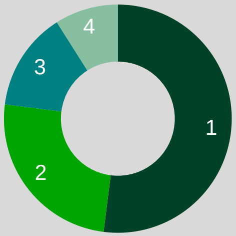
- Order intake remains slow
- Investment into new products has continued and US aftermarket performance better
- Appropriate action has been taken for the long term interests of the business and to make it more agile. The cost base for Brush has been reduced with the workforce cut by c.25% since the start of 2015

Revenue by end market



- **1** Generators **33%**
- **2** Aftermarket **29%**
- **3** Switchgear **18%**
- **4** Transformers **13%**
- **5** Other **7%**

Revenue by geographical destination



- **1** Europe **52%**
- **2** North America **25%**
- **3** Asia **14%**
- **4** RoW **9%**

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Melrose

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Questions

Melrose

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Appendix

Appendix – Foreign exchange → forward looking

	2016		2015	
	USD	CNY	USD	CNY
12 month average rates	1.36	8.99	1.53	9.60
4 month average rates (Sep – Dec)	1.26	8.56	n/a	n/a
Closing rates	1.23	8.57	1.47	9.56

On-going sensitivity of profit to translation and unhedged transaction exchange risk £m	Increase/(decrease) in underlying[1] operating profit
For every 10 percent strengthening of the USD	29.4
For every 10 percent strengthening of the CNY	(3.1)

On-going sensitivity of profit to translation and full transaction exchange rate risk £m	Increase/(decrease) in underlying[1] operating profit
For every 10 percent strengthening of the USD	35.5
For every 10 percent strengthening of the CNY	(15.7)

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