31 August 2017

MELROSE INDUSTRIES PLC

UNAUDITED RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

Melrose Industries PLC today announces its interim results for the six months ended 30 June 2017.

Highlights

	Underlying[1] results £m	Statutory results £m
Revenue	1,085.6	1,085.6
Profit before tax	131.1	47.8
Diluted earnings per share	4.9p	2.0p

- Record Nortek first half performance:
  - Fastest improvement in profit compared to any previous Melrose deal
  - Highest ever first half cash generation of £103.4 million pre-capex[2]
  - Underlying[1] operating profit of £145.5 million, 54%[3] higher than last year
  - Underlying[1] operating margin of 14.7%, up 5.5[3] percentage points
  - Significant investment of over £47 million in capital and restructuring projects to further improve performance
- Brush is experiencing its toughest market conditions since Melrose acquired it in 2008 and, accordingly, appropriate action is being taken for the long-term with all parts of the business being reviewed
- Net debt of £669.1 million, equal to 2.3x EBITDA[4], better than expected
- Interim dividend of 1.4p per share (2016: 0.3p[5])

1. Considered by the Board to be the best measure of performance. A reconciliation of the statutory operating profit/(loss) to underlying operating profit/(loss) is given in the Finance Director's review
2. Operating cash generated before capital expenditure
3. 2017 post acquisition performance compared to the same period in 2016. Proforma 2016 results are based on previous Nortek accounting policies, reported under US GAAP, using constant exchange rates
4. Underlying[1] operating profit before depreciation and amortisation. Includes 12 months of Nortek
5. Adjusted to include the effects of the 2016 Rights Issue

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

"During the first ten months of our ownership, Nortek has delivered the fastest initial improvement in performance Melrose has ever achieved. More investment is being made in Nortek to drive further improvements and appropriate actions are being taken in Brush for the long term. We have also been busy exploring potential acquisitions over the past few months, and remain confident in our ability to find the right opportunity."

An analysts' meeting will be held today at 11.00 a.m. at J P Morgan, Old School Building, 60 Victoria Embankment, London, EC4Y 0JP (entrance at 1 John Carpenter Street).

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CHAIRMAN'S STATEMENT

I am pleased to report our interim results for the six months ended 30 June 2017.

RESULTS FOR THE GROUP

These interim results include sales for the continuing Group of £1,085.6 million (2016: £104.7 million), statutory profit before tax of £47.8 million (2016: loss of £9.2 million) and an underlying[1] profit before tax of £131.1 million (2016: £6.2 million). The comparative period for 2016 does not include results from the respective Nortek businesses which were acquired on 31 August 2016.

Further details of these results are contained in the Finance Director's review.

TRADING

Today marks the first twelve months for the Nortek businesses under Melrose ownership. Each Nortek business has responded well to the investments we have made, achieving a record underlying[1] operating profit, 54% up on last year, and their highest ever first half cash generation. We believe that there are substantial operational improvements still available and are working hard with the management teams to secure them. Brush is currently facing the toughest generator market conditions experienced under Melrose ownership and, accordingly, all aspects of the business are being reviewed.

More detail is included in the Chief Executive's review.

RETURN TO PREMIUM LIST

When transferring its ordinary shares to the Standard List of the Main Market of the London Stock Exchange on completion of the acquisition of Nortek last year, as approved by shareholders, the Company noted its intention to return to the Premium List as soon as practicable.

Accordingly, on 24 March 2017, the Company announced its intention to transfer its ordinary shares back to the Premium List. After waiting the necessary notice period, this transfer took effect on 26 April, which was also followed by a return to the FTSE 250 index on 19 June after the subsequent FTSE second quarter review.

DIVIDEND

Your Board has declared an interim dividend of 1.4p (2016: 0.3p[2]), which will be paid on 6 October 2017 to shareholders on the register at the close of business on 8 September 2017. Your Board continues to align its dividend policy with the earnings of the Group and will use this basis to set future dividends, including the final dividend for this year.

BOARD MATTERS

As previously announced, John Grant retired from the Board at this year's AGM in May, having held a non-executive position on the Melrose Board since 2006, most recently serving as Senior non-executive Director and Chairman of the Audit Committee. John's experience and

[1] Considered by the Board to be the best measure of performance. A reconciliation of statutory operating profit/(loss) to underlying operating profit/(loss) is given in the Finance Director's review

[2] Adjusted to include the effects of the 2016 Rights Issue

judgment have been highly valued by the Board over what has been a very successful period for the Company and we thank him for his service.

John was replaced as Senior non-executive Director by Justin Dowley, who has continued to hold the position of Chairman of the Remuneration Committee. John's position as Chairman of the Audit Committee has been taken up by Liz Hewitt, who stepped down as Chairman of the Nomination Committee, to be replaced by David Lis. I congratulate them all on their appointments.

Following John's retirement, Archie Kane was appointed as a non-executive Director and member of the Audit, Remuneration and Nomination Committees on 5 July. After a long executive career, Archie has continued to serve as non-executive Governor of the Board of Bank of Ireland. We welcome Archie to the Board and look forward to benefiting from his wealth of experience as we seek to continue to deliver value for shareholders.

In accordance with the Board's decision to increase the number of its independent non-executive directors to five, the search for the additional non-executive Director continues and the Board expects to make this appointment in the coming months.

STRATEGY

Melrose's focus since its inception has always been to generate superior returns for our shareholders through the acquisition of high quality but under-performing manufacturing businesses, investing heavily to improve their operational performance before selling them at the appropriate time to a buyer who is looking to guide them through the next stage of their development.

The acquisition of Nortek last year is the latest example of this strategy in action and it is pleasing to see the businesses responding to our significant investments already with the improved performance you see in these interim results. This focus on investment in operational improvements is also true of existing businesses like Brush, as much as it is for businesses in the early stages of their Melrose ownership cycle.

OUTLOOK

The significant investments made in Nortek on capital and restructuring projects to improve production efficiencies, consolidate previously siloed businesses and develop new products and sales channels, mean we remain on track to significantly improve the performance of Nortek. However, Brush faces increased market challenges which are driving a review of all parts of its business.

We have also begun the search for our next acquisition opportunity and are optimistic in our abilities to deliver further value for our shareholders.

Christopher Miller
Chairman
31 August 2017

CHIEF EXECUTIVE'S REVIEW

AIR MANAGEMENT DIVISION

	2017
Revenue	£616.6m
Underlying Operating Profit	£75.9m

Heating, Ventilation & Air Conditioning (HVAC)

Since its acquisition last year, the HVAC business has been brought under one management team in St Louis and undergone significant restructuring to exit unprofitable activities and realign with its key strategic business lines of custom commercial, light commercial and residential. This has helped clarify its strategic objectives and allowed it to be more responsive to critical market trends, backed by significant operational investments, including over £8 million in production facilities, to address legacy deficiencies. Described in more detail below, these actions have contributed to a significant improvement in the underlying operating profit of the division, almost 40% year on year.

Created through a lengthy 'buy and build' strategy, the Nortek Air Solutions custom commercial business (NAS) had never been properly integrated, thereby failing to harness the advantages of scale and impacting performance at all levels through a lack of coordination. Throughout the first half of 2017, significant work has been undertaken to overcome this throughout the business, which is now much better aligned, particularly in the operations, engineering and sales functions. With investments in the production facilities in Oklahoma and Tualatin and a further £1 million in the Saskatoon R&D centre, NAS is now better positioned to leverage its manufacturing expertise and designs as well as start to establish common engineering systems across all locations to enable manufacturing flexibility and improved costing accuracy. NAS has seen an immediate increase in its booking rate and will drive accelerated profitable growth through operational rigour, new innovations and new customer growth.

In seeking growth outside its core business, HVAC's residential business had previously added cost and complexity to its operations and correspondingly had suffered a decline in performance. Over the past year, the business has been taking the necessary steps to realign to its core strengths in the North American residential and manufactured housing segments, with customers, quality and safety the centrepieces of their improvement plan. This has led to a material improvement in its margins already in the first half and the business is looking to continue this momentum through expansion opportunities within manufactured housing and adjacent channels, consolidating the product portfolio, and proactive management of its cost base.

Also this year, HVAC has consolidated the elements of the former Reznor business, including its European operations, into a distinct light commercial business to capture growth through market expansion and nurture new capabilities specifically for the commercial end user and high performance computing segments. This business enables HVAC to expand the breadth of its offerings to bridge the gap to the NAS custom applications and configurable systems, a critical and growing segment of the market as customers are increasingly requesting easily deployable solutions for less complex buildings. The portfolio and capability set will provide a platform for cross selling within the channel and further product development opportunities.

Overall, the first half has seen the HVAC business continue to implement its strategic and operational initiatives and, with several programmes ongoing and the full impact of the investments still to come, it is confident of capturing additional value through an improved performance in 2017 and beyond.

Air Quality & Home Solutions (AQH)

Although already well placed across its market sectors, the AQH business conducted a review of its products and operations following its acquisition by Melrose. This review resulted in a restructuring of the business in the first half of 2017, including a change of the chief executive and certain other senior executive positions.

The ongoing review has also led the business to accelerate the refreshing of its product offering. The business will look to build on its recent successful platform launches to deliver further developments to maintain its leadership position and satisfy market demands for continual introduction of innovative and new products.

Alongside these product changes, the implementation of targeted cost saving programmes has complemented the refocus on AQH's core products. A number of operational improvements have been made, including the continued deployment of LEAN principles, with a strong focus on improving customer experience that has already led to a significant improvement in external quality. These measures, part of the substantial investment of £16 million to improve manufacturing processes and introduce more automation across the business that will be continued in the second half, are expected to drive productivity, capability and efficiency gains throughout the rest of the year, providing real momentum for the business into 2018.

The business has also made some material structural changes in accordance with its streamlined geographic strategy. The sale of the Best EMEA business to Electrolux A.G. was completed recently and, while AQH will continue to design, manufacture and market Best products in North America, this will improve profitability whilst enabling increased focus on the core regions of North America and China. The expansion of distribution capabilities at AQH's Wisconsin headquarters will be completed by the end of the year, which will enable the business to consolidate manufacturing and distribution facilities into the existing Hartford and Quebec sites early next year.

Overall, continued strength in the US appliance and wholesale channels and the AQH businesses in China, Canada and the Pacific are expected to balance some challenges in the retail segment. This, coupled with the fact that the full effect of the refocus on product development, operational efficiency and regional market leadership is still to come, means the business remains optimistic about its performance for the rest of the year and its momentum for 2018.

SECURITY & SMART TECHNOLOGY DIVISION

	2017
Revenue	£237.5m
Underlying Operating Profit	£37.0m

The convergence of platforms in certain rapidly evolving residential and commercial markets was a key driver in the decision to consolidate Nortek Security & Control, GTO and Core Brands into the single Security and Smart Technology (SST) division. This consolidation is ongoing, including a move to its new headquarters in Carlsbad, California, and while it has already delivered some modest efficiencies in the first half of 2017, there remains a substantial amount to be realised over the next 18 months.

SST accelerated the introduction of several new products, especially those that address growth in DIY and video solutions, and has invested heavily in the development of others that utilise its natural language processing capabilities to meet growing interest in voice activation and control.

While these should have a positive effect on sales in 2017, most of the benefit is expected to flow through next year, and reflect SST's technology plan of broadening its product offering to address growing market interest in smart ecosystems with a multitude of sensors and control devices, such as the new Vario Hybrid Panel. Alongside these new products, a refocus of the leading ELAN home control platform has driven wider market penetration that is expected to continue with its extension to video distribution and further integration with SST's strong security platform. This fully integrated control and automation platform was successfully relaunched to the dealer network in May and will be followed in the second half by the launch of new complementary DIY and garage door solutions for the retail sector.

These product improvements have been matched by a strong focus on efficiency programmes and cost savings that have significantly improved profitability by over 40% year on year. Substantial investments in the SST production facility have delivered further margin improvements already in 2017, as has the closure of the Hong Kong office and the consolidation of its distribution operations. The business expects further improvement to come as investments are fully implemented and is positive in its outlook.

ERGONOMICS DIVISION

	2017
Revenue	£133.3m
Underlying Operating Profit	£33.9m

Despite experiencing some market and operational challenges, our Ergonomics business, Ergotron, remains a high quality, design-focused business. In particular, headwinds in Asia Pacific and in the device management business were offset by healthy growth in EMEA, original design manufacturer (ODM) and healthcare businesses.

In response to the market challenges, Ergotron has been investing heavily in its multi-pronged market share improvement strategy through the introduction of new products, such as the new StyleView Patient e-Table that was successfully launched in May, and an expanded channel focus, including a move into digital sales and the large furniture market, both of which have been matched by a strategic increase in marketing activity. At the same time, Ergotron continues to conduct a rigorous review of all its lines and remains decisive in discontinuing low margin products.

As a result, while uncertainty surrounding the Affordable Care Act has affected the US healthcare market in the first half, Ergotron has been successful in gaining market share and is well positioned with a strong second half pipeline now that both confidence and spending are returning. The business has also pursued gains in the consumer and EMEA commercial businesses, while the WorkFit sit/stand workstations segment remained strong and entry level products have been introduced to continue a leadership position in the maturing device management business, following a slow start to 2017 by the segment.

Operationally, there has been a continued focus on cost reduction initiatives in all areas of Ergotron's business to maintain margins. Unfortunately, the transition to a new warehouse partner in the U.S. caused a large backlog of shipments which significantly impacted first half 2017 sales. This has been resolved and the business is now operating in line with expectations.

Therefore, despite a challenging start, the improvements made through Ergotron's strategic focus on key product categories and sales channels and supported by a fresh marketing approach, means the business is well positioned for future developments.

ENERGY DIVISION

	2017	2016
Revenue	£98.2m	£104.7m
Underlying Operating Profit	£7.2m	£12.6m

Brush has experienced tough trading conditions for a number of years with a consequent negative impact on utilisation and productivity. Over the summer, it has become clear from market feedback and discussions with customers that the market conditions have worsened further and there is no recovery in generators expected in the foreseeable future. Therefore, the business will not be able to mitigate the lower factory loading experienced in the first half of 2017.

The key gas turbine market which, over time, has correlation to gas generator demand, is currently running over 60% below its previous peak in 2011, with orders placed this year being further down compared to last year. Specifically for Brush, this has meant that from a peak of 208 generators sold in 2012, only 122 generators were sold last year and approximately 80 are expected to be sold this year.

While the Switchgear, Aftermarket and Transformers businesses performed satisfactorily in the first half of the year, the Transformers business has more recently been adversely impacted by the deferral of expenditure by a major UK Distribution Network Operator. However, within this difficult environment, Brush has been able to enter into longer term arrangements with leading customers in the UK transformer and global generator markets.

Nevertheless, the trading conditions are the toughest experienced under Melrose ownership and consequently, whilst a number of cost reduction programmes have been completed and further ones are being undertaken, all parts of the business remain under review to ensure the correct actions are taken for the long-term future of Brush.

Simon Peckham
Chief Executive
31 August 2017

FINANCE DIRECTOR'S REVIEW

The results for the six months ended 30 June 2017 have been significantly affected by the acquisition of Nortek in August last year.

MELROSE GROUP SEGMENTAL SPLIT

The Melrose Group at 30 June 2017 consisted of four divisions, the Energy division, along with three divisions acquired with Nortek, namely; the Air Management division, which contains both the Air Quality & Home Solutions business and the Heating, Ventilation & Air Conditioning (HVAC) business; the Security & Smart Technology division; and the Ergonomics division. All of these divisions are shown as continuing operations in these Interim Financial Statements.

TRADING RESULTS

For simplicity and clarity, and in response to the Guidelines on Alternative Performance Measures (APMs) issued by the European Securities and Markets Authority (ESMA), the Income Statement in these Interim Financial Statements shows the unadjusted statutory results of the Group on the face of the Income Statement followed by the underlying results.

In the six months ended 30 June 2017 revenue was £1,085.6 million (2016: £104.7 million), the statutory operating profit was £57.9 million (2016: operating loss of £9.5 million) and the statutory profit before tax was £47.8 million (2016: loss before tax of £9.2 million). This includes all trading and non-trading costs.

The Melrose Board considers the underlying results, as reconciled in the table below, to be the most suitable measure to monitor how the businesses are performing because these measures are used to help determine the variable element of remuneration of senior management throughout the Group and are also in alignment with performance measures used by certain external stakeholders. Underlying results are also used to value individual businesses as part of the "Buy, Improve, Sell" Melrose strategy model. Consequently underlying operating profit and underlying operating margin (calculated as underlying operating profit as a percentage of revenue) are key performance indicators reported to the Board.

The underlying operating profit in the period to 30 June 2017 was £141.2 million (2016: £5.9 million) and the underlying profit before tax was £131.1 million (2016: £6.2 million). The following table reconciles the statutory operating result to underlying operating profit:

	2017 **£m**	**2016** **£m**
Statutory operating profit/(loss)	57.9	(9.5)
Restructuring costs	25.1	1.9
Acquisition and disposal related costs	1.7	7.3
Amortisation of intangible assets	41.5	4.2
Equity-settled compensation scheme charges	17.3	2.0
Release of fair value provision	(2.3)	-
Adjustments to statutory operating profit/(loss)	83.3	15.4
Underlying operating profit	**141.2**	**5.9**

Restructuring costs in the period ended 30 June 2017 primarily related to the early actions taken in Nortek businesses, the most significant being the closure of loss making operations within the HVAC business and the removal of excess manufacturing capacity in the Air Quality & Home Solutions business, both within the Air Management division. Restructuring costs are excluded from underlying results due to their size and non-trading nature.

Acquisition and disposal costs incurred in the six months ended 30 June 2017 totalled £1.7 million and also included the costs involved in returning the ordinary shares of the Company to the Premium List of the London Stock Exchange. These items are excluded from underlying results due to their non-trading nature.

The amortisation of intangible assets acquired in business combinations are excluded from underlying results due to their non-trading nature.

The charge for the Melrose Incentive Plan, including its associated employer's tax charge, is excluded from underlying results due to its size and volatility.

During the period ended 30 June 2017 certain provisions, booked as fair value items on the acquisition of Nortek, have been settled for a more favourable amount than first anticipated. The release of any excess fair value provision is shown within non-underlying profit to avoid positively distorting underlying results.

UNDERLYING RESULTS BY DIVISION

The table below shows the underlying results as presented in these Interim Financial Statements:

	2017 Revenue £m	2017 Operating profit/ (loss) £m	2017 Operating profit margin	2016 Revenue £m	2016 Operating profit/ (loss) £m	2016 Operating profit margin
Nortek	987.4	145.5	14.7%	-	-	-
Energy	98.2	7.2	7.3%	104.7	12.6	12.0%
Central – corporate	-	(11.5)	-	-	(6.7)	-
Melrose Group	**1,085.6**	**141.2**	**13.0%**	**104.7**	**5.9**	**5.6%**

Central costs comprise £7.7 million (2016: £6.7 million) for corporate costs, and £3.8 million (2016: £nil) for the cash-based incentive schemes for the senior operational management within the operating businesses.

Nortek was acquired on 31 August 2016 and so distorts the comparisons to last year when the Melrose Group consisted solely of the Brush business along with Melrose central costs.

To help overcome this distortion, and to give a better illustration of like-for-like performance, the proforma table below compares the Nortek underlying results in 2017 to the results announced under previous ownership for Nortek, albeit under US GAAP, for the same period in 2016, translated from US Dollars to Sterling using the same exchange rates in each year.

	2017 Revenue £m	2017 Underlying operating profit/ (loss) £m	2017 Underlying operating profit margin	Proforma revenue growth	Proforma underlying operating profit/ (loss) growth	Proforma underlying operating profit margin growth
Air Management	616.6	75.9	12.3%	+2%	+39%	+3.8ppts
Security & Smart Technology	237.5	37.0	15.6%	-4%	+45%	+5.2ppts
Ergonomics	133.3	33.9	25.4%	-5%	-9%	-1.0ppts
Nortek central	-	(1.3)	-	N/A	N/A	N/A
Nortek	**987.4**	**145.5**	**14.7%**	**-1%**	**+54%**	**+5.5ppts**

The performance of each of the trading divisions is discussed in detail in the Chief Executive's review.

GOODWILL AND IMPAIRMENT REVIEW

Following the Nortek acquisition in August 2016, an extensive review of the Nortek assets, liabilities and accounting policies in accordance with IFRS 3 "Business Combinations" has now been completed.

Since the year end this review has resulted in goodwill decreasing by £57.7 million, deferred tax liabilities by £63.8 million, inventory by £1.2 million and an increase to provisions of £3.4 million, other payables of £1.8 million and deferred tax assets of £0.3 million.

Brush has experienced tough trading conditions for a number of years and over the summer it has become clear that market conditions have worsened further. As a result, a full impairment review was performed on the Brush goodwill and intangible assets at the interim date. Despite the headroom decreasing in the period from that shown at 31 December 2016, no impairment was identified at the interim date.

ASSETS CLASSIFIED AS HELD FOR SALE

On 10 August 2017 the disposal of the Best EMEA operations to Electrolux A.G. was completed. The Best operations were previously shown within the Air Quality & Home Solutions business, within the Air Management division. At 30 June 2017 the assets and associated liabilities of the Best business were shown as held for sale in the Balance Sheet.

TAX

The Group Income Statement underlying tax rate in the period was 27% (2016: 21%). This rate has increased due to the addition of Nortek which has a tax rate above the Group average.

The Group paid £9.4 million (2016: £0.1 million) of tax in the period which equates to a rate of 20% on statutory profit before tax.

LONG-TERM INCENTIVE PLANS

The Melrose 2012 Incentive Plan crystallised, as expected, on 31 May 2017 and was replaced by a new 2017 Incentive Plan which mirrors the previous plan in most respects, except that the five year duration of the replacement plan is split between a three year performance period and a further two year holding period. Directors will be subject to malus provisions during the performance period and to clawback provisions for the duration of the subsequent holding period.

During the period the Remuneration Committee determined that 23,494 options held in respect of the 2012 Incentive Plan should be withheld by the Company in exchange for an equivalently valued £115 million cash payment being sufficient to allow holders to meet their income tax and employee national insurance liabilities in respect of the Incentive Plan.

The remaining 26,506 options were exercised on 30 May 2017 in exchange for 26,506 Incentive Shares, which were issued on 31 May 2017 and converted into 54,453,914 Melrose Ordinary Shares, increasing the total number of shares in issue at that date to 1,941,200,503.

At the start of the 2017 Incentive Plan the first tranche of options were granted. For accounting purposes the IFRS 2 charge has been calculated as if all options over the 2017 Incentive Plan have been granted on day one because of a common expectation, established at that date, between employees and the Company that the remaining options will be allocated annually in two more equal tranches over the three year performance period.

The charge to non-underlying profit in respect of the 2017 Incentive Plan will be £13.3 million per annum (previous Incentive Plan £4.0 million), excluding the associated employer's tax charge.

EARNINGS PER SHARE (EPS)

The EPS calculations in the comparative period ended 30 June 2016 have been restated to apply an adjustment factor of approximately 18.8% following the completion of the 12 for 1, Nortek related, Rights Issue completed on 24 August 2016.

In accordance with IAS 33, the statutory diluted EPS for the period ended 30 June 2017 is shown on the face of the Income Statement and was 2.0p (2016: loss of 0.6p).

The underlying diluted EPS for the period ended 30 June 2017 was 4.9p (2016: 0.3p). This compares the results of the current Melrose Group, including Nortek, with the Brush only Melrose Group.

CASH GENERATION AND MANAGEMENT

During the first six months of 2017 the operating cash generated before capital expenditure as a percentage of the underlying profit before interest, tax, depreciation and amortisation (EBITDA) was 70%. An analysis of the cash generation performance for the six months to 30 June 2017 is shown in the table below:

Cash flow from operating and investing activities (after all costs including tax)	Six months ended 30 June 2017 £m	Six months ended 30 June 2016 £m
Underlying operating profit	141.2	5.9
Depreciation and amortisation of computer software and development costs	17.7	4.4
Working capital movement	(48.0)	(3.2)
Underlying operating cash flow (pre capex)	**110.9**	7.1
Underlying EBITDA conversion to cash (pre capex) %	**70%**	69%
Net capital expenditure	(20.7)	(2.4)
Net interest and net tax paid	(14.9)	0.5
Defined benefit pension contributions	(2.3)	(8.8)
Incentive scheme payments (including associated employer's tax)	(147.2)	-
Net other	(45.4)	(5.2)
Cash outflow from operating and investing activities (after all costs including tax)	**(119.6)**	**(8.8)**

Movement in net debt[1]	£m	£m
Opening (net debt)/cash	**(541.5)**	2,451.4
Cash flow from operating and investing activities (after all costs including tax)	(119.6)	(8.8)
Amount paid to shareholders	(35.8)	(2,392.3)
Foreign exchange and other non-cash movements	27.8	1.1
Closing (net debt)/cash	**(669.1)**	**51.4**

[1] Defined as the net of cash and cash equivalents, external bank borrowings and finance leases

The total cash outflow from operating and investing activities included restructuring payments of £30.5 million, capital expenditure invested in the Nortek businesses of £19.4 million, representing 1.5x depreciation, and £147.2 million of incentive scheme payments which included associated employer's tax.

The cash flows shown for the six months ended 30 June 2016 were in respect of the Brush only business, along with Melrose central costs.

LEVERAGE AND INTEREST COVER

Leverage for banking purposes, being the net debt to underlying EBITDA ratio calculated using average exchange rates, was 2.3x at 30 June 2017 (31 December 2016: 1.9x). The covenant test at 30 June 2017 was 3.5x and so sufficient headroom existed.

The interest cover at 30 June 2017 was 19.1x (31 December 2016: 20.7x) and is therefore comfortable against the interest cover covenant test of 4.0x.

PROVISIONS

The total provisions at 30 June 2017 were £239.7 million (31 December 2016 restated: £283.0 million), the largest elements of which relate to warranty and product liability provisions of £122.8 million. The following table details the movement in provisions in the period:

	Total £m
At 31 December 2016[1]	**283.0**
Net charge to underlying profit	34.7
Net charge to non-underlying profit	36.3
Spend against provisions	(101.4)
Other (including foreign exchange)	(12.9)
At 30 June 2017	**239.7**

[1] Restated to reflect the completion of the acquisition accounting for Nortek

The net charge to underlying operating profit of £34.7 million mainly relates to warranty, product liability and workers' compensation type charges, which are matched by similar cash payments in the period.

The net charge to non-underlying operating profit of £36.3 million included £23.2 million of restructuring costs and £13.1 million of Melrose equity-settled incentive plan related costs in respect of employer related tax.

Cash spend on provisions included £31.7 million in respect of the employer related tax on the 2012 Melrose equity-settled incentive plan, which crystallised in the period.

Included within other movements in provisions are foreign exchange movements, the unwind of discounting on sizeable provisions and £4.9 million of provisions which were transferred to liabilities held for sale in respect of the disposal of the Best EMEA operations, previously held within the Air Quality & Solutions business, which completed on 10 August 2017.

PENSIONS

At 30 June 2017 the accounting net deficit of the Melrose Group's defined benefit pension plans was £22.2 million (31 December 2016: £33.4 million). Total plan assets at 30 June 2017 were £522.2 million (31 December 2016: £522.6 million) and total plan liabilities were £544.4 million (31 December 2016: £556.0 million).

The values of the significant Melrose Group plans were updated at 30 June 2017 by independent actuaries to reflect the latest key assumptions. A summary of the assumptions used is shown below:

	30 June 2017 UK %	30 June 2017 US %	31 Dec 2016 UK %	31 Dec 2016 US %
Discount rate	2.6	3.6	2.7	3.9
Inflation (RPI)	3.2	n/a	3.3	n/a

Total assets and liabilities in the Group's defined benefit plans have also been updated to reflect the £2.3 million of contributions made by the employer companies during the period to 30 June 2017. Annual contributions to the Melrose Group defined benefit pension plans are expected to be approximately £5 million in 2017.

EXCHANGE RATES USED IN THE PERIOD

Following the acquisition of Nortek, 83% of the Melrose Group's annual revenue is denominated in US Dollars and therefore the largest foreign exchange rate exposure is the translation risk from changes in the US Dollar exchange rate relative to Sterling. In addition, the Melrose Group has a transactional exchange rate exposure due to certain Nortek US businesses transacting in Chinese Renminbi. The following exchange rates were used in respect of these two currencies during the year:

Exchange rates used in the period	Average rate	Closing rate
US Dollar:		
Six months to 30 June 2017	1.26	1.30
Twelve months to 31 December 2016	1.36	1.23
Four months to 31 December 2016 for Nortek businesses	1.26	1.23
Six months to 30 June 2016	1.43	1.33
Chinese Renminbi:		
Six months to 30 June 2017	8.66	8.80
Twelve months to 31 December 2016	8.99	8.57
Four months to 31 December 2016 for Nortek businesses	8.56	8.57
Six months to 30 June 2016	9.37	8.83

The Group policy on foreign currency risk is explained on pages 35 and 36 of the 2016 Annual Report, a copy of which is available on the Company's website, www.melroseplc.net.
Noting recent movements in exchange rates, an indication of the exchange rate risk, which shows both translation exchange risk and full transaction exchange rate risk, is as follows:

Sensitivity of profit to translation and full transaction exchange rate risk	Increase/ (decrease) in underlying operating profit £m
For every 10 per cent strengthening of the US Dollar against Sterling	31.4
For every 10 per cent strengthening of the Chinese Renminbi against Sterling	(15.7)

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Group have not changed significantly from 2016. In summary, these risks include the acquisition of new businesses and improvement strategies, the timing of disposals of businesses, economic and political risk, the risk of loss of key management, risks associated with legal, regulatory and environmental law compliance, information security and cyber threat, foreign exchange rate risk, pension risk and liquidity risk. These risks have the potential to affect the Group's results and financial position during the remainder of 2017. A more detailed explanation of risks and uncertainties is set out on pages 40 to 45 of the Annual Report for the year ended 31 December 2016.

Geoffrey Martin
Group Finance Director
31 August 2017

CAUTIONARY STATEMENT

This announcement contains forward-looking statements. These statements are made in good faith based on the information available up to the time of the approval of this announcement, and should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information. Accordingly, readers are cautioned not to place undue reliance on any such forward-looking statements. Subject to compliance with applicable laws and regulations, the Company does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this announcement.

This announcement has been prepared solely to provide information to shareholders to assess the Company's strategies and the potential for those strategies to succeed, and neither the Company nor its directors accept any liability to any other person save as would arise under English law.

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge:

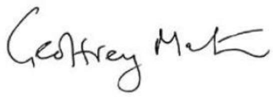
a) The condensed financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting";

b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events and their impact, and description of principal risks and uncertainties for the remaining six months of the financial year); and

c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Simon Peckham
Chief Executive
31 August 2017



Geoffrey Martin
Group Finance Director
31 August 2017

INDEPENDENT REVIEW REPORT TO MELROSE INDUSTRIES PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, and related notes 1 to 12. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Deloitte LLP
Statutory Auditor
London, United Kingdom
31 August 2017

Melrose Industries PLC
Condensed Consolidated Income Statement

Continuing operations	Notes	**6 months ended 30 June 2017 Unaudited £m**	6 months ended 30 June 2016 Unaudited £m	Year ended 31 December 2016 £m
Revenue	3	**1,085.6**	104.7	889.3
Cost of sales		**(743.1)**	(74.4)	(626.0)
Gross profit		**342.5**	30.3	263.3
Net operating expenses		**(284.6)**	(39.8)	(324.9)
Operating profit/(loss)		**57.9**	(9.5)	(61.6)
Finance costs		**(10.4)**	(1.2)	(9.5)
Finance income		**0.3**	1.5	1.8
Profit/(loss) before tax		**47.8**	(9.2)	(69.3)
Tax	5	**(9.6)**	0.4	30.3
Profit/(loss) after tax for the period attributable to owners of the parent		**38.2**	(8.8)	(39.0)
Earnings per share (1)				
- Basic	6	**2.0p**	(0.6)p	(2.6)p
- Diluted	6	**2.0p**	(0.6)p	(2.6)p

Underlying Results

Underlying operating profit	3,4	**141.2**	5.9	104.1
Underlying profit before tax	4	**131.1**	6.2	96.4
Underlying profit after tax	4	**95.3**	4.9	70.4
Underlying diluted earnings per share (1)	6	**4.9p**	0.3p	4.4p

(1) Earnings per share for the six months ended 30 June 2016 have been restated to apply an adjustment factor of 18.8491% following the completion of the 12 for 1, Nortek related, Rights Issue in August 2016.

Melrose Industries PLC
Condensed Consolidated Statement of Comprehensive Income

	Notes	**6 months ended 30 June 2017 Unaudited £m**	6 months ended 30 June 2016 Unaudited £m	Year ended 31 December 2016 £m
Profit/(loss) for the period		**38.2**	(8.8)	(39.0)
Items that will not be reclassified subsequently to the Income Statement:				
Net remeasurement gain on retirement benefit obligations		**7.4**	5.4	22.7
Income tax charge relating to items that will not be reclassified	5	**(0.5)**	(1.9)	(3.3)
		6.9	3.5	19.4
Items that may be reclassified subsequently to the Income Statement:				
Currency translation on net investments		**(78.3)**	25.5	104.3
Gains/(losses) on cash flow hedges		**5.5**	(0.6)	5.3
Transfer to Income Statement on cash flow hedges		**(1.8)**	(0.2)	0.3
Income tax (charge)/credit relating to items that may be reclassified	5	**(0.7)**	0.2	5.4
		(75.3)	24.9	115.3
Other comprehensive (expense)/income after tax		**(68.4)**	28.4	134.7
Total comprehensive (expense)/income for the period attributable to owners of the parent		**(30.2)**	19.6	95.7

Melrose Industries PLC
Condensed Consolidated Statement of Cash Flows

Continuing operations	Notes	**6 months ended 30 June 2017 Unaudited £m**	6 months ended 30 June 2016 Unaudited £m	Year ended 31 December 2016 £m
Net cash (used in)/from operating activities	11	**(99.1)**	(8.1)	50.6
Investing activities				
Disposal costs		**(0.1)**	(0.1)	(0.1)
Purchase of property, plant and equipment		**(20.1)**	(2.4)	(16.8)
Proceeds from disposal of property, plant and equipment		**0.3**	0.2	0.3
Purchase of computer software and development costs		**(0.9)**	(0.2)	(0.6)
Acquisition of subsidiaries		**-**	-	(1,130.0)
Cash acquired on acquisition of subsidiaries		**-**	-	9.4
Dividends received from joint ventures		**-**	0.3	0.9
Interest received		**0.3**	1.5	1.8
Net cash used in investing activities		**(20.5)**	(0.7)	(1,135.1)
Financing activities				
Return of Capital		**-**	(2,388.5)	(2,388.5)
Net proceeds from Rights Issue		**-**	-	1,612.0
Repayment of borrowings		**-**	-	(1,092.4)
New bank loans raised		**156.2**	-	557.4
Cost of raising debt finance		**-**	-	(10.9)
Repayment of finance leases		**(0.5)**	-	-
Dividends paid	7	**(35.8)**	(3.8)	(5.8)
Net cash from/(used in) financing activities		**119.9**	(2,392.3)	(1,328.2)
Net increase/(decrease) in cash and cash equivalents		**0.3**	(2,401.1)	(2,412.7)
Cash and cash equivalents at the beginning of the period		**42.1**	2,451.4	2,451.4
Effect of foreign exchange rate changes		**(1.5)**	1.1	3.4
Cash and cash equivalents at the end of the period		**40.9**	51.4	42.1

As at 30 June 2017, the Group had net debt of £669.1 million (31 December 2016: £541.5 million). A reconciliation of the movement in net debt is shown in note 11.

Melrose Industries PLC
Condensed Consolidated Balance Sheet

	Notes	**30 June 2017 Unaudited £m**	30 June 2016 Unaudited £m	Restated[(1)] 31 December 2016 £m
Non-current assets				
Goodwill and other intangible assets		**2,451.2**	284.7	2,609.3
Property, plant and equipment		**254.1**	119.1	271.9
Deferred tax assets		**28.9**	25.7	49.6
Derivative financial assets		**6.7**	-	5.2
Trade and other receivables		**3.0**	2.4	5.2
		2,743.9	431.9	2,941.2
Current assets				
Inventories		**303.1**	63.4	296.1
Trade and other receivables		**364.6**	70.1	365.8
Derivative financial assets		**4.9**	1.2	3.8
Cash and cash equivalents		**40.9**	51.4	42.1
Assets held for sale	12	**28.4**	-	-
		741.9	186.1	707.8
Total assets	3	**3,485.8**	618.0	3,649.0
Current liabilities				
Trade and other payables		**394.3**	80.7	428.2
Interest-bearing loans and borrowings		**0.6**	-	0.5
Derivative financial liabilities		**0.4**	2.4	4.2
Current tax liabilities		**5.1**	1.9	10.2
Provisions	9	**99.3**	10.8	140.5
Liabilities directly associated with assets classified as held for sale	12	**17.6**	-	-
		517.3	95.8	583.6
Net current assets		**224.6**	90.3	124.2
Non-current liabilities				
Trade and other payables		**2.2**	-	13.7
Interest-bearing loans and borrowings		**709.4**	-	583.1
Deferred tax liabilities		**109.5**	24.0	129.9
Retirement benefit obligations		**22.2**	6.0	33.4
Provisions	9	**140.4**	17.5	142.5
		983.7	47.5	902.6
Total liabilities	3	**1,501.0**	143.3	1,486.2
Net assets		**1,984.8**	474.7	2,162.8
Equity				
Issued share capital		**133.1**	10.0	129.4
Share premium account		**1,492.6**	-	1,492.6
Merger reserve		**112.4**	112.4	112.4
Other reserves		**(2,329.9)**	(2,329.9)	(2,329.9)
Hedging reserve		**7.5**	(0.6)	4.5
Translation reserve		**(10.5)**	(12.3)	67.8
Retained earnings		**2,579.6**	2,695.1	2,686.0
Total equity attributable to owners of the parent		**1,984.8**	474.7	2,162.8

[(1)] Restated to reflect the completion of the acquisition accounting according for Nortek (note 8).

Melrose Industries PLC
Condensed Consolidated Statement of Changes in Equity

	Issued share capital £m	Share premium account £m	Merger reserve £m	Other reserves £m	Hedging reserve £m	Translation reserve £m	Retained earnings £m	Total equity attributable to owners of the parent £m
At 1 January 2016 (audited)	10.0	-	2,500.9	(2,329.9)	-	(37.8)	2,702.2	2,845.4
Loss for the period	-	-	-	-	-	-	(8.8)	(8.8)
Other comprehensive (expense)/income	-	-	-	-	(0.6)	25.5	3.5	28.4
Total comprehensive (expense)/income	-	-	-	-	(0.6)	25.5	(5.3)	19.6
Return of Capital	-	-	(2,388.5)	-	-	-	-	(2,388.5)
Dividends paid	-	-	-	-	-	-	(3.8)	(3.8)
Credit to equity for equity-settled share-based payments	-	-	-	-	-	-	2.0	2.0
At 30 June 2016 (unaudited)	10.0	-	112.4	(2,329.9)	(0.6)	(12.3)	2,695.1	474.7
Loss for the period	-	-	-	-	-	-	(30.2)	(30.2)
Other comprehensive income	-	-	-	-	5.1	80.1	21.1	106.3
Total comprehensive income/(expense)	-	-	-	-	5.1	80.1	(9.1)	76.1
Issue of new shares	119.4	1,492.6	-	-	-	-	-	1,612.0
Dividends paid	-	-	-	-	-	-	(2.0)	(2.0)
Credit to equity for equity-settled share-based payments	-	-	-	-	-	-	2.0	2.0
At 31 December 2016 (audited)	129.4	1,492.6	112.4	(2,329.9)	4.5	67.8	2,686.0	2,162.8
Profit for the period	-	-	-	-	-	-	38.2	38.2
Other comprehensive income/(expense)	-	-	-	-	3.0	(78.3)	6.9	(68.4)
Total comprehensive income/(expense)	-	-	-	-	3.0	(78.3)	45.1	(30.2)
Dividends paid	-	-	-	-	-	-	(35.8)	(35.8)
Credit to equity for equity-settled share-based payments	-	-	-	-	-	-	3.5	3.5
Incentive scheme related[1]	3.7	-	-	-	-	-	(119.2)	(115.5)
At 30 June 2017 (unaudited)	**133.1**	**1,492.6**	**112.4**	**(2,329.9)**	**7.5**	**(10.5)**	**2,579.6**	**1,984.8**

[1] On 31 May 2017, the Melrose 2012 Incentive Plan crystallised. Of the 50,000 options in issue, 23,494 were withheld by the Company in exchange for a cash payment sufficient to allow holders to meet their income tax and employee national insurance liabilities in respect of the Incentive Plan. This resulted in 23,494 options being exercised for £115.5 million in cash and being paid to the tax authorities on behalf of the option holders. The remaining 26,506 options were converted into 54,453,914 ordinary shares of 48/7 pence each and resulted in a £3.7 million increase to Issued share capital.

Notes to the condensed financial statements

1. Corporate information

The interim financial information for the six months ended 30 June 2017 has been reviewed by the auditor, but not audited. The information for the year ended 31 December 2016 shown in this report does not constitute statutory accounts for that year as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor has reported on those accounts. Their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The Balance Sheet at 31 December 2016, shown in these interim financial statements, has been restated to reflect the completion of the acquisition accounting of Nortek (note 8).

2. Summary of significant accounting policies

The interim financial information for the six months ended 30 June 2017, which has been approved by a committee of the Board of Directors on 31 August 2017 has been prepared on the basis of the accounting policies set out in the Group's 2016 Annual Report and financial statements on pages 99 to 108. The Group's 2016 Annual Report and financial statements can be found on the Group's website www.melroseplc.net. These interim financial statements should therefore be read in conjunction with the 2016 information. The accounting policies used in the preparation of the interim financial information have been consistently applied to all periods presented. The annual financial statements are prepared in accordance with IFRS as adopted by the European Union. These interim financial statements have been prepared in accordance with IAS 34: "Interim Financial Reporting" as adopted by the European Union.

Alternative performance measures

In response to the Guidelines on Alternative Performance Measures (APMs) issued by the European Securities and Markets Authority (ESMA), additional information on the APMs used by the Group is provided below. The APMs used by the Group are:

- Underlying operating profit/(loss)
- Underlying profit/(loss) before tax
- Underlying profit/(loss) after tax
- Underlying diluted earnings per share
- Underlying profit/(loss) conversion to cash

A reconciliation between statutory reported measures and the underlying measures listed above is shown in note 4 to these interim financial statements.

Underlying profit/(loss) excludes items which are significant in size or volatility or by nature are non-trading or non-recurring, excludes the losses incurred within closed businesses from the date the closure is announced and excludes any item released to the Income Statement that was previously a fair value item booked on acquisition. These items are not included in the performance measures the Board uses to monitor the performance of the Group.

The underlying measures are used to partly determine the variable element of remuneration of senior Management throughout the Group and are also in alignment with performance measures used by certain external stakeholders. The underlying measures are also used to value individual businesses as part of the "Buy, Improve and Sell" Melrose strategy model.

Underlying profit is not a defined term under IFRS and may not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, GAAP measures. All APMs relate to the current year results and comparative periods where provided.

Adoption of new accounting standards
The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The Group has adopted relevant standards and amendments with no material impact on its results, assets and liabilities.

Going concern
The Group's business activities in the period, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's review.

The Group's principal risks and uncertainties are unchanged from 2016, as discussed in the Finance Director's review. These are set out in more detail on pages 40 to 45 in the Group's Annual Report for the year ended 31 December 2016.

After making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than twelve months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing these interim financial statements.

3. Segment information

Segment information is presented in accordance with IFRS 8: "Operating segments" which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reported to the Group's Board in order to allocate resources to the segments and assess their performance. The Group's reportable operating segments under IFRS 8 are as follows:

Energy – includes the Brush business, a specialist supplier of energy industrial products to the global market.

Air Management – includes the Air Quality & Home Solutions business (AQH), a leading manufacturer of ventilation products for the professional remodelling and replacement markets, residential new construction market, and do-it-yourself market. This division also includes the Heating, Ventilation & Air Conditioning business (HVAC) which manufactures and sells split-system and packaged air conditioners, heat pumps, furnaces, air handlers and parts for the residential replacement and new construction markets, along with custom-designed and engineered HVAC products and systems for non-residential applications.

Security & Smart Technology – includes the Security & Control business (SCS) along with the Core Brands and GTO Access Systems businesses. These businesses are manufacturers and distributors of products designed to provide convenience and security primarily for residential applications and audio visual equipment for the residential audio video and professional video market.

Ergonomics – includes the Ergotron business, a manufacturer and distributor of innovative products designed with ergonomic features including wall mounts, carts, arms, desk mounts, workstations and stands that attach to or support a variety of display devices such as notebook computers, computer monitors and flat panel displays.

In addition, there are central cost centres which are also separately reported to the Board. The central corporate cost centre, which contains the Melrose Group head office costs along with charges related to the divisional management long-term incentive plans, and the remaining Nortek central cost centre.

The comparative information for the year ended 31 December 2016 includes the results of Nortek for the four month post acquisition period from 31 August 2016 to 31 December 2016.

Transfer prices between business units are set on an arm's length basis in a manner similar to transactions with third parties.

The Group's geographical segments are determined by the location of the Group's non-current assets and, for revenue, the location of external customers. Inter-segment sales are not material and have not been disclosed.

The following tables present the results and certain asset and liability information regarding the Group's operating segments and central cost centres for the six month period ended 30 June 2017 and comparative periods.

Segment revenues and results

	Segment revenue from external customers		
Continuing operations	**6 months ended 30 June 2017 £m**	6 months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Energy	**98.2**	104.7	246.4
Air Management	**616.6**	-	416.5
Security and Smart Technology	**237.5**	-	130.4
Ergonomics	**133.3**	-	96.0
Nortek total	**987.4**	-	642.9
Total revenue	**1,085.6**	104.7	889.3

Continuing operations	Notes	Segment profit **6 months ended 30 June 2017 £m**	6 months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Energy		**7.2**	12.6	32.0
Air Management		**75.9**	-	46.8
Security & Smart Technology		**37.0**	-	17.1
Ergonomics		**33.9**	-	24.4
Nortek Central		**(1.3)**	-	(2.0)
Nortek total		**145.5**	-	86.3
Central – corporate[1]		**(11.5)**	(6.7)	(14.2)
Underlying operating profit	4	**141.2**	5.9	104.1
Items not affecting underlying operating profit	4	**(83.3)**	(15.4)	(165.7)
Operating profit/(loss)		**57.9**	(9.5)	(61.6)
Finance costs		**(10.4)**	(1.2)	(9.5)
Finance income		**0.3**	1.5	1.8
Profit/(loss) before tax		**47.8**	(9.2)	(69.3)
Tax	5	**(9.6)**	0.4	30.3
Profit/(loss) for the period		**38.2**	(8.8)	(39.0)

[1] Includes £3.8 million (year ended 31 December 2016: £nil) of costs relating to divisional long-term Incentive Plans.

	Total assets			Total liabilities		
Continuing operations	**30 June 2017 £m**	30 June 2016 £m	Restated[1] 31 December 2016 £m	**30 June 2017 £m**	30 June 2016 £m	Restated[1] 31 December 2016 £m
Energy	**521.0**	547.4	549.2	**74.9**	114.5	97.8
Air Management	**1,523.9**	-	1,569.2	**472.4**	-	497.4
Security & Smart Technology	**662.7**	-	692.2	**155.5**	-	160.7
Ergonomics	**699.2**	-	756.5	**134.5**	-	144.6
Nortek Central	**4.4**	-	5.3	**(63.6)**	-	(31.0)
Nortek total	**2,890.2**	-	3,023.2	**698.8**	-	771.7
Central – corporate	**74.6**	70.6	76.6	**727.3**	28.8	616.7
Total	**3,485.8**	618.0	3,649.0	**1,501.0**	143.3	1,486.2

[1] Restated to reflect the completion of the acquisition accounting for Nortek (note 8).

Continuing operations	Capital expenditure[1] **6 months ended 30 June 2017 £m**	6 months ended 30 June 2016 £m	Year ended 31 December 2016 £m	Depreciation[1] **6 months ended 30 June 2017 £m**	6 months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Energy	**0.9**	2.3	3.6	**4.6**	4.3	9.0
Air Management	**18.2**	-	10.3	**9.5**	-	6.4
Security & Smart Technology	**0.7**	-	1.8	**1.5**	-	1.0
Ergonomics	**1.1**	-	1.1	**1.4**	-	1.0
Nortek Central	**-**	-	0.1	**0.7**	-	0.5
Nortek total	**20.0**	-	13.3	**13.1**	-	8.9
Central – corporate	**-**	-	-	**-**	0.1	0.2
Total	**20.9**	2.3	16.9	**17.7**	4.4	18.1

[1] Including computer software and development costs.

Geographical information
The Group operates in various geographical areas around the world. The Group's country of domicile is the UK and the Group's revenues and non-current assets in Europe and North America are also considered to be material.

The Group's revenue from external customers and information about its segment assets (non-current assets excluding deferred tax assets, non-current trade and other receivables and non-current derivative financial assets) by geographical location are detailed below:

	Revenue[1] from external customers **6 months ended 30 June 2017 £m**	6 months ended 30 June 2016 £m	Year ended 31 December 2016 £m	Non-current assets **30 June 2017 £m**	30 June 2016 £m	Restated[2] 31 December 2016 £m
UK	**53.0**	33.4	88.9	**179.6**	185.6	183.3
Europe	**53.2**	27.1	82.3	**168.4**	163.0	181.4
North America	**930.2**	23.7	638.8	**2,322.9**	27.1	2,480.1
Other	**49.2**	20.5	79.3	**34.4**	28.1	36.4
Total	**1,085.6**	104.7	889.3	**2,705.3**	403.8	2,881.2

[1] Revenue is presented by destination.
[2] Restated to reflect the completion of the acquisition accounting for Nortek (note 8).

4. Reconciliation between profit and underlying profit

Underlying profit/(loss) is the alternative performance measure used by the Board to monitor the underlying trading performance of the Group. A reconciliation between the statutory profit/(loss) and underlying profit is shown below:

Continuing operations	Notes	**6 months ended 30 June 2017 £m**	6 months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Operating profit/(loss)		**57.9**	(9.5)	(61.6)
Restructuring costs	a	**25.1**	1.9	51.4
Acquisition and disposal costs	b	**1.7**	7.3	38.7
Amortisation of intangible assets	c	**41.5**	4.2	36.3
Removal of one-off uplift in value of inventory	d	**-**	-	18.2
Melrose equity-settled compensation scheme	e	**17.3**	2.0	22.8
Release of fair value provision	f	**(2.3)**	-	(1.7)
Total adjustments to operating profit/(loss)		**83.3**	15.4	165.7
Underlying operating profit		**141.2**	5.9	104.1

a. Restructuring costs in the six months ended 30 June 2017 primarily relate to early actions taken in certain Nortek businesses, the most significant costs relating to the closure of loss making operations in the Residential HVAC business and the removal of excess manufacturing capacity in the AQH business, both within the Air Management division.

   Restructuring costs in the year ended 31 December 2016 included £31.8 million relating to the closure of the Nortek head office and £13.5 million relating to the restructuring of certain Nortek businesses. Within the Brush business, £6.1 million was incurred to align the cost base with the reduced revenue.

   These items are excluded from underlying results due to their size and non-trading nature.

b. Acquisition and disposal related costs in the six months ended 30 June 2017 were £1.7 million and included the costs incurred related to the step up of the Company to the Premium List of the London Stock Exchange. The costs in 2016 primarily related to the acquisition of Nortek. These items are excluded from underlying results due to their non-trading nature.

c. The amortisation of intangible assets acquired in business combinations are excluded from underlying results due to their non-trading nature.

d. The one-off loss of profit effect of being required to uplift the value of inventory acquired in an acquisition to that close to its selling price was excluded from the year ended 31 December 2016 underlying results due to its size and non-recurring nature.

e. The charge for the Melrose incentive scheme, including its associated employer's tax charge, is excluded from underlying results due to its size and volatility.

f. During the period ended 30 June 2017 certain provisions, booked as fair value items on the acquisition of Nortek, have been settled for a more favourable amount than first anticipated. The release of any excess fair value provisions are excluded from underlying results. The release in the year ended 31 December 2016 related to the release of a fair value item recognised on the acquisition of FKI.

Continuing operations	**6 months ended 30 June 2017 £m**	6 months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Profit/(loss) before tax	**47.8**	(9.2)	(69.3)
Adjustments to operating profit/(loss) per above	**83.3**	15.4	165.7
Underlying profit before tax	**131.1**	6.2	96.4

Continuing operations	Notes	**6 months ended 30 June 2017 £m**	6 months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Profit/(loss) after tax		**38.2**	(8.8)	(39.0)
Adjustments to profit/(loss) before tax per above		**83.3**	15.4	165.7
Incremental deferred tax asset recognition on UK losses		**-**	-	(10.4)
Tax effect of adjustments to underlying profit before tax	5	**(26.2)**	(1.7)	(45.9)
Adjustments to profit/(loss) after tax		**57.1**	13.7	109.4
Underlying profit after tax		**95.3**	4.9	70.4

5. Tax

Continuing operations	**6 months ended 30 June 2017 £m**	6 months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Analysis of the charge/(credit) in the period:			
Current tax	**5.2**	(1.4)	3.0
Deferred tax	**4.4**	1.0	(33.3)
Total income tax charge/(credit)	**9.6**	(0.4)	(30.3)

The effective tax rate in respect of underlying profit before tax for the half year is 27% (period to 30 June 2016: 21%). The underlying tax charge has been calculated by applying the expected rate for the full year to the underlying profit before tax of £131.1 million (period to 30 June 2016: £6.2 million), giving an underlying tax charge of £35.8 million (period to 30 June 2016: £1.3 million).

The underlying tax charge of £35.8 million (period to 30 June 2016: £1.3 million) has been decreased by a deferred tax credit on intangible asset amortisation of £15.4 million (period to 30 June 2016: £0.8 million) and a tax credit on non-underlying costs of £10.8 million (period to 30 June 2016: £0.9 million) to give a total tax charge of £9.6 million (period to 30 June 2016: credit of £0.4 million).

In addition to the amount charged to the Income Statement, a charge of £1.2 million (period to 30 June 2016: £1.7 million) has been recognised directly in the Statement of Comprehensive Income. This represents a tax charge of £0.7 million (period to 30 June 2016: credit of £0.2 million) in respect of movements on cash flow hedges and a tax charge of £0.5 million (period to 30 June 2016: £1.9 million) in respect of the remeasurement of retirement benefit obligations.

6. Earnings per share

Earnings attributable to owners of the parent	**6 months ended 30 June 2017 £m**	6 months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Earnings for basis of earnings per share	**38.2**	(8.8)	(39.0)

	6 months ended 30 June 2017 Number	Restated[1] 6 months ended 30 June 2016 Number	Year ended 31 December 2016 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share (million) including the effect of the Rights Issue	**1,895.8**	1,439.0	1,499.3
Further shares for the purposes of diluted earnings per share (million) including the effect of the Rights Issue [2], [3]	**45.4**	98.4	89.8
Weighted average number of ordinary shares for the purposes of diluted earnings per share (million) including the effect of the Rights Issue	**1,941.2**	1,537.4	1,589.1

[1] On 24 August 2016, a 12 for 1, fully underwritten, Rights Issue was completed by Melrose Industries PLC and subsequently 1,741.6 million new ordinary shares were issued raising £1,654.5 million to part fund the acquisition of the Nortek Group. In accordance with IAS 33, an adjustment factor associated with the issue of the new share capital of 18.8491% has been applied to the number of ordinary shares in issue prior to 24 August 2016 (including comparative periods presented) for the purposes of earnings per share calculations.
[2] The results for 30 June 2016 and 31 December 2016 are a loss and therefore in accordance with IAS 33: "Earnings per share" there is no dilution. However, the dilutive number of shares for both periods are shown for illustrative purposes only.
[3] Relating to the 2012 Melrose incentive plan up to 31 May 2017 when 54.5 million shares were issued. No dilution currently exists in respect of the 2017 Melrose incentive plan.

On 1 June 2017 the number of ordinary shares in issue increased by 54.5 million following the crystallisation of the 2012 Melrose incentive plan which increased the number of ordinary shares in issue from 1,886.7 million to 1,941.2 million.

Earnings per share	**6 months ended 30 June 2017 pence**	6 months ended 30 June 2016 pence	Year ended 31 December 2016 pence
Basic earnings per share	**2.0**	(0.6)	(2.6)
Diluted earnings per share	**2.0**	(0.6)	(2.6)

Underlying earnings	Note	**6 months ended 30 June 2017 £m**	6 months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Underlying earnings for the basis of underlying earnings per share	4	**95.3**	4.9	70.4

Underlying earnings per share

	6 months ended 30 June 2017 pence	6 months ended 30 June 2016 pence	Year ended 31 December 2016 pence
Underlying basic earnings per share	**5.0**	0.3	4.7
Underlying diluted earnings per share	**4.9**	0.3	4.4

7. Dividends

	6 months ended 30 June 2017 £m	6 months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Final dividend for the year ended 31 December 2015 paid of 2.6p (0.5p)(1)	**-**	3.8	3.8
Interim dividend for the year ended 31 December 2016 of 1.4p (0.3p)(1)	**-**	-	2.0
Final dividend for the year ended 31 December 2016 of 1.9p	**35.8**	-	-
Total dividends paid	**35.8**	3.8	5.8

(1) Adjusted to include the effects of the August 2016 Rights Issue.

A 2017 interim dividend of 1.4p per ordinary share totalling £27.2 million was declared by the Board on 31 August 2017 and, in accordance with IAS 10: "Events after the reporting period", has not been included as a liability as at 30 June 2017.

8. Goodwill and other intangible assets

During the period, the Group has completed its review of the assets and liabilities acquired following the Nortek acquisition on 31 August 2016. As a result, the Group has recorded its final adjustments to the opening balance sheet of Nortek. In accordance with IFRS 3 "Business combinations" the Balance Sheet at 31 December 2016 has been restated to reflect this. These adjustments increase provisions by £3.4 million, deferred tax assets by £0.3 million and other payables by £1.8 million whilst reducing inventory by £1.2 million and deferred tax liabilities by £63.8 million. The corresponding adjustment is to decrease goodwill by £57.7 million.

Brush has experienced tough trading conditions for a number of years and over the summer it has become clear that market conditions have worsened further. As a result, a full impairment review was performed on the Brush goodwill and intangible assets at the interim date. Despite the headroom decreasing in the period from that shown at 31 December 2016, no impairment was identified at the interim date.

9. Provisions

	Surplus leasehold property costs £m	Environmental and legal costs £m	Warranty related costs £m	Product liability £m	Employee related £m	Other £m	Total £m
At 1 January 2017[1]	20.8	66.8	86.9	42.5	8.9	57.1	283.0
Utilised	(2.4)	(9.9)	(11.2)	(4.0)	(16.0)	(57.9)	(101.4)
Net charge to operating profit[2]	(1.7)	0.2	8.0	6.9	16.4	41.2	71.0
Transfer from accruals	-	1.3	0.3	-	-	-	1.6
Unwind of discount	0.1	-	-	-	-	0.6	0.7
Transfer to held for sale	-	(1.0)	(1.0)	-	-	(2.9)	(4.9)
Exchange differences	(0.7)	(2.2)	(3.6)	(2.0)	(0.6)	(1.2)	(10.3)
At 30 June 2017	**16.1**	**55.2**	**79.4**	**43.4**	**8.7**	**36.9**	**239.7**
Current	5.2	15.2	32.5	13.6	5.3	27.5	99.3
Non-current	10.9	40.0	46.9	29.8	3.4	9.4	140.4
	16.1	55.2	79.4	43.4	8.7	36.9	239.7

[1] Restated to reflect the completion of the acquisition accounting for Nortek (note 8).
[2] Includes £36.3 million of restructuring charges and other non-underlying items and £34.7 million charged through underlying operating profit.

The provision for surplus leasehold property costs represents the estimated net payments payable over the term of these leases together with any dilapidation costs. This is expected to result in cash expenditure over the next one to eight years.

Environmental and legal costs provisions relate to the estimated remediation costs of pollution, soil and groundwater contamination at certain sites and estimated future costs and settlements in relation to legal claims. Due to their nature, it is not possible to predict precisely when these provisions will be utilised.

The provision for warranty related costs represents the best estimate of the expenditure required to settle the Group's obligations, based on past experiences. Warranty terms are, on average, between one and five years.

The employee related provision relates to the estimated cost of the Group's health insurance and workers compensation plans. The product liability provision relates to the estimated cost of future product and general liabilities claims. Due to their nature it is not possible to predict precisely when these provisions will be utilised.

Other provisions relate to costs that will be incurred in respect of restructuring programmes, usually resulting in cash spend within one year. In addition other provisions include long-term incentive plans for divisional senior management and the employer tax on equity-settled incentive schemes which are expected to result in cash expenditure over the next three to five years.

Where appropriate, provisions have been discounted using a discount rate of 3% (31 December 2016: 3%).

10. Financial instruments

The table below sets out the Group's accounting classification of each category of financial assets and liabilities and their fair values as at 30 June 2017, 31 December 2016 and 30 June 2016:

	Current £m	Non-current £m	Total £m
30 June 2017			
Financial assets			
Cash and cash equivalents	40.9	-	40.9
Net trade receivables	328.6	-	328.6
Derivative financial assets:			
Foreign currency forward contracts	4.9	-	4.9
Interest rate swaps	-	6.7	6.7
Net assets held for sale	10.8	-	10.8
Financial liabilities			
Derivative financial liabilities:			
Foreign currency forward contracts	(0.4)	-	(0.4)
Interest-bearing loans and borrowings	(0.6)	(709.4)	(710.0)
Other financial liabilities	(388.3)	(2.2)	(390.5)
31 December 2016			
Financial assets			
Cash and cash equivalents	42.1	-	42.1
Net trade receivables	330.1	-	330.1
Derivative financial assets:			
Foreign currency forward contracts	3.8	5.2	9.0
Financial liabilities			
Derivative financial liabilities:			
Foreign currency forward contracts	(4.2)	-	(4.2)
Interest-bearing loans and borrowings	(0.5)	(583.1)	(583.6)
Other financial liabilities	(420.8)	(13.7)	(434.5)
30 June 2016			
Financial assets			
Cash and cash equivalents	51.4	-	51.4
Net trade receivables	49.1	-	49.1
Derivative financial assets:			
Foreign currency forward contracts	1.2	-	1.2
Financial liabilities			
Derivative financial liabilities:			
Foreign currency forward contracts	(2.4)	-	(2.4)
Other financial liabilities	(79.5)	-	(79.5)

The fair value of the derivative financial instruments is derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) and they are therefore categorised within level 2 of the fair value hierarchy set out in IFRS 13: "Fair value measurement". The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer to occur. There have been no transfers between levels in the period.

The Directors consider that the book value of net assets held for sale approximates to their fair value.

11. Notes to the Cash Flow Statement

Continuing operations	**6 months ended 30 June 2017 £m**	6 months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Reconciliation of underlying operating profit to cash generated from operations			
Underlying operating profit	**141.2**	5.9	104.1
Adjustments for:			
Depreciation of property, plant and equipment	**15.8**	4.1	15.9
Amortisation of computer software and development costs	**1.9**	0.3	2.2
Restructuring costs paid and movements in other provisions	**(42.4)**	(5.1)	(37.6)
Defined benefit pension contributions paid	**(2.3)**	(8.8)	(10.5)
(Increase)/decrease in inventories	**(23.3)**	(3.9)	15.0
(Increase)/decrease in receivables	**(14.8)**	6.7	22.5
Decrease in payables	**(9.9)**	(6.0)	(9.3)
Acquisition costs	**(2.9)**	(0.3)	(41.3)
Tax paid	**(9.4)**	(0.1)	(5.9)
Interest paid	**(5.8)**	(0.9)	(4.5)
Incentive scheme tax related payments	**(147.2)**	-	-
Net cash (used in)/from operating activities	**(99.1)**	(8.1)	50.6

Net debt reconciliation

	At 31 December 2016 £m	Cash flow £m	Other non-cash movements £m	Effect of foreign exchange £m	**At 30 June 2017 £m**
Cash	42.1	0.3	-	(1.5)	**40.9**
External debt	(582.0)	(156.2)	(1.1)	30.3	**(709.0)**
Finance leases	(1.6)	0.5	-	0.1	**(1.0)**
Net debt	(541.5)	(155.4)	(1.1)	28.9	**(669.1)**

12. Assets held for sale

On 10 August 2017 the disposal of the Best EMEA operations to Electrolux A.G. was completed. The Best EMEA operations were previously shown within the AQH business, within the Air Management division. At 30 June 2017 the assets and associated liabilities of the Best EMEA business were shown as held for sale in the Balance Sheet.