

Melrose PLC (“Melrose” or the “Group”)

Completion of the disposal of Dynacast and Proposed Return of Capital to Shareholders

Melrose is pleased to announce the completion of the disposal of its Dynacast division (“Dynacast” or the “Company”) for an enterprise value of £377million¹ (US\$607 million²) (the “Disposal”).

Following the Disposal and in line with its strategy of returning proceeds from significant disposals, the Board of Melrose intends to return approximately £373 million to shareholders (equivalent to 75 pence per existing ordinary share).

The proposed return will be via a redeemable share scheme, giving shareholders a choice as to how they receive their proceeds from the return of capital and the timing of such return (the “Proposals”). Associated with and conditional upon the return of capital to shareholders, there will be a one-off ordinary share capital consolidation in the ratio of 11 for 14.

Full details of the Proposals will be set out in a circular which is expected to be posted to shareholders on 22 July 2011. The proposed return of capital is expected to be completed in August 2011.

The Proposals require the approval of shareholders, which will be sought at a General Meeting expected to be held at the offices of Investec, 2 Gresham Street, London, EC2V 7QP at 10 a.m. on 8 August 2011.

During the six years of Melrose’s ownership from May 2005:

- The enterprise value of Dynacast has increased from £197 million to £377 million.
- The equity value in Dynacast has increased by four times.
- Nearly £1 billion in cash will have been generated from the original £429 million McKechnie and Dynacast acquisition.

After the proposed £373 million return of capital, Melrose shareholders will have a net equity investment of less than £50 million³ and in return will have an investment in a company with a market capitalisation of £1.4 billion⁴. Since 2003 Melrose management will therefore have delivered to shareholders equity value creation of well over £1 billion³.

The Dynacast transaction is a further validation of Melrose’s successful ‘buy, improve, sell’ track record. Together with the disposal of McKechnie Aerospace in 2007, the combined increase in value has resulted in an equity IRR of 34%. This increase in value has been delivered through operational improvement and investment. The underlying operating margins of McKechnie and Dynacast were more than 30% and 40% higher respectively at exit compared to those at entry.

The FKI acquisition is another demonstrable example of how Melrose has successfully restructured and improved businesses to create value for shareholders. The FKI acquisition has so far generated an equity value increase of over 2.5 times.

As highlighted at the recent capital markets event, Melrose considers that the current Group is extremely well-positioned for further strong growth in equity value over the years to come. The Oil & Gas, Energy and Mining end markets now make up over 50% of the current Group's revenue. The Board believes that there is further room to improve current performance as major investments are being made and efficiency improvements continue to materialise.

The following is an expected timetable of events related to the proposed return of capital to shareholders:

- | | <u>2011</u> |
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| • Posting of the circular | 22 July |
| • General Meeting | 8 August |
| • Despatch of cheques/bank accounts credited/CREST accounts credited | 22 August |

Further details on the expected timetable of events will be included in the circular to shareholders.

Christopher Miller, Chairman of Melrose, stated:

"We are delighted with the sale of Dynacast and are sure it will continue to prosper under its new owners. Our 'buy, improve and sell' strategy has resulted in shareholders' money in this investment increasing by four times through an improvement in the operational performance of the Company.

"A key part of our strategy is to return to shareholders, in cash, the value we realise and I am pleased to confirm we propose to do the same with Dynacast by giving back 75 pence per share.

"This means shareholders will be invested in Melrose for a net sum of less than £50 million but have a Group worth well over £1 billion.

"Given our strong end markets with over 50% of the Group's revenue being in Energy, Oil & Gas and Mining, we are confident that our Group is well positioned to continue to create superior shareholder value."

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Contacts:

M:Communications

Financial PR

Nick Miles/Ann-marie Wilkinson/Andrew Benbow

+44 (0)20 7920 2330

- ¹ Based on £1 = \$1.61 exchange rate
- ² Enterprise value of US\$607 million comprises consideration of US\$590 million in cash payable and the transfer of US\$17 million net pension liabilities. Dynacast pension schemes had assets of US\$13 million and liabilities of US\$30 million as at 31 December 2010
- ³ Taking account of all equity raised from shareholders less aggregated special returns of capital plus ordinary dividends (including the proposed £373 million return post disposal of Dynacast)
- ⁴ Based on market capitalisation of Melrose on 19 July 2011 less the proposed return of capital