

29 December 2015

MELROSE INDUSTRIES PLC

Completion of Elster disposal and Proposed Return of Capital of approximately £2.4 billion to Shareholders

Melrose Industries PLC (“Melrose”) is pleased to announce the completion of the £3.3 billion disposal of its Elster business to Honeywell International Inc. and the proposed return of approximately £2.4 billion in cash to shareholders, equivalent to 240 pence per ordinary share.

On 6 October 2015, in accordance with its strategy to return value to shareholders, Melrose announced its intention to return a large part of the net sale proceeds from the disposal to Shareholders soon after completion and to carry out an associated Share Capital Consolidation. All resolutions in relation to the Proposed Return of Capital were passed by Shareholders earlier this year and the Board considers it to be in the best interests of Shareholders to effect the Proposed Return of Capital and to carry out the Share Capital Consolidation. The aim of the Share Capital Consolidation is to ensure, so far as possible, the market price of an ordinary share remains approximately the same before and after the Proposed Return of Capital and to maintain comparability of historical and future per share data.

The balance of the net proceeds has been used largely to pay down existing borrowings.

Christopher Miller, Chairman of Melrose, commented:

“With this latest return of capital, Melrose will have given back to investors approximately £4.3 billion in cash since our first acquisition in 2005, which is an outstanding outcome for shareholders and a further demonstration of the success of the Melrose “buy, improve, sell” model. We are optimistic that a suitable acquisition will be identified to bring additional shareholder value and we look forward to inviting investors to participate in this next project in due course.”

Following the Proposed Return of Capital, Melrose will have, since flotation on AIM in 2003:

- raised approximately £2.0 billion from shareholders
- returned in cash approximately £4.3 billion to shareholders
- provided a total shareholder return of 502 per cent., which compares to 148 per cent. for the FTSE 350 index for the same period
- created net shareholder value of approximate £2.8 billion including shareholders existing investment in Melrose
- created in Melrose an investment vehicle with the track record and support to continue to implement its successful business model of “buy, improve and sell”

Further details on the Proposed Return of Capital

The Proposed Return of Capital will require two court hearings, but no further general meeting of the shareholders of Melrose. No further shareholder action is required in relation to the Proposed Return of Capital or the Share Capital Consolidation.

Under the Proposed Return of Capital and associated Share Capital Consolidation, Shareholders will receive one B Share with a value of 240 pence for every ordinary share held on the record date for entitlement to B Shares as set out in the expected timetable below. The B Shares will not be admitted to listing or dealing on any exchange. It is a condition of the issue of the B Shares that no share certificates will be issued with respect to such B Shares and no CREST accounts will be credited with such B Shares.

It is expected that Shareholders who are entitled to the B Share Entitlement will have such B Shares cancelled by the Court on 27 January 2016. Cheques representing the Nominal Value of the B Shares (240 pence) will be despatched or CREST accounts credited with the proceeds, as appropriate, in respect of such B shares on 5 February 2016 (or such other date as the Directors may determine).

The ordinary share capital will then be consolidated in order to reduce the number of issued ordinary shares to reflect the return to Shareholders. The Share Capital Consolidation will reduce the number of ordinary shares in Melrose which Shareholders own, but not the proportion (subject to allowance for fractional entitlements). The aim of this is to ensure, so far as possible, the market price of an ordinary share following the Share Capital Consolidation (the “**New Ordinary Shares**”) remains approximately the same before and after the Proposed Return of Capital and to maintain comparability of historical and future per share data.

Following the issue of B Shares after market close on 26 January 2016, existing Melrose ordinary shares (the “Existing Ordinary Shares”) will be temporarily suspended from trading on the London Stock Exchange to allow for the court hearing to approve the Proposed Return of Capital to take place on 27 January 2016. Following the Share Capital Consolidation, Melrose New Ordinary Shares will be admitted to listing on the official list maintained by the FCA (the “Official List”) and to trading on the main market for listed securities of the London Stock Exchange from 8.00 a.m. on 28 January 2016.

The ratio used for the Share Capital Consolidation will be set by reference to the closing middle-market price on the record date for entitlement to B Shares, expected to be 26 January 2016. Shareholders will continue to own approximately the same proportion of Melrose shares immediately after the Share Capital Consolidation as they did immediately before it, subject to allowance for fractional entitlements. Fractional entitlements shall be aggregated and sold in the market. The aggregate proceeds of sale of such fractional entitlements, net of commission, shall be donated by Melrose to charities chosen by the Board (or a duly appointed committee thereof). An announcement will be made on 26 January 2016 regarding the consolidation ratio.

New Ordinary Shares will be admitted to listing on the Official List and to trading on the main market for listed securities of the London Stock Exchange in the same way as Existing Ordinary Shares and will be equivalent in all material respects to Existing Ordinary Shares, including their dividend, voting and other rights. New Ordinary Share certificates will be issued to Shareholders who hold their Existing Ordinary Shares in certificated form following the Share Capital Consolidation.

Application will be made for the New Ordinary Shares to be admitted to the Official List and to trading on the main market for listed securities of the London Stock Exchange, with dealings expected to commence on 28 January 2016 (“**Admission**”). The Company will apply for the New Ordinary Shares to be admitted to CREST with effect from Admission so that general market transactions in the New Ordinary Shares may be settled within the CREST system. If Shareholders currently hold Existing Ordinary Shares in uncertificated form, the Existing Ordinary Shares under ISIN GB00BYRJP462 will be disabled by 4.30 p.m. on 26 January 2016 and on, or soon after, 8.00 a.m. on 28 January 2016 their CREST account will be credited with New Ordinary Shares under ISIN GB00BZ1G4322.

Following the Share Capital Consolidation, all dividend bank mandates and all existing evergreen or recurring instructions relating to the DRIP (including any recurring DRIP mandates received in paper or by electronic means via CREST) will operate in respect of the New Ordinary Shares. However, CREST shareholders should note that, although the DRIP will continue to apply to the New Ordinary Shares, the election may not be viewable in CREST following the Share Capital Consolidation. In order to view the election, CREST shareholders are advised to delete the current instruction and to submit a new instruction under the ISIN GB00BZ1G4322.

If Shareholders have any queries in relation to CREST, they may call the registrar’s shareholder helpline on 0371 384 2946 (from inside the United Kingdom) or +44 121 415 0851 (from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. (London time), Monday to Friday (excluding English and Welsh public holidays). Calls to the shareholder helpline from outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The shareholder helpline will remain open until 24 February 2016.

Unless otherwise defined in this announcement, defined terms used have the meaning given to them in the circular posted to shareholders on 6 October 2015.

Expected timetable of principal events:

2016

Latest time and date for dealings in ordinary shares cum-B Share entitlement and Existing Ordinary Shares disabled in CREST	4.30 p.m. on 26 January
Record date for entitlement to B Shares	5.00 p.m. on 26 January
B Shares issued	6.00 p.m. on 26 January

Temporary suspension of trading in Melrose shares	7.30 a.m. on 27 January
Court hearing to approve return of capital	10.30 a.m. on 27 January
Record date for Share Capital Consolidation	6.00 p.m. on 27 January
Share Capital Consolidation effective, commencement of dealings in New Ordinary Shares (ex-B Share entitlement) and enablement in CREST	8.00 a.m. on 28 January
Despatch of cheques or CREST accounts credited (as appropriate) in respect of the Proposed Return of Capital	5 February
Despatch of New Ordinary Share certificates	10 February

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