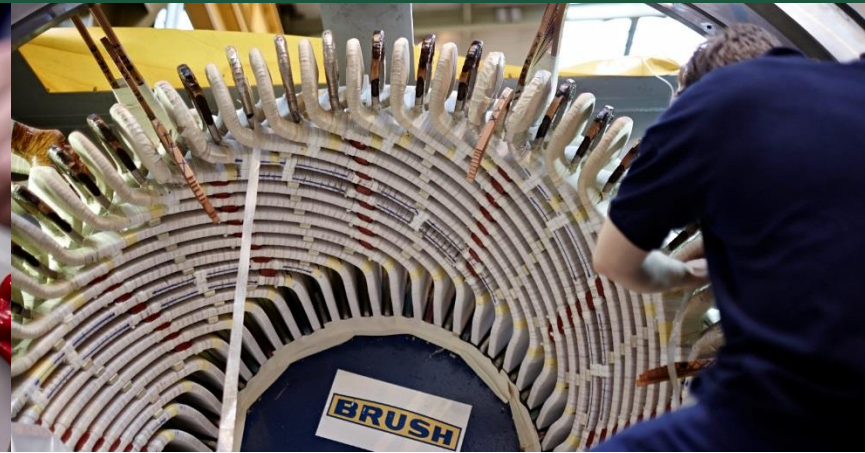




Buy
Improve
Sell

Melrose

Strictly private and confidential



Melrose Industries PLC

Full Year Results

Twelve months to 31 December 2013

March 2014

Contents

Sections

- 1 Highlights
- 2 Summary financial results
- 3 Summary of operating divisions
 - 4 Elster
 - 5 FKI
- 6 Questions
- 7 Appendices



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Highlights

Highlights¹ in 2013

- Group² revenue down 3%, headline³ operating profit up 20% (Elster +37%, FKI -6%)
- Elster² acquisition continuing to outperform expectations
 - Headline³ operating profit of £194.2 million, up by over one third on last year
 - Second half rate of growth similar to first half, despite a comparative that was already benefiting from Melrose actions
 - Headline³ operating margin of 17.4% (2012: 12.4%), further growth to come
 - Profit conversion to cash of 95%
 - All three sectors, Gas, Electricity and Water, have improved profitability
- Headline³ diluted earnings per share from continuing operations of 12.8p, 36% growth over 2012 proforma⁴ headline³ diluted EPS
- Net debt of £140.8 million, equal to 0.4x EBITDA⁵. Adjusting for the Return of Capital proforma net debt would have been £736.1 million, 2.3x EBITDA⁵
- Five FKI businesses sold during the year for combined proceeds of £950 million (a combined EBITDA⁵ multiple of 9.3x) representing a more than tripling of shareholder value during the period of ownership
- Shareholder payments
 - Return of Capital of c.£600 million (47.0p per share) post year end alongside an 11 for 13 share consolidation
 - Final proposed dividend of 5.0p per share (2012: 5.0p). Full year dividend increased by 2% to 7.75p per share (2012: 7.6p)
- Following the Return of Capital the net shareholder investment in Melrose is £0.5 billion against a market cap of £3.5 billion

1. Continuing businesses only and at constant currency unless otherwise stated
2. Assuming a full year's ownership of Elster in 2012
3. Before exceptional costs, exceptional income and intangible asset amortisation
4. Assumes a full year's ownership of Elster in 2012, allowing for the finance costs of the acquisition in the period Elster was not owned, using a consistent number of shares
5. Headline³ operating profit before depreciation and amortisation



Buy
Improve
Sell

Summary financial results

Income performance

Income Statement

2013 headline¹ growth²

£m	Group 2013	Growth ³	Elster	Growth ³	FKI	Growth
Revenue	1,732.8	-3%	1,116.3	-3%	616.5	-4%
Headline ¹ operating profit	274.9	+20%	194.2	+37%	107.2	-6%
Headline ¹ operating margin %	15.9%	+3.1ppts	17.4%	+5.0ppts	17.4%	-0.3ppts
Headline ¹ profit before tax	226.1					
Headline ¹ tax	(60.0)					
Headline ¹ profit after tax	166.1					
Headline ¹ diluted EPS	12.8p					
Proforma ⁴ headline ¹ diluted EPS growth	+36%					
Order intake ⁵	1,610.9		1,041.8		569.1	
Book to bill % ⁵	94%		95%		92%	

Highlights

- Growth³ assumes Elster was owned for the full year in 2012. It is considered the best measure of like for like performance

2013 statutory format

Continuing operations £m	Headline ¹	Other	Total
Revenue	1,732.8	-	1,732.8
Operating profit	274.9	(55.0)	219.9
Operating margin %	15.9%	n/a	12.7%
Profit before tax	226.1	(55.0)	171.1
Tax (charge)/credit	(60.0)	10.8	(49.2)
Profit after tax	166.1	(44.2)	121.9
Profit from discontinued operations ⁶	-	442.7	442.7
Profit for the year	166.1	398.5	564.6

2013 other non-headline¹ items

Continuing operations £m	Operating	Tax	Total
Intangible asset amortisation	(64.6)	22.6	(42.0)
Restructuring costs	(18.8)	3.1	(15.7)
Acquisition & disposal related activities	(0.5)	(1.6)	(2.1)
Fair value releases	28.9	(5.2)	23.7
Exceptional tax	-	(8.1)	(8.1)
Total other non-headline ¹ items	(55.0)	10.8	(44.2)

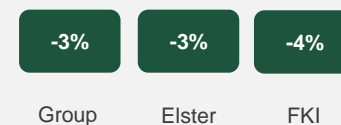
1. Before exceptional costs, exceptional income and intangible asset amortisation
2. At constant currency
3. Assuming a full year's ownership of Elster in 2012
4. Assumes a full year's ownership of Elster in 2012, allowing for the finance costs of the acquisition in the period Elster was not owned, using a consistent number of shares
5. Elster adjusted to exclude closed business units and significant one-off contracts
6. Includes gains of £400.7 million from disposals

Revenue growth

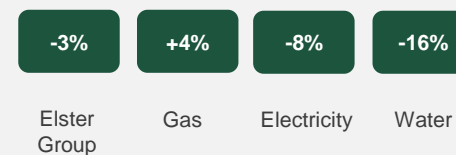
2013 headline¹ growth²

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Proforma ⁴ headline ¹ diluted EPS growth	+36%					
<i>Order intake⁵</i>	1,610.9		1,041.8		569.1	
<i>Book to bill %⁵</i>	94%		95%		92%	

Revenue growth² – by division³ year on year



Revenue growth² – Elster³ year on year



Highlights

- Group³ revenue down 3% at constant currency
- Revenue growth in the Elster Gas sector
- Water revenue down 16%, exited low margin business as planned

1. Before exceptional costs, exceptional income and intangible asset amortisation
2. At constant currency
3. Assuming a full year's ownership of Elster in 2012
4. Assumes a full year's ownership of Elster in 2012, allowing for the finance costs of the acquisition in the period Elster was not owned, using a consistent number of shares
5. Elster adjusted to exclude closed business units and significant one-off contracts

Headline¹ operating margin

2013 headline¹ growth²

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<i>Book to bill %⁵</i>	94%		95%		92%	

Headline¹ operating margin

15.9%

17.4%

17.4%

Group

Elster

FKI

Year on year growth³ in margin

+3ppts

+5ppts

flat

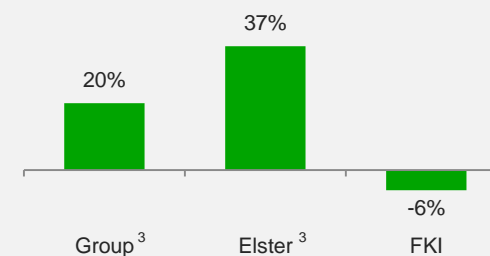
Group

Elster

FKI

Headline¹ operating profit

Year on year growth



Highlights

- Elster headline¹ operating margin now exceeding 17%
 - All three sectors in Elster have improved profitability
 - Elster³ headline¹ margin up 5 percentage points in first full year of ownership
- Despite a 4% reduction in revenue in the FKI businesses, operating margin remained broadly flat

- Before exceptional costs, exceptional income and intangible asset amortisation
- At constant currency
- Assuming a full year's ownership of Elster in 2012
- Assumes a full year's ownership of Elster in 2012, allowing for the finance costs of the acquisition in the period Elster was not owned, using a consistent number of shares
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Foreign exchange impact

2013 headline¹ growth²

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<i>Order intake⁵</i>	1,610.9		1,041.8		569.1	
<i>Book to bill %⁵</i>	94%		95%		92%	

10 cents strengthening impact on the Group

Headline¹ operating profit

£7.3m

US \$

£6.4m

Euro €

Headwind by currency

2.5%

US\$

1%

Euro

1.5%

Other currencies

5%

Group total

Highlights

- The Group's biggest currency exposure is to the US\$ and Euro exchange movements
- Further strengthening of Sterling in recent months has increased the translational headwind in 2014 to 5%

1. Before exceptional costs, exceptional income and intangible asset amortisation
2. At constant currency
3. Assuming a full year's ownership of Elster in 2012
4. Assumes a full year's ownership of Elster in 2012, allowing for the finance costs of the acquisition in the period Elster was not owned, using a consistent number of shares
5. Elster adjusted to exclude closed business units and significant one-off contracts

Order intake

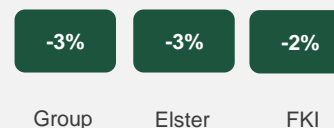
2013 headline¹ growth²

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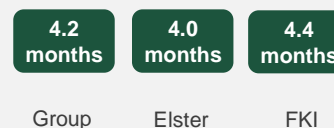
Order intake⁵ **1,610.9** **-3%** **1,041.8** **-3%** **569.1** **-2%**

Book to bill %⁵ 94% 95% 92%

Order intake growth² – year on year^{3 5}



Months of revenue in order book



Highlights

- Order intake remains moderate although good order coverage remains
- Over 4 months of revenue in order book at year end in both segments

- Before exceptional costs, exceptional income and intangible asset amortisation
- At constant currency
- Assuming a full year's ownership of Elster in 2012
- Assumes a full year's ownership of Elster in 2012, allowing for the finance costs of the acquisition in the period Elster was not owned, using a consistent number of shares
- Elster adjusted to exclude closed business units and significant one-off contracts



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Summary financial results

Cash performance

Profit conversion to cash and investment

Cash generated from trading (after all costs including tax)

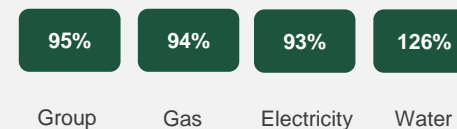
£m	Group 2013	Elster	FKI
Headline ¹ operating profit	274.9	194.2	107.2
Depreciation ²	40.7	26.6	13.4
Working capital movement	(13.5)	(10.3)	(3.3)
Headline¹ operating cash flow (pre capex)	302.1	210.5	117.3
Headline¹ EBITDA³ conversion to cash (pre capex) %	96%	95%	97%
Net capital expenditure	(44.6)	(18.8)	(25.1)
Headline¹ operating cash flow (post capex)	257.5	191.7	92.2
Net interest and net tax paid	(78.4)	(40.2)	(8.2)
Defined benefit pension contributions	(32.7)	(7.2)	(2.6)
Other (including restructuring & discontinued operations)	(37.1)	(73.0)	34.1
Cash generated from trading (after all costs including tax)	109.3	71.3	115.5

Highlights

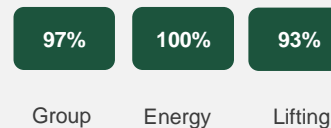
- Strong profit conversion to cash from both FKI and Elster
- Capital investment remains above depreciation with ongoing investment in Energy, in particular China. Elster investment phase to commence in 2014
- Melrose five year capital expenditure for all businesses tracking at 1.2x depreciation

2013 headline¹ profit conversion to cash

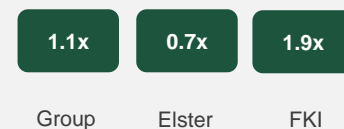
Elster



FKI



Net capital investment ratios in 2013 by segment





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Summary financial results

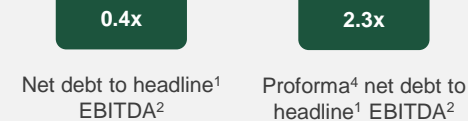
Balance Sheet

Balance Sheet – leverage³, pensions, working capital

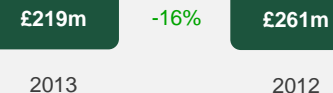
2013 Balance Sheet position

£m	31 Dec 2013	31 Dec 2012
Fixed assets, intangible assets and goodwill	2,853.2	3,367.6
Net working capital	126.9	217.0
Pensions and retirement benefits	(219.3)	(261.3)
Provisions	(177.8)	(287.2)
Deferred tax and current tax	(272.9)	(301.9)
Other	18.6	5.2
Net debt	(140.8)	(997.7)
Net assets	2,187.9	1,741.7

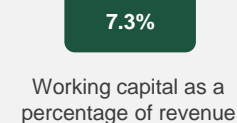
Leverage³



Pension deficit



Working capital



Highlights

- Year end leverage³ of 0.4x. Adjusting for the Return of Capital leverage³ would have been 2.3x
- Net deficit on DB pension plans has reduced by £42 million (16%)
- Working capital well controlled



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Summary of operating divisions

- Elster
- FKI



Elster

64% of Melrose¹



Gas

"Best-in-class products and solutions for measurement, regulation and the safe control and application of gases"

62% of Elster¹

40% of Melrose¹

www.elster.com/en/gas



Electricity

"Meeting the expanding needs of utilities by providing advanced metering products and services worldwide"

22% of Elster¹

14% of Melrose¹

www.elster.com/en/electricity



Water

"Metering and communication systems for water utilities and industries"

16% of Elster¹

10% of Melrose¹

www.elster.com/en/water

1. Based on 2013 revenue for all continuing businesses

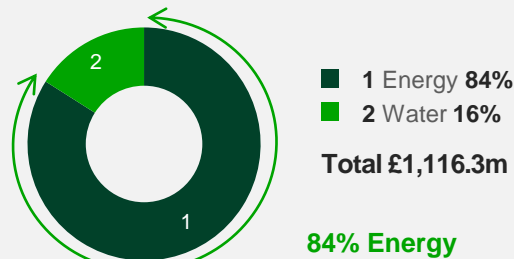
Elster – headline¹ results

£m	Elster ⁵		Gas		Electricity		Water	
	Full year 2013	Growth ^{3,4}	Full year 2013	Growth ^{3,4}	Full year 2013	Growth ^{3,4}	Full year 2013	Growth ^{3,4}
Revenue	1,116.3	-3%	688.9	+4%	247.5	-8%	179.9	-16%
Headline ¹ EBITDA ²	220.8	+29%	167.8	+10%	28.2	+18%	27.5	+116%
Headline ¹ EBITDA ² margin %	19.8%	+4.9ppts	24.4%	+1.4ppts	11.4%	+2.6ppts	15.3%	+9.3ppts
Headline ¹ operating profit	194.2	+37%	152.4	+11%	21.5	+41%	23.0	+218%
Headline ¹ operating margin %	17.4%	+5.0ppts	22.1%	+1.4ppts	8.7%	+3.0ppts	12.8%	+9.4ppts
Order intake ⁶	1,041.8	-3%	670.2	flat	218.5	-8%	153.1	-6%
Book to bill % ⁶	95%		97%		88%		98%	

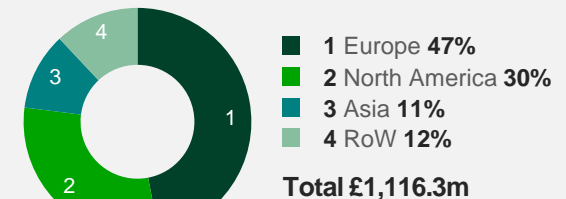
Highlights

- Operating profit⁴ up 37% and margin up 5 percentage points at constant currency
- 69% of the absolute profit growth achieved through the businesses and 31% through central cost savings
- Operational improvement projects returning efficiency gains in each of the businesses
- Water exited low margin sales and improved operating margins by 9.4 percentage points

Revenue by end market



Revenue by geographical destination



1. Before exceptional costs, exceptional income and intangible asset amortisation
2. Operating profit before depreciation and amortisation
3. At constant currency
4. Assuming a full year's ownership in 2012
5. Includes Elster central costs
6. Adjusted to exclude closed business units and significant one-off contracts



FKI

36% of Melrose¹



“World number one independent supplier of turbogenerators”

57% of FKI¹

21% of Melrose¹

www.brush.eu



“Global technology leaders in the manufacture of wire and wire rope”

43% of FKI¹

15% of Melrose¹

www.bridon.com

1. Based on 2013 revenue for all continuing businesses

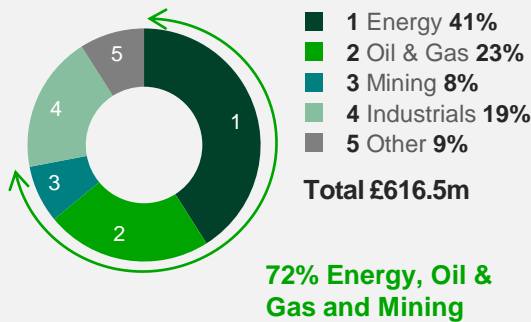
FKI – headline¹ results

£m	FKI		Brush		Bridon	
	Full year 2013	Growth ³	Full year 2013	Growth ³	Full year 2013	Growth ³
Revenue	616.5	-4%	350.1	-6%	266.4	-2%
Headline ¹ EBITDA ²	120.6	-3%	79.0	-5%	41.6	flat
Headline ¹ EBITDA ² margin %	19.6%	+0.2ppts	22.6%	+0.3ppts	15.6%	+0.3ppts
Headline ¹ operating profit	107.2	-6%	73.1	-6%	34.1	-5%
Headline ¹ operating margin %	17.4%	-0.3ppts	20.9%	flat	12.8%	-0.4ppts
Order intake	569.1	-2%	318.5	+2%	250.6	-7%
Book to bill %	92%		91%		94%	

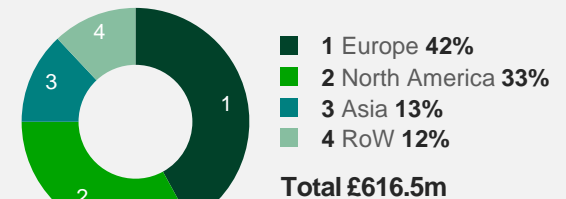
Highlights

- Revenues³ down on prior year but operating margins held flat year on year
- Book to bill of 92% compared to 90% in 2012

Revenue by end market



Revenue by geographical destination





Buy
Improve
Sell

Questions



Buy
Improve
Sell

Appendices

Balance Sheet – pensions and retirement benefits

2013 Balance Sheet position

£m	31 Dec 2013	31 Dec 2012
Fixed assets, intangible assets and goodwill	2,853.2	3,367.6
Net working capital	126.9	217.0
Pensions and retirement benefits	(219.3)	(261.3)
Provisions	(177.8)	(287.2)
Deferred tax and current tax	(272.9)	(301.9)
Other	18.6	5.2
Net debt	(140.8)	(997.7)
Net assets	2,187.9	1,741.7

DB pension plans – by region

£m	31 Dec 2013		
	Assets	Liabilities	Deficit
UK	862	(975)	(113)
Europe	1	(90)	(89)
US	205	(222)	(17)
Other	3	(3)	-
Total	1,071	(1,290)	(219)

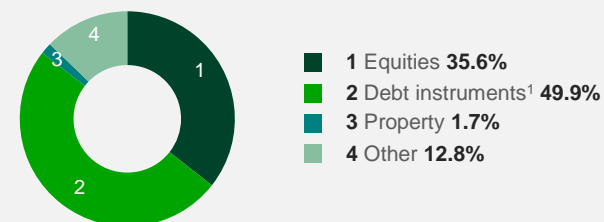
DB pension plans – by segment

£m	Annual cash payments	31 Dec 2013		
		Assets	Liabilities	Deficit
FKI and central	26	1,032	(1,149)	(117)
Elster	7	39	(141)	(102)
Total	33	1,071	(1,290)	(219)

Highlights

- Adoption of IAS19 (revised) has reduced profit before tax in 2013 by £7.9 million (2012: £4.8 million)
- FKI UK Plan demerged into three independent plans
- £42.0 million reduction in net deficit

Pensions – spread of investments



Exchange rates

	2013		2012	
	US Dollar	Euro	US Dollar	Euro
12 month average rates	1.56	1.18	1.59	1.23
Closing rates	1.66	1.20	1.62	1.23

On-going sensitivity of profit to translation and unhedged transaction exchange risk £m	Increase in headline ¹ operating profit
For every 10 cent strengthening of the US Dollar against Sterling	5.0
For every 10 cent strengthening of the Euro against Sterling	8.4

On-going sensitivity of profit to translation and full transaction exchange rate risk £m	Increase in headline ¹ operating profit
For every 10 cent strengthening of the US Dollar against Sterling	7.3
For every 10 cent strengthening of the Euro against Sterling	6.4

Discontinued businesses

Disposed businesses

Segment	Business	Proceeds (£m)	Revenue multiple	EBITDA ¹ multiple	Sold to	Date
Lifting	Crosby / Acco	632	2.5x	10.0x	KKR	Nov 2013
Energy	Marelli	177	1.5x	9.6x	Carlyle Group	Aug 2013
Other Industrial	Truth / Harris	141	1.1x	7.0x	Tyman PLC / Avis Industrial Corp	Jul 2013 / Dec 2013
Total		950	1.9x	9.3x		

- Combined sales have tripled the original equity investment
- Return of Capital c.£600 million (47.0p per share) in February 2014, alongside an 11 for 13 share consolidation
- £1.7 billion of cash generated from FKI trading and disposal proceeds so far. Brush and Bridon remain in the Group