



Buy
Improve
Sell

Melrose

Strictly private and confidential



Melrose PLC

Half Year Results Announcement

Six months to 30 June 2012

August 2012

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Highlights

Highlights in H1 2012

- Continued strong performance from the Group
 - Margin progression
 - Revenue, orders, headline profits all increased

- Final Dynacast/McKechnie business sold
 - c.£800 million of shareholder value from c.£240 million equity investment

- Elster transaction and Rights Issue successfully completed
 - Early days but see good opportunities

- Interim dividend maintained at 2.6p (2011: 2.6p) and paid on the enlarged share capital following the Rights Issue completed on 1 August 2012 after the period end



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Summary financial results



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Summary financial results

Income performance

Income Statement → further year on year growth

H1 2012 headline¹ growth

	H1 12	H1 11 ²	Reported growth	At constant currency
Revenue (£m)	564.6	516.6	+9%	+10%
Order intake (£m)	574.1	547.2	n/a	+5%
Headline ¹ operating profit (£m)	90.7	81.5	+11%	+13%
Headline ¹ operating margin	16.1%	15.8%	+0.3ppts	+0.5ppts
Headline ¹ profit before tax (£m)	81.9	70.7	+16%	+18%
Headline ¹ tax (£m)	(21.4)	(18.3)	+17%	+19%
Headline ¹ profit after tax (£m)	60.5	52.4	+15%	+17%
Proforma ³ headline ¹ diluted EPS – continuing Group including the effects of the Rights Issue	8.2p	7.1p	+15%	+17%
Proforma ³ headline ¹ diluted EPS – continuing Group excluding the effects of the Rights Issue	14.3p	12.4p	+15%	+17%

Highlights

- Stronger first half than in 2011 on headline¹ revenue, profit and margin
- Headline¹ operating margin continues to grow, now above 16%
- Exceptional costs, virtually all arising from Elster and refinancing, (£21.9m)
- The completion of the Rights Issue requires all EPS measures to be adjusted by a bonus factor⁴ of 57% to reflect the discount offered on Rights Issue shares

H1 2012 statutory format

Continuing operations	Headline ¹	Other	Total
Revenue (£m)	564.6	-	564.6
Operating profit/(loss) (£m)	90.7	(26.6)	64.1
Operating margin	16.1%	n/a	11.4%
Profit/(loss) before tax (£m)	81.9	(35.6)	46.3
Tax (£m)	(21.4)	8.4	(13.0)
Profit/(loss) after tax (£m)	60.5	(27.2)	33.3
Profit from discontinued operations (£m)	-	1.3	1.3
Profit/(loss) for the period (£m)	60.5	(25.9)	34.6

H1 2012 other non-headline¹ items

Continuing operations	Operating	Tax	Total
Intangible asset amortisation (£m)	(11.8)	6.2	(5.6)
Restructuring costs (£m)	(1.9)	-	(1.9)
Acquisition costs (£m)	(12.9)	-	(12.9)
Refinancing costs (£m)	(9.0)	2.2	(6.8)
Total other non-headline ¹ items (£m)	(35.6)	8.4	(27.2)

Revenue → growth in all divisions

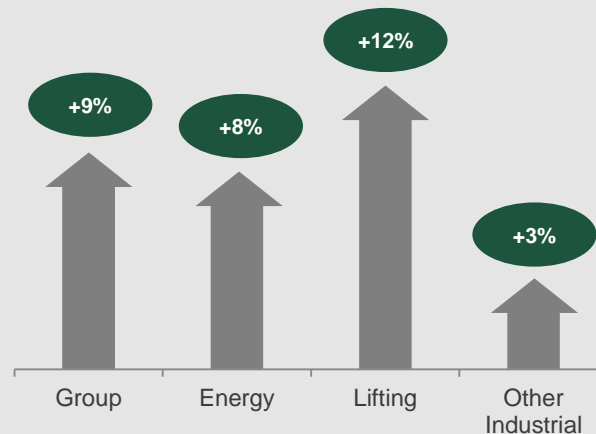
H1 2012 summary performance

	H1 12	Reported growth	At constant currency
Revenue (£m)	564.6	+9%	+10%
Order intake (£m)	574.1	<i>n/a</i>	+5%
Headline ¹ operating profit (£m)	90.7	+11%	+13%
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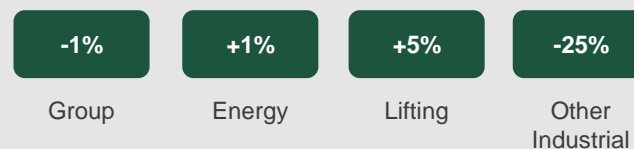
Highlights

- Constant currency revenue growth of 10%
- Lifting division shows the strongest revenue growth
- Other Industrial still 25% below previous peak revenue, US housing remains an opportunity

Revenue growth – year on year



Revenue (H1 2012) v previous peak (H2 2008)



Order intake → higher than revenue

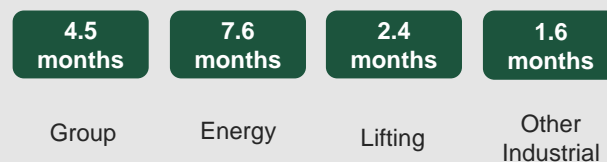
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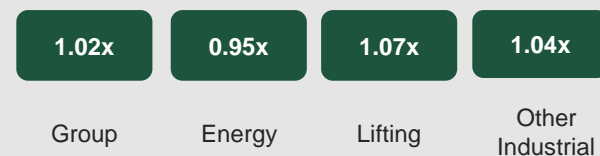
Highlights

- Order intake higher than revenue, Group book to bill ratio 1.02x for the first half
- Order book at the half year equal to more than four months revenue

Months of revenue in order book



Book to bill ratio H1 2012



Headline¹ operating margin → record first half margin

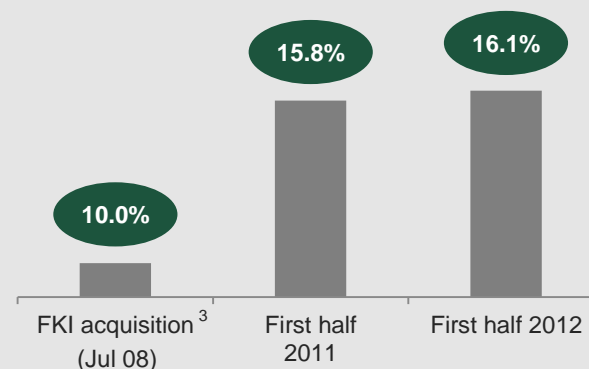
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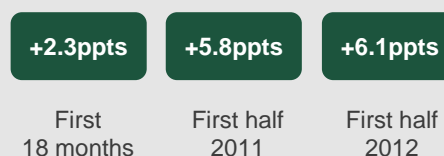
Highlights

- Continued year on year improvement, a record first half margin
- More operational improvement projects underway

Headline¹ operating margin



Growth in operating margin since FKI (cumulative)



Earnings per share (EPS) – a further increase year over year

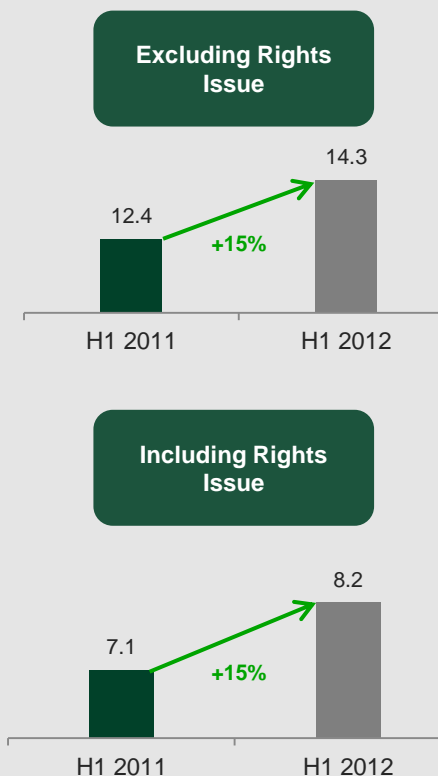
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Proforma³ headline¹ diluted EPS – continuing Group excluding the effects of the Rights Issue	14.3p	+15%	+17%

Highlights

- Proforma³ EPS growing by 15% - 17% (depending which proforma³ measure used)
- The completion of the Rights Issue requires all EPS measures to be adjusted by a bonus factor⁴ of 57% to reflect the discount offered on the Rights Issue shares

Proforma³ headline¹ EPS Diluted for LTIP²





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Summary financial results

Cash performance

Cash flow – marginally stronger cash conversion than H1 2011

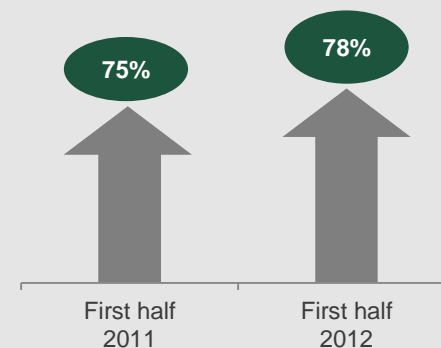
Cash generated from trading (after all costs including tax)

	H1 12 (£m)	H1 11 (£m)
Headline ¹ operating profit	90.7	81.5
Depreciation ²	11.2	11.4
Working capital movement	(22.1)	(23.0)
Headline¹ operating cash flow (pre capex)	79.8	69.9
Headline¹ EBITDA³ conversion to cash (pre capex) %	78%	75%
Net capital expenditure	(22.7)	(14.3)
Net interest and net tax paid	(29.2)	(18.8)
Defined benefit pension contributions	(18.3)	(13.1)
Other (including discontinued operations)	(19.6)	(13.2)
Cash flow from trading (after all costs including tax)	(10.0)	10.5

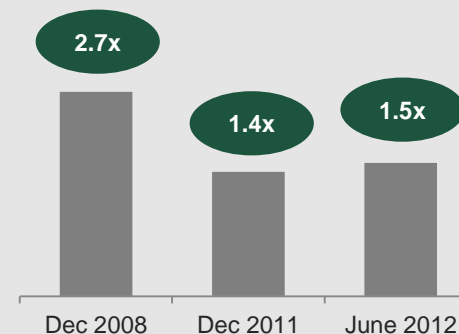
Highlights

- Working capital as a percentage of sales remains consistent with June 2011
- Reasonable performance for faster growing businesses
- Cash generation historically stronger in the second half
- Capex double depreciation, the investment phase continues

Headline¹ EBITDA³ conversion to cash (pre capex)



Leverage⁴ ratio remains low



● Leverage⁴

Investing in the future → capex equal to twice depreciation

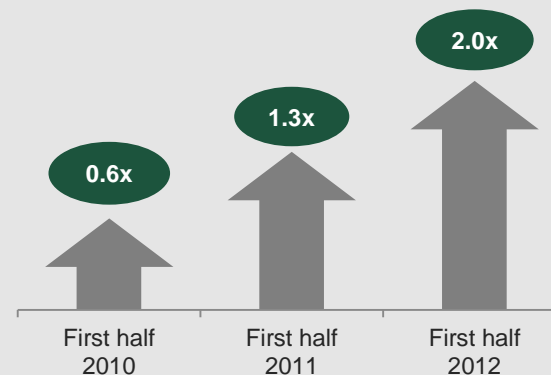
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Defined benefit pension contributions	(18.3)	(13.1)
Other (including discontinued operations)	(19.6)	(13.2)
Cash flow from trading (after all costs including tax)	(10.0)	10.5

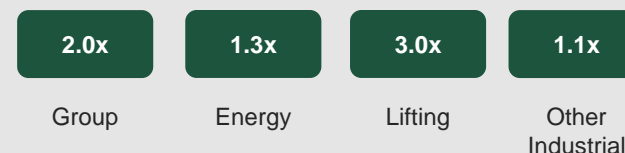
Highlights

- Melrose continuing the investment phase in FKI businesses
- Capital expenditure² to depreciation² ratios increasing
- Largest investment into the Lifting division, £20 million Neptune Quay facility on track and on budget for completion in H2 2012

Increasing investment ratios (capex to depreciation²)



Capital investment ratios in H1 2012 by division

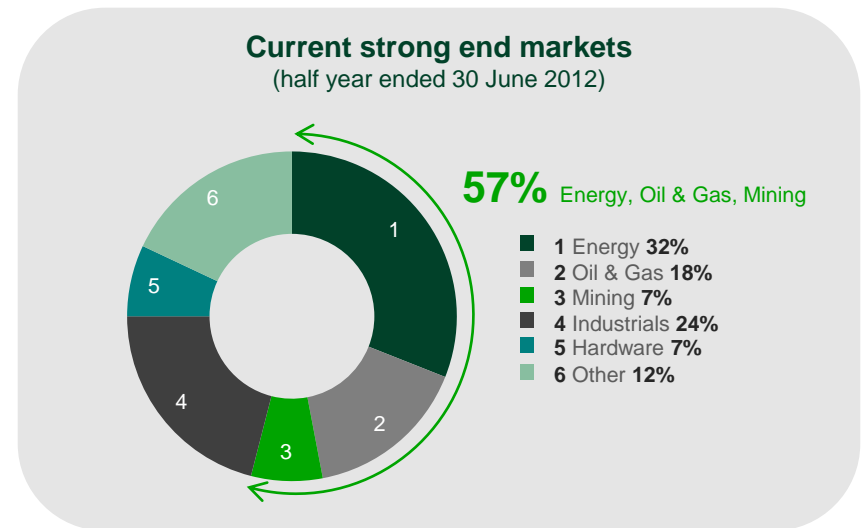




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Summary of operating divisions

- Energy
- Lifting
- Other Industrial





Energy

75% of
Energy

31% of
Melrose



www.brush.eu

"World number one independent supplier of turbogenerators"

25% of
Energy

10% of
Melrose



www.marellimotori.com

"Global manufacturer of electrical rotating machines, always a step ahead"

Energy division

BRUSH

75%

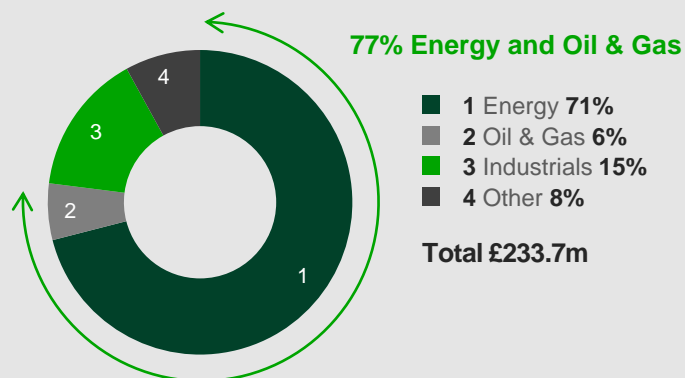
MarelliMotori

25%

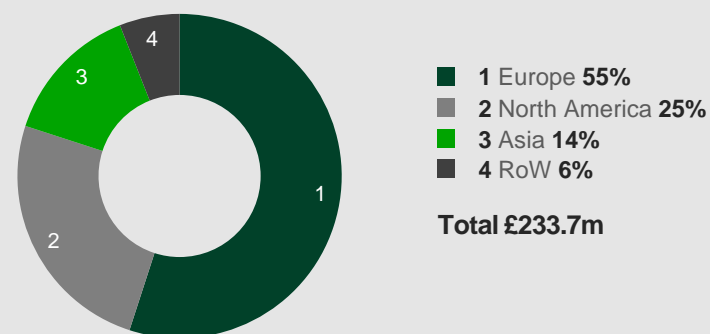
Energy – headline¹ results

(£m)	FY 2011	H1 2011	H1 2012	Year on year trend	At constant currency
Revenue	461.6	215.8	233.7	+8%	+11%
Order intake at constant currency	509.8	238.1	221.6	n/a	-7%
Headline ¹ EBITDA ²	99.0	45.7	47.3	+4%	+8%
Headline ¹ EBITDA ² margin	21.4%	21.2%	20.2%	-1.0ppts	-0.6ppts
Headline ¹ operating profit	91.1	41.7	43.3	+4%	+8%
Headline ¹ operating margin	19.7%	19.3%	18.5%	-0.8ppts	-0.5ppts

Revenue by end market – half year 2012



Revenue by geographical destination – half year 2012





Lifting

50% of
Lifting

24% of
Melrose

BRIDON

www.bridon.com

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

46% of
Lifting

22% of
Melrose

theCrosbygroup

www.thecrosbygroup.com

“World leading manufacturer of lifting products”

4% of
Lifting

2% of
Melrose

ACCO

www.accomhs.com

“Industry leader in material handling”

Lifting division

BRIDON

50%

theCrosbygroup

46%

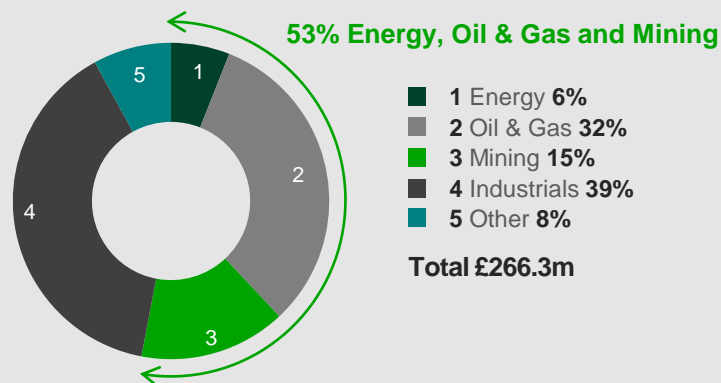
AGCO®

4%

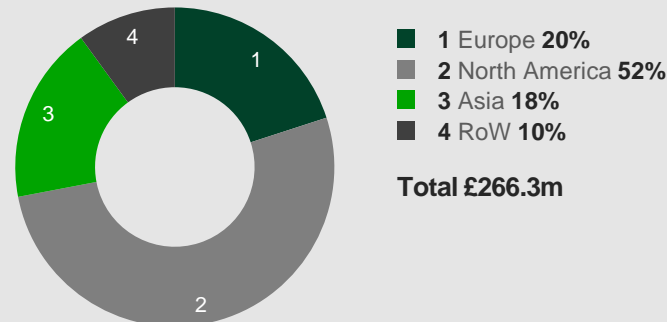
Lifting – headline¹ results

(£m)	FY 2011	H1 2011	H1 2012	Year on year trend	At constant currency
Revenue	484.4	237.9	266.3	+12%	+11%
Order intake at constant currency	505.1	243.2	285.5	n/a	+17%
Headline ¹ EBITDA ²	91.4	44.8	52.3	+17%	+16%
Headline ¹ EBITDA ² margin	18.9%	18.8%	19.6%	+0.8ppts	+0.9ppts
Headline ¹ operating profit	82.6	40.0	47.2	+18%	+17%
Headline ¹ operating margin	17.1%	16.8%	17.7%	+0.9ppts	+0.9ppts

Revenue by end market – half year 2012



Revenue by geographical destination – half year 2012





Other Industrial

61% of
Other
Industrial

7% of
Melrose



www.truth.com

“Industry leader in the design and manufacture of quality operating hardware”

34% of
Other
Industrial

4% of
Melrose



www.harrisequip.com

“World class leader in the manufacturing of ferrous processing equipment”

Other Industrial division



61%

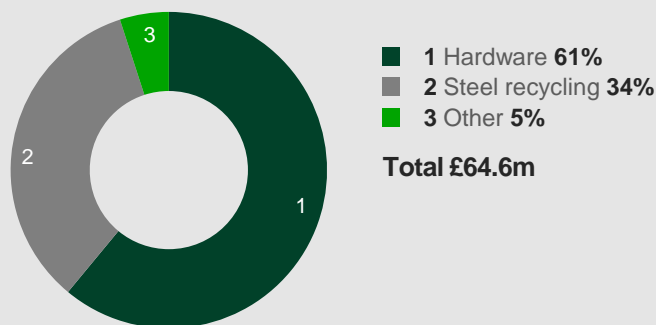


34%

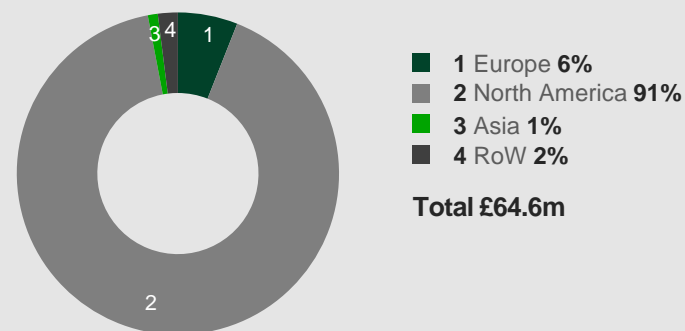
Other Industrial – headline¹ results

(£m)	FY 2011 ³	H1 2011 ⁴	H1 2012	Year on year trend	At constant currency
Revenue	134.4	62.9	64.6	+3%	+1%
Order intake at constant currency	130.6	65.9	67.0	n/a	+2%
Headline ¹ EBITDA ²	20.8	9.9	10.8	+9%	+7%
Headline ¹ EBITDA ² margin	15.5%	15.7%	16.7%	+1.0ppts	+1.0ppts
Headline ¹ operating profit	16.5	7.6	9.0	+18%	+15%
Headline ¹ operating margin	12.3%	12.1%	13.9%	+1.8ppts	+1.7ppts

Revenue by end market – half year 2012



Revenue by geographical destination – half year 2012





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Questions



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Appendices

Balance Sheet → stable but with a pensions deficit increase

H1 2012 Balance Sheet position

	Jun 2012 (£m)	Dec 2011 (£m)
Fixed assets, intangible assets and goodwill	1,087	1,121
Net working capital	158	145
Pensions and retirement benefits	(131)	(118)
Provisions	(109)	(121)
Deferred tax and current tax	(74)	(75)
Other	(8)	(14)
Net debt	(307)	(290)
Net assets	616	648

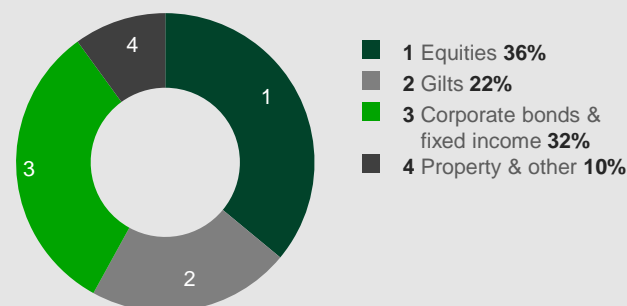
Highlights

- Most Balance Sheet items relatively stable since the year end
- Pension deficit increased due to a reduction in discount factor used on the FKI UK Plan (reduced from 4.9% at December 2011 to 4.5% in June 2012)
- Bridon Noble legal case now settled (post half year) in line with the provision of £25 million, net of insurance

Pensions – (UK and US DB schemes all closed)

	Annual cash ¹ payments (£m)	Assets (£m)	Liabilities (£m)	Deficit (£m)
UK	23.1	771	(863)	(92)
US	1.1	194	(226)	(32)
Other	0.7	6	(13)	(7)
Total	24.9	971	(1,102)	(131)

Pensions – spread of investments²



Net exceptional items

Net exceptional costs and intangible asset amortisation

Half year 2012 (£m)	Cash costs	Non cash costs	Total	Tax	Total net of tax
Restructuring costs	(1.9)	-	(1.9)	-	(1.9)
Acquisition costs	(12.9)	-	(12.9)	-	(12.9)
Refinancing costs	(9.0)	-	(9.0)	2.2	(6.8)
Total exceptional costs	(23.8)	-	(23.8)	2.2	(21.6)
Amortisation of intangible assets	-	(11.8)	(11.8)	6.2	(5.6)
Total exceptional (costs)/credits including amortisation of intangible assets net of tax	(23.8)	(11.8)	(35.6)	8.4	(27.2)

Exchange rates

	Half year 2012		Full year 2011		Half year 2011	
	US Dollar	Euro	US Dollar	Euro	US Dollar	Euro
Average rates	1.58	1.22	1.60	1.15	1.62	1.15
Closing rates	1.57	1.24	1.55	1.20	1.61	1.11

Disposal of businesses

Disposal of MPC

- Acquired as part of the McKechnie/Dynacast acquisition
- Sale proceeds of £30.7 million (5 x 2011 EBIT¹)
- £6 million cash contribution to McKechnie UK Pension Plan from sale proceeds
- Represents completion on Dynacast & McKechnie, buy, improve, sell process which has achieved an IRR of 34% and a return to shareholders of nearly £800 million