

August 2011

Strictly private and confidential



Half Year Results Announcement

Six months to 30 June 2011



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Highlights



Highlights – acquisition margins achieved, more to come

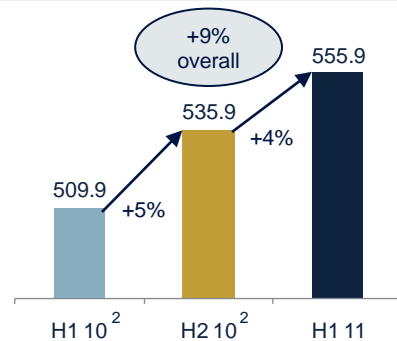
- Robust 9% revenue growth and strong order intake up 18% on last year
- Headline¹ profit before tax up 32% on last year
- Interim dividend 4.6p (2010: 4.0p), up 15%
- Exceeded original FKI acquisition target of 15% headline¹ operating margin
- Over 50% of turnover to Oil & Gas, Energy or Mining markets which have good growth dynamics
- Dynacast sold and capital returned after the half year
- Progress on investment phase which will produce good future returns
- Well positioned for H2 2011 and beyond

¹ Before exceptional costs, exceptional income and intangible asset amortisation

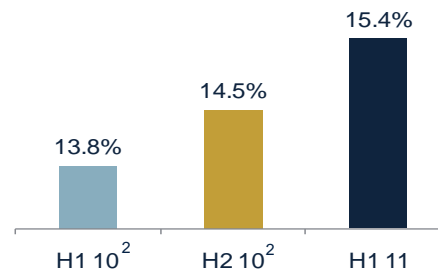
Highlights – strong revenue and headline¹ operating margin growth

Key highlights – continuing Group

Revenue (£m)



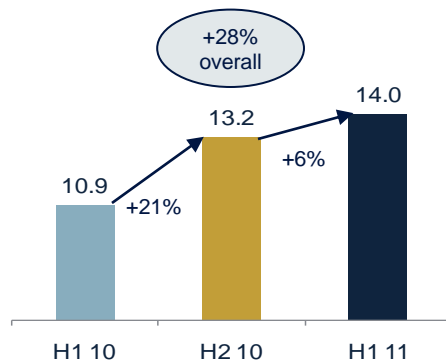
Headline¹ operating margin (%)



- Revenue increased by 9% in H1 2011 compared to twelve months ago
- Exceeded the FKI acquisition target of 15% headline¹ operating margin
- Pace of revenue growth continued at 4% - 5% half year on half year

Key highlights – continuing and discontinued Group

Headline¹ fully diluted EPS (p)



- Dynacast shown as discontinued at 30 June 2011. Return of capital and share consolidation not performed at that date, therefore full Group EPS is considered the best comparison
- Fully diluted by 29.3 million shares at 30 June 2011 for the Melrose 2009 Incentive Share Scheme
- Subsequent Dynacast disposal and return of capital have a net dilution factor of 6% on the 14.0p EPS (proforma 13.2p)

¹ Before exceptional costs, exceptional income and intangible asset amortisation

² Restated to include the results of Dynacast, Brush Traction, Logistex UK and Madico within discontinued operations

Summary financial results

Consolidated Income Statement

Income Statement – statutory format

	Restated ¹ 6 months ended 30 June 2010 (£m)	6 months ended 30 June 2011 (£m)
Revenue	509.9	555.9
Cost of sales	(356.2)	(391.5)
Net operating expenses – Headline ²	(83.4)	(78.7)
– Exceptional items and intangible asset amortisation	(16.4)	(11.8)
Operating profit	53.9	73.9
Net finance costs	(13.6)	(10.8)
Profit before tax	40.3	63.1
Tax – Headline ²	(16.2)	(19.4)
– Exceptional items and intangible asset amortisation	4.6	6.7
Profit for the period from continuing operations	28.7	50.4
Profit for the period from discontinued operations	14.8	6.2
Profit for the period	43.5	56.6

- Profit before tax of £63.1 million (2010: £40.3 million), up 57% compared to twelve months ago

¹ Restated to include the results of Dynacast, Brush Traction, Logistex UK and Madico within discontinued operations

² Before exceptional costs, exceptional income and intangible asset amortisation

Headline¹ profit before tax £74.9 million, up 32%

Income Statement – headline¹ results six months ended 30 June 2011 for continuing operations

	Headline ¹ results (£m)	Other ² (£m)	Total (£m)
Revenue	555.9	-	555.9
Operating profit/(loss)	85.7	(11.8)	73.9
Net finance costs	(10.8)	-	(10.8)
Profit/(loss) before tax	74.9	(11.8)	63.1
Tax	(19.4)	6.7	(12.7)
Profit/(loss) for the period after tax	55.5	(5.1)	50.4

- Headline¹ profit before tax of £74.9 million (2010: £56.7 million), up 32%

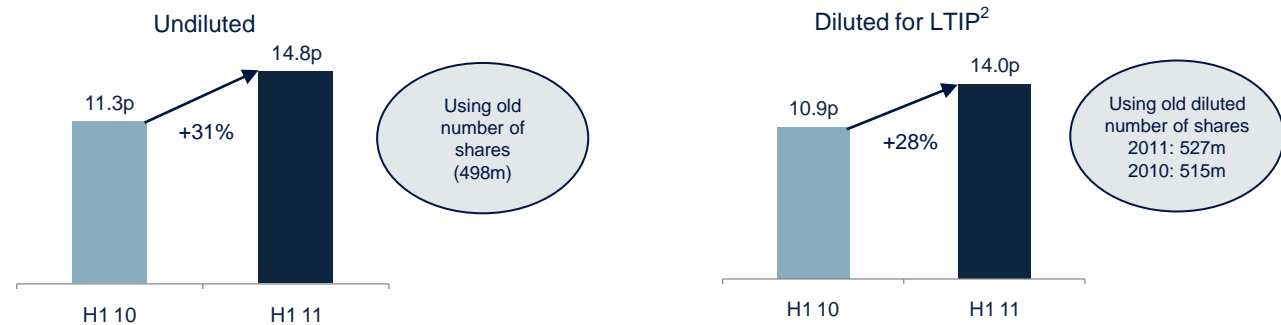
¹ Before exceptional costs, exceptional income and intangible asset amortisation

² Consists of intangible asset amortisation and tax relating to intangible asset amortisation

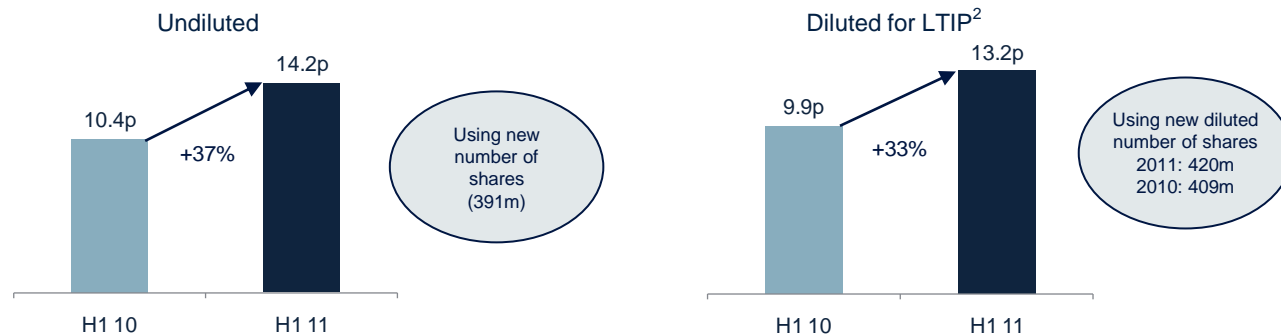
Headline¹ earnings per share (EPS); best half year measure up 28%

- The Dynacast sale, return of capital and share consolidation complicate EPS at the half year
- Dynacast is shown in discontinued results but return of capital and share consolidation had not happened

Full Group headline¹ EPS (continuing and discontinued) – best half year measure of performance



Proforma³ headline¹ EPS (continuing Group) – best forward looking performance



¹ Before exceptional costs, exceptional income and intangible asset amortisation

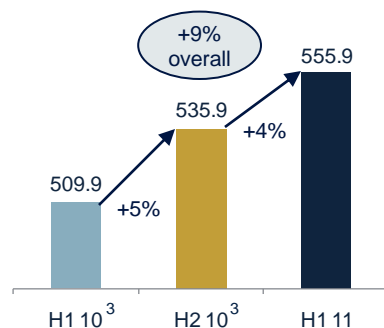
² Diluted for the impact of the ordinary shares that would be issued under the Melrose 2009 Incentive Share Scheme

³ Calculated using number of shares post return of capital

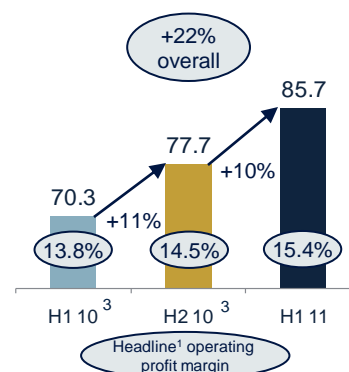
Revenue, headline¹ operating profit and leverage² all improve

Summary performance – half yearly trends

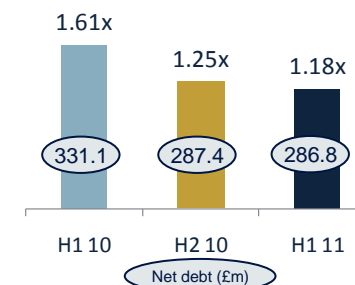
Revenue (£m)



Headline¹ operating profit (£m)



Leverage² and net debt



	H1 2010 ³	H2 2010 ³	H1 2011
Trading			
Revenue (£m)	509.9	535.9	555.9
Headline ¹ operating profit (£m)	70.3	77.7	85.7
Headline ¹ profit before tax (£m)	56.7	66.0	74.9
Headline ¹ operating profit as a % of revenue	13.8%	14.5%	15.4%
Net debt and leverage²			
Net debt (£m)	331.1	287.4	286.8
Net debt to headline ¹ EBITDA ⁴ (leverage ²)	1.61x	1.25x	1.18x

¹ Before exceptional costs, exceptional income and intangible asset amortisation

² Existing businesses at Balance Sheet date, calculated as net debt divided by headline¹ EBITDA⁴

³ Restated to include the results of Dynacast, Brush Traction, Logistex UK and Madico within discontinued operations

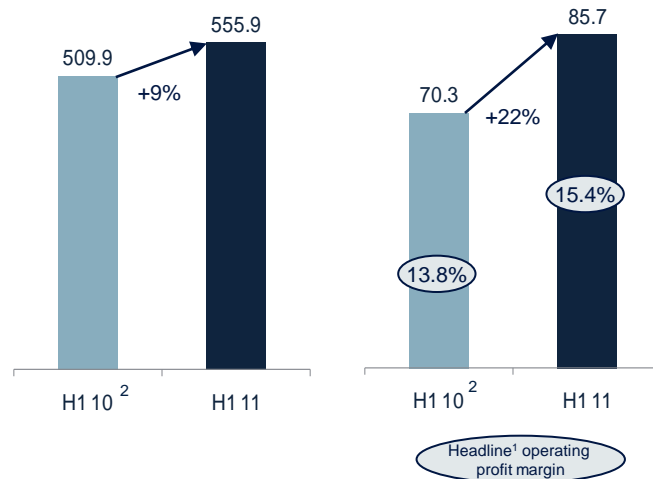
⁴ Operating profit before depreciation and amortisation

Comparison with twelve months ago – strong growth

Summary performance – comparison with twelve months ago (H1 2011 v H1 2010²)

Revenue (£m)

Headline¹ operating profit (£m)



- Revenue up 9% on H1 2010
- 1.6 percentage points improvement in headline¹ operating margin on twelve months ago
- Headline¹ operating profit increased by 22% on H1 2010
- Exchange rates have had little overall impact

	H1 2010 ²	H1 2011	Actual variance	Variance at constant exchange rates
Revenue (£m)	509.9	555.9	9%	11%
Headline ¹ operating profit (£m)	70.3	85.7	22%	23%
Headline ¹ profit before tax (£m)	56.7	74.9	32%	33%
Headline ¹ operating profit as a % of revenue	13.8%	15.4%	+1.6 percentage pts	+1.5 percentage pts

¹ Before exceptional costs, exceptional income and intangible asset amortisation

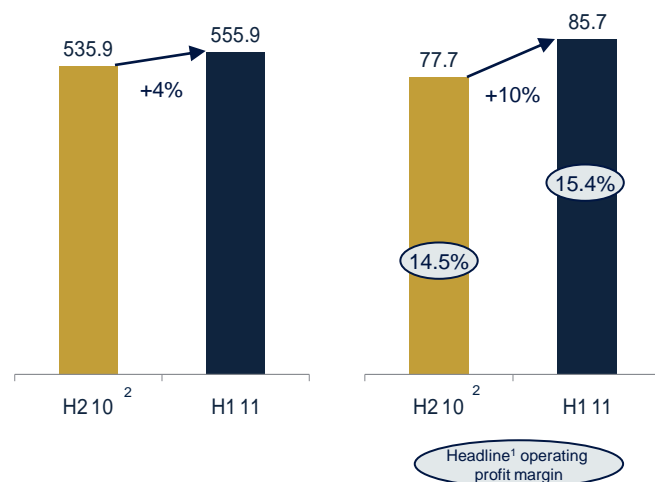
² Restated to include the results of Dynacast, Brush Traction, Logistex UK and Madico within discontinued operations

Comparison with six months ago – further growth

Summary performance – comparison with six months ago (H1 2011 v H2 2010²)

Revenue (£m)

Headline¹ operating profit (£m)



- Continuing revenue growth, 4% up compared to H2 2010
- Headline¹ operating margin improvement of 0.9 percentage points
- Exchange rates had little effect

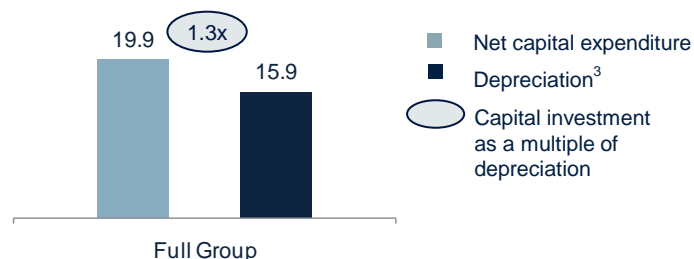
	H2 2010 ²	H1 2011	Actual variance	Variance at constant exchange rates
Revenue (£m)	535.9	555.9	4%	5%
Headline ¹ operating profit (£m)	77.7	85.7	10%	10%
Headline ¹ profit before tax (£m)	66.0	74.9	13%	12%
Headline ¹ operating profit as a % of revenue	14.5%	15.4%	+0.9 percentage pts	+0.7 percentage pts

¹ Before exceptional costs, exceptional income and intangible asset amortisation

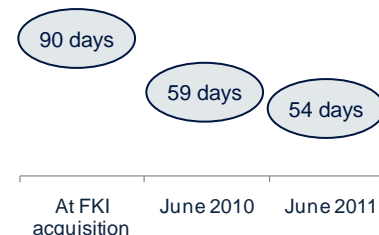
² Restated to include the results of Dynacast, Brush Traction, Logistex UK and Madico within discontinued operations

Working capital efficiencies sustained; leverage¹ lower

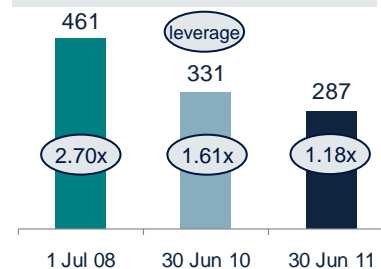
Increase in capital investment in six months to June 2011 (£m)



Net working capital days



Net debt (£m) and leverage¹



Cash generated from trading (after all costs including tax)

Including continuing and discontinued businesses	Last 6 months to June 2011 (£m)	Last 3 years (since FKI) (£m)
Headline ² operating profit	110.5	551.1
Depreciation ³	15.9	103.8
Working capital movement	(31.8)	119.6
Net capital expenditure	(19.9)	(100.7)
Headline² operating cash flow (post capex)	74.7	673.8
Headline² EBITDA⁴ conversion to cash % (pre capex)	75%	118%
Headline² operating profit conversion to cash % (post capex)	68%	122%
Net interest and net tax paid	(22.2)	(120.0)
Defined benefit pension contributions	(16.9)	(92.5)
Other (including restructuring costs)	(25.1)	(108.9)
Cash generated from trading (after all costs including tax)	10.5	352.4

¹ Existing businesses at Balance Sheet date, calculated as net debt divided by headline² EBITDA⁴

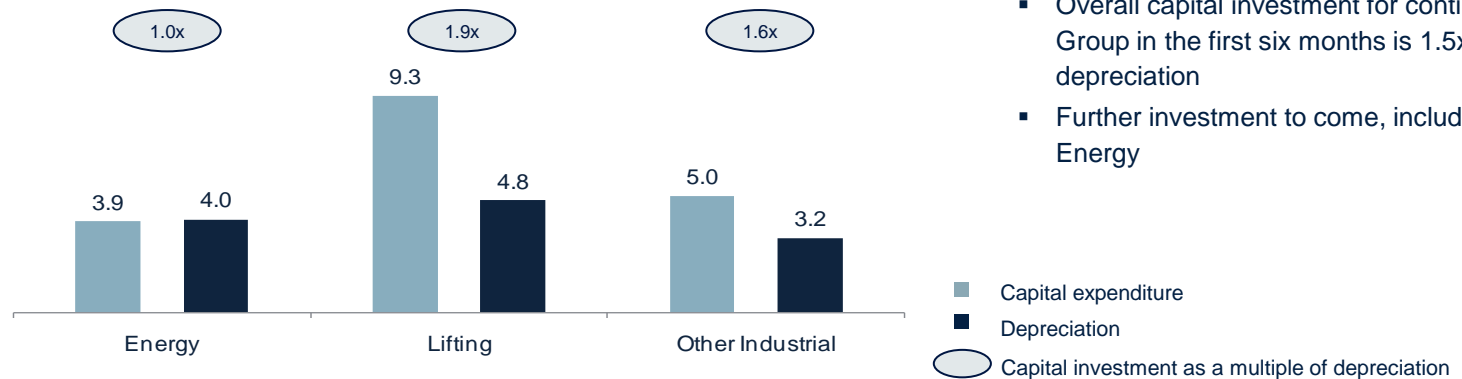
² Before exceptional costs, exceptional income and intangible asset amortisation

³ Includes computer software amortisation

⁴ Operating profit before depreciation and amortisation

Investment to drive growth

Melrose capital investment in six months to 30 June 2011 (£m)



- Overall capital investment for continuing Group in the first six months is 1.5x depreciation
- Further investment to come, including in Energy

Significant investment being made, expect capital spend to be in excess of depreciation

- Entering significant investment phase
- A number of investment projects have been identified to drive future growth

BRIDON

- New Bridon facility in Newcastle to produce next generation of ropes

the Crosby group

- International expansion into emerging markets

BRUSH TURBOGENERATORS

- New automation projects and aftermarket investment in Energy (not yet in the numbers above)

Pensions being managed - Group

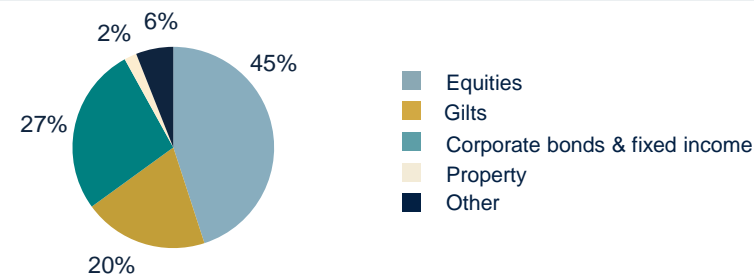
Pension, post retirement, life and medical benefits

	Status	Annual cash payments (£m)	30 June 2011		
			Asset (£m)	Liabilities (£m)	Deficit (£m)
FKI UK defined benefit plan	Closed in Feb 2011	18.5	558	(630)	(72)
McKechnie UK defined benefit plan	Closed	4.6	147	(142)	5
FKI US defined benefit plan	Closed with no inflation linking of liabilities	1.0	188	(207)	(19)
Other (incl medical)	Virtually all closed	0.8	6	(13)	(7)*
Total		24.9	899	(992)	(93)

* Gross of any deferred tax asset

- Net deficit is shown before netting off any deferred tax asset
- Actions in Melrose ownership have reduced the gross liabilities by £81 million (8%) and the deficit by £43 million (32%)
- FKI US defined benefit plan liabilities are not inflation linked so liabilities do not increase like UK

Total asset split – Group pension plans¹



¹ As at 31 December 2010

Actions taken

	Year		Year
Closed McKechnie UK defined benefit plan	2005	Sold Cleco defined benefit plan	2011
Closed FKI US defined benefit plan	2009	Sold Bridon exec defined benefit plan	2010
Closed FKI UK defined benefit plan	2011	Closed US post retirement medical plans	2009/10

Taxation – sustainable 26% headline¹ rate

Tax rates			
	H1 2010 ²	Full year 2010 ²	H1 2011
Headline ¹ tax rate on continuing operations	29%	28%	26%
Headline ¹ cash tax rate on continuing operations	19%	19%	4%

- The forecast full year headline¹ tax rate on continuing operations is 26%, unchanged from the headline¹ tax rate for the full Group in 2010
- The headline¹ cash tax rate on continuing businesses was low in the period at 4%. This is expected to increase in H2 2011
- Full year headline¹ cash tax rate expected to be in line with prior periods

¹ Before exceptional costs, exceptional income and intangible asset amortisation

² Restated to include the results of Dynacast, Brush Traction, Logistex UK and Madico within discontinued operations

Summary of operating divisions

- Energy
- Lifting
- Other Industrial

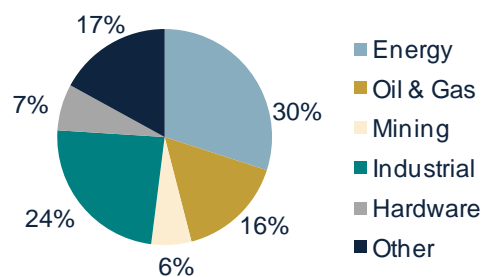
Strong end markets

Energy	Lifting	Other Industrial
Turbogenerators, Marelli, Switchgear	Bridon, Crosby, Acco	Truth, Harris, Weber Knapp, MPC

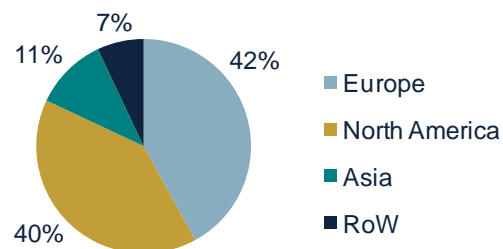
6 months to 30 June 2011

Revenue (£m)	215.8	237.9	102.2
Headline ¹ operating profit (£m)	41.7	40.0	11.8
Headline ¹ operating margin	19.3%	16.8%	11.5%
Percentage of Group headline¹ operating profit before central costs	44%	43%	13%

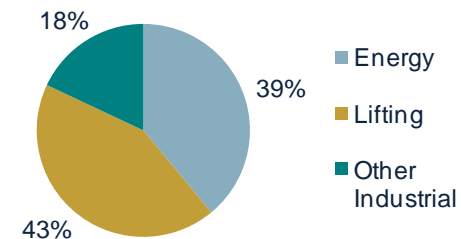
Revenue by end market



Revenue by geographical destination



Revenue by division



Energy, Oil & Gas and Mining 52%

¹ Before exceptional costs, exceptional income and intangible asset amortisation

| Energy

Energy — highlights

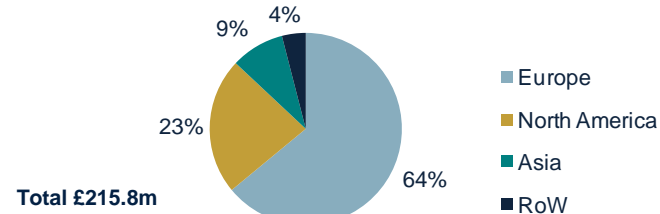
Energy – headline¹ results

(£m)	Full year 2010	H1 2010	H2 2010	H1 2011	Last 6 month trend	Year over year trend
Revenue	427.5	204.2	223.3	215.8	(3%)	6%
Headline ¹ EBITDA ²	81.7	37.9	43.8	45.7	4%	21%
Headline ¹ EBITDA ² margin	19.1%	18.6%	19.6%	21.2%	+1.6pps	+2.6pps
Headline ¹ operating profit	73.7	33.8	39.9	41.7	5%	23%
Headline ¹ operating margin	17.2%	16.6%	17.9%	19.3%	+1.4pps	+2.7pps

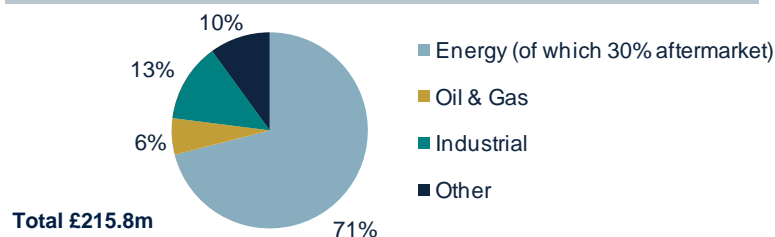
Key points – headline¹ results for H1 2011 v H1 2010

- Revenue up 6%
(5% at constant currency)
- Headline¹ operating profit up 23%
(21% at constant currency)
- Headline¹ operating margin up 2.7 percentage points
(2.6 percentage points at constant currency)

Revenue by geographical destination – half year 2011

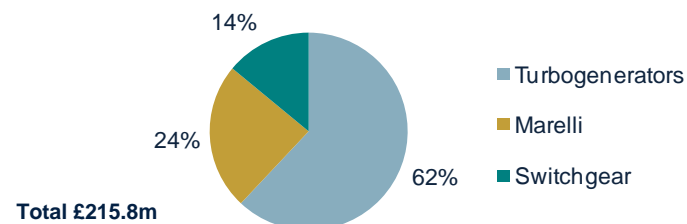


Revenue by end market – half year 2011



Energy, Oil & Gas and Mining 77%

Revenue by company – half year 2011



¹ Before exceptional costs, exceptional income and intangible asset amortisation

² Operating profit before depreciation and amortisation

Lifting

Lifting — highlights

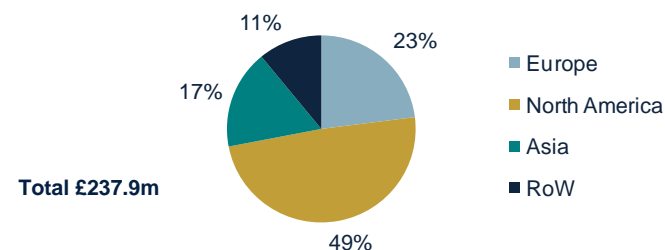
Lifting – headline¹ results

(£m)	Full year 2010	H1 2010	H2 2010	H1 2011	Last 6 month trend	Year over year trend
Revenue	422.7	212.2	210.5	237.9	13%	12%
Headline ¹ EBITDA ²	76.1	39.6	36.5	44.8	23%	13%
Headline ¹ EBITDA ² margin	18.0%	18.7%	17.3%	18.8%	+1.5pps	+0.1pps
Headline ¹ operating profit	66.7	34.7	32.0	40.0	25%	15%
Headline ¹ operating margin	15.8%	16.4%	15.2%	16.8%	+1.6pps	+0.4pps

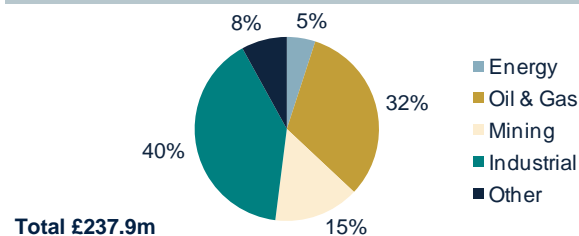
Key points – headline¹ results for H1 2011 v H1 2010

- Revenue up 12%
(15% at constant currency)
- Headline¹ operating profit up 15%
(18% at constant currency)
- Headline¹ operating margin up 0.4 percentage points
(0.4 percentage points at constant currency)

Revenue by geographical destination – half year 2011

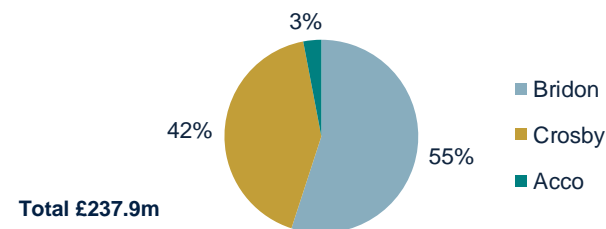


Revenue by end market – half year 2011



Energy, Oil & Gas and Mining 52%

Revenue by company – half year 2011



¹ Before exceptional costs, exceptional income and intangible asset amortisation

² Operating profit before depreciation and amortisation

 Other Industrial

Other Industrial — highlights

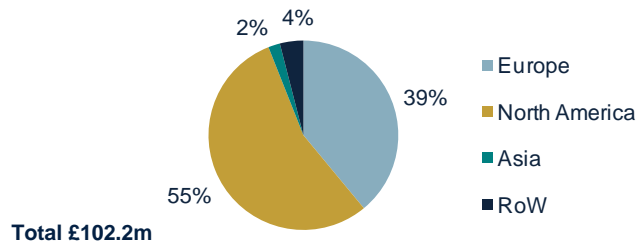
Other Industrial – headline¹ results

(£m)	Full year 2010 ²	H1 2010 ²	H2 2010 ²	H1 2011	Last 6 month trend	Year over year trend
Revenue	195.6	93.5	102.1	102.2	0%	9%
Headline ¹ EBITDA ³	29.1	14.9	14.2	15.0	6%	1%
Headline ¹ EBITDA ³ margin	14.9%	15.9%	13.9%	14.7%	+0.8pps	-1.2pps
Headline ¹ operating profit	22.8	11.5	11.3	11.8	4%	3%
Headline ¹ operating margin	11.7%	12.3%	11.1%	11.5%	+0.4pps	-0.8pps

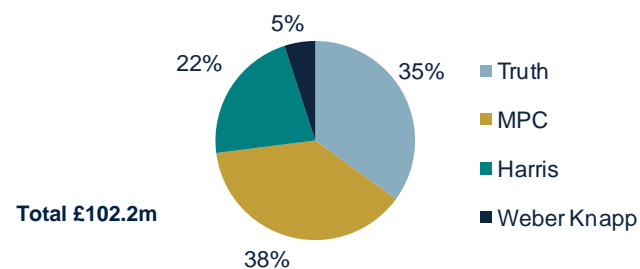
Key points – headline¹ results for H1 2011 v H1 2010²

- Revenue up 9% (14% at constant currency)
- Headline¹ operating profit up 3% (8% at constant currency)
- Headline¹ operating margin down 0.8 percentage points (0.6 percentage points at constant currency)

Revenue by geographical destination – half year 2011



Revenue by company – half year 2011



¹ Before exceptional costs, exceptional income and intangible asset amortisation

² Restated to include the results of Brush Traction, Logistex UK and Madico within discontinued operations

³ Operating profit before depreciation and amortisation

Conclusion



Conclusion

- Robust 9% revenue growth and strong order intake up 18% on last year
- Headline¹ profit before tax up 32% on last year
- Interim dividend 4.6p (2010: 4.0p), up 15%
- Exceeded original FKI acquisition target of 15% headline¹ operating margin
- Over 50% of turnover to Oil & Gas, Energy or Mining markets which have good growth dynamics
- Dynacast sold and capital returned after the half year
- Progress on investment phase which will produce good future returns
- Well positioned for H2 2011 and beyond

¹ Before exceptional costs, exceptional income and intangible asset amortisation

Questions

Appendices

Balance Sheet and related currency effect

Appendix 1

Balance Sheet			
	Dec 2010 (£m)	June 2011 (£m)	FX movement (£m)
Fixed assets, intangible assets and goodwill	1,435.3	1,143.3	3.3
Net working capital	115.9	145.3	1.3
Pension and retirement benefits	(119.6)	(93.4)	0.1
Provisions	(118.7)	(93.8)	0.6
Deferred tax and current tax	(134.3)	(139.7)	(0.3)
Derivative financial instruments	(8.3)	(3.7)	0.3
Net assets held for sale	-	255.9	-
Net debt	(287.4)	(286.8)	11.5
Net assets	882.9	927.1	16.8

- Dynacast net assets of £255.9 million now classified as held for sale
- Net assets of disposed businesses were £17.8 million

Exchange rates

Exchange rates						
	2010 (6 months)		2010 (12 months)		2011 (6 months)	
	US Dollar	Euro	US Dollar	Euro	US Dollar	Euro
Average rates	1.53	1.15	1.55	1.17	1.62	1.15
Closing rates	1.49	1.22	1.56	1.16	1.61	1.11

FKI investment performance

Appendix 3

Remaining invested capital in FKI

	(£m)
FKI acquisition price	970.4
Cash generated (after all costs including tax): - from trading	(270.9)
- from acquisitions and disposals	(57.4)
Remaining invested capital in FKI	642.1
12 month EBITDA ¹ of remaining FKI businesses	192.6
Multiple of EBITDA ¹	3.3x

- Invested capital in FKI now 3.3x EBITDA compared with 6.7x at acquisition

¹ Operating profit before depreciation and amortisation

Discontinued operations

Appendix 4

Income Statement – discontinued operations	
	6 months ended 30 June 2011 (£m)
Revenue	156.3
Operating costs	(131.5)
Headline¹ operating profit	24.8
Exceptional items (including intangible asset amortisation)	(13.9)
Net finance income	0.4
Profit before tax	11.3
Tax charge	(6.4)
Profit after tax	4.9
Cumulative translation difference recycled on disposals	0.7
Gain on disposal of net assets	0.6
Profit from discontinued operations	6.2

- Discontinued operations comprise Dynacast, Brush Traction, Logistex UK and Madico businesses
- Brush Traction, Logistex UK and Madico all disposed in first two months of the period for combined disposal proceeds of £18.4 million, net of costs
- Dynacast disposal completed after the half year on 20 July 2011 for £366.5 million
- Dynacast disposal proceeds equivalent to 8.5x 2010 headline¹ operating profit
- Brush Traction disposal included the sale of over £100 million of parent company guarantees
- Logistex UK disposal included the sale of £22 million of gross pension liabilities

¹ Before exceptional costs, exceptional income and intangible asset amortisation