Capital Markets Day - “Two Way Bet”
6 July 2011

Excellent ‘buy, improve, sell’ track record
→ Ready for the next one but will remain patient

Strong end market exposure
→ Now investing for growth
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### Agenda

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**Notes**

1. 2010 revenue post sale of Dynacast
# Introducing the team

## Melrose Executive team

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
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<tbody>
<tr>
<td>Christopher Miller</td>
<td>Executive Chairman</td>
</tr>
<tr>
<td>David Roper</td>
<td>Chief Executive</td>
</tr>
<tr>
<td>Simon Peckham</td>
<td>Chief Operating Officer</td>
</tr>
<tr>
<td>Geoffrey Martin</td>
<td>Group Finance Director</td>
</tr>
<tr>
<td>Jonathan Templeman</td>
<td>Chief Executive</td>
</tr>
<tr>
<td>Larry Postelwait</td>
<td>Chief Executive</td>
</tr>
<tr>
<td>Martyn Vaughan</td>
<td>Managing Director</td>
</tr>
</tbody>
</table>

## Business Chief Executives
Melrose
What is our strategy: ‘buy, improve, sell’

Buy
- We are opportunistic in our approach
- Buy good manufacturing businesses, underperforming their potential
  - Look for opportunity to grow value and margins
- Use public market leverage
- Melrose management are substantial equity investors

Improve
- Must be able to operationally improve
- Invest in the businesses (Melrose average capex in excess of dep’n)
- Change management focus (incentivise well)
- Agree strategy and targets / sign off investment
- Focus on operating cash generation

Sell
- Choose the right time to sell, 3 - 5 years but flexible
- Return value to shareholders from significant disposals
- Aim to double shareholder money on each acquisition in 3 - 5 years
  - McKechnie equity value increased 3x (in 2 years)
  - Dynacast equity value increased 4x (in 6 years)
  - FKI currently performing well – more to come
Our track record → for a shareholder

... even through a downturn

**Earnings and dividends per share¹**

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPS, p</td>
<td>16.1</td>
<td>16.6</td>
<td>25.4</td>
</tr>
<tr>
<td>DPS, p</td>
<td>7.0</td>
<td>7.7</td>
<td>11.0</td>
</tr>
</tbody>
</table>

- No decline in earnings or dividends in last global downturn cycle
- Earnings increased by 58% in two years
- Dividends increased by 57% in the same period

**Total shareholder return²**

- Compared to private equity
  - Lower leverage
  - Liquid investment

**Acquisition equity increase**

- McKechnie / Dynacast equity increase 3.2x (in 2 - 6 years)
- Based on market cap FKI currently over 2.5x (in 3 years)

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**Notes**

1. Headline⁵ EPS of continuing operations
2. Based on closing share price as of 15 June 2011, annual compound rate
3. Includes businesses disposed of in 2011, Logistex UK, Traction and Madico
4. Shares issued at £1.45 to buy FKI; Dynacast sale proceeds are excluded
5. Before exceptional costs, exceptional income and intangible asset amortisation

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**McKechnie / Dynacast**

- Acquired for (£200m debt and £244m equity) (£444m)
- Net cash realised during ownership (post tax) £157m
- Sold for £800m
- Net cash gain £513m
- IRR on equity, % 34%

**Total**

<p>| | |</p>
<table>
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<tbody>
<tr>
<td>Acquired for (£251m cash, £248m Melrose equity, £471m FKI debt) (6.7x EBITDA)</td>
<td>(£970m)</td>
</tr>
<tr>
<td>Cash realised from:</td>
<td></td>
</tr>
<tr>
<td>Trading (excl working capital)</td>
<td>£147m</td>
</tr>
<tr>
<td>Working capital reduction</td>
<td>£126m</td>
</tr>
<tr>
<td>Disposals</td>
<td>£54m²</td>
</tr>
<tr>
<td>Net purchase price not yet repaid (now 3.4x EBITDA)</td>
<td>(£643m)</td>
</tr>
</tbody>
</table>
Our track record → operational improvement

Revenue growth (compound) | Operating margin¹ improvement | Cash generation
---|---|---
| 6% | 18% | >120%
| 16% | 24% | +6pps
| 16% | +5pps
| 11% | +5pps
| 15% |

- Superior revenue growth of 16% p.a. achieved in McKechnie³
- Creditable 6% p.a. revenue growth achieved in Dynacast⁴ (incl recent downturn)
- Margins improved in all acquisitions
- Achieved through investment, changed management focus and better operational performance
- Cash generation a key focus
- Shows businesses are cash generative, well managed and profits are good “quality”

Notes
1. Headline operating margin before exceptional costs, exceptional income and intangible asset amortisation
2. Per last FKI results before Melrose acquisition, March 2008 (continuing operations)
4. Dynacast sales growth from 2006 until 2010
5. Before exceptional costs, exceptional income and intangible asset amortisation
6. From the start of Melrose in 2003
Current position: two way bet

1. Current businesses have strong markets and more operational improvement to come
   - End markets have strong growth prospects over the medium term
   - Energy, Oil & Gas and Mining make up half the Group’s end markets
   - Investment plans to support growth initiatives – just starting to happen

2. Ready for the next acquisition – will be patient and wait for the right one
   - Manufacturing business
   - Underperforming but with strong fundamentals
   - £300m to over £1bn in size
   - Europe / US headquartered
Group profile post Dynacast - 2010

Revenue by division

- Energy: 41%
- Lifting: 19%
- Other Industrial: 19%
- Total: 100%

Revenue by end markets

- Oil & Gas, Energy and Mining: 51%
- Energy: 21%
- Mining: 29%
- Industrial: 9%
- Hardware: 9%
- Other: 5%
- Total: 100%

Headline operating margin by division

- Energy: 17.2%
- Lifting: 15.8%
- Other Industrial: 11.7%
- Total: 45.3%

Total proforma¹: Revenue £1,046m

- Energy and Lifting account for:
  - 81% of revenue
  - 86%² of headline² operating profit
- Significant investment opportunities

- Direct exposure to higher growth markets
- Oil & Gas, Energy and Mining make up half the Group’s end markets
- Further room to improve
- Later cycle markets
- Underpinned by planned investments
- Continued efficiency improvements

Notes

1. 2010 results excluding Dynacast and three other smaller businesses sold (Brush Traction, Logistex UK and Madico)
2. Before exceptional costs, exceptional income and intangible asset amortisation
3. Pre Central corporate costs and Central LTIP charge
Investment for growth

Three current examples of investments being made:

**BRIDON**
- New facility bringing leading technological capabilities

**the Crosby group**
- Creating international platform

**BRUSH TURBOGENERATORS**
- Aftermarket – considerable margin and unexploited potential

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**Melrose average and expected investment (x depreciation)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Dep’n Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 2008</td>
<td>1.25x</td>
</tr>
<tr>
<td>2009 / 2010</td>
<td>0.80x</td>
</tr>
<tr>
<td>2011 / 2012</td>
<td>Expected to rise</td>
</tr>
</tbody>
</table>

- Melrose invests in business to drive growth (the average is in excess of depreciation)
- Not yet really invested in FKI (acquired mid 2008) so far 0.8x dep’n in 2009/2010
  - Held back investment in 2009
- Significant investment being made, expect ratio to rise
Bridon

Jonathan Templeman – Chief Executive

23% of Melrose’s 2010 revenue (post sale of Dynacast):
Products overview

Oil & Gas

- Specialist fibre and steel rope
  - Mooring, drilling, pipe laying and crane ropes for exploration, infrastructure build and production

Mining

- High quality steel wire ropes
  - Shaft mining, surface mining and cable-belt ropes

Crane and industrial

- High performance wire ropes
  - Construction (cranes) and general engineering / industrial applications

Structural applications

- High performance cable assemblies
  - Bridges and Buildings

Fishing industry

- High quality ropes
  - Trawl ropes and marine applications

International site services

- International site services
  - Repair and maintenance, installation and replacement services, inspection and testing, non-destructive examination (NDE), splicing
Locations overview

Global reach - 11 manufacturing and 12 distribution / sales locations worldwide

International Site Services
- Repair and maintenance
- Installation and replacement services
- Inspection and testing
- Non-destructive examination (NDE)
- Splicing

11 manufacturing locations
12 distribution/sales locations

Frigerio wire drawing machine
Rope coming off 460 machine in Germany

Big Hydra rope - Take up stand
Pre - form head on closer machine
Large closer machine
Galvanising
Revenue in 2010 4% below 2009 peak
More growth to come, however 2009 included unusually high sales in some sectors
Will benefit from a recovery in offshore Oil & Gas

Margin improvement made in Melrose ownership
Some lower margin sales in structures division now being exited
More cash generated than profits
Working capital levels reduced

Notes
1 Includes pre-Melrose ownership under different accounting policies
2 2008 includes £20m turnover, £2m operating profit regarding Bridon Tianjin – discontinued operation
3 Before exceptional costs, exceptional income and intangible asset amortisation
Sales by end market and geography

- Oil & Gas / Mining represent 45% of 2010 sales
Competitive position

Wire rope sector – c.1,800k tonnes¹

Served by sector

Served c.550k tonnes

Sector suppliers

- Oil & Gas
- Mining
- Industrial
- Structures
- Fishing

Key customers

¹ Sector estimates are internal estimates derived from operations management.
Medium term growth prospects

Strong, continued growth in the world’s oil & gas demand

World Demand

- Demand move from West to East
- Higher oil prices enable exploitation of more challenging reserves
- IEA forecasts annual oil demand growth 1.2% pa 2010-2030

Deepwater Demand

- Major offshore oil finds >2,000m
- Offshore production to grow from 33% to 35% by 2020 (Douglas-Westwood Consultants)
- Deepwater discoveries 50% of total discoveries 2006 – 2009 (specialist vessel market update to 2014)
- Deepwater share of offshore production forecast to increase to 12% in 2012 and rise rapidly in the following decade (Douglas-Westwood Consultants)
- Demand for specialist vessels growing
Medium term growth prospects

Increased global mining demand

Emerging Countries

- Metals demand in India is predicted to double in five years and remain robust for a decade (Bloomberg Analyst)
- Increase of consumption of steel per capita driving demand for coking coal and iron ore
- Global steel demand will be driven by infrastructure projects in China, US, Middle East and India

World Energy Demand¹

- Coal provides 42 percent of world electricity generation, share largely unchanged through 2035
- Electricity is the world's fastest-growing form of end-use energy consumption
- Net electricity generation worldwide rises by 2.3 percent per year on average to 2035, coal output will increase accordingly
- 2010 to 2030 total world coal production increase of 43%

¹ Source: Gurufocus.com

Steel consumption per capita (kg/year)

World market energy consumption, 1990-2035¹

# Key developments under Melrose ownership

<table>
<thead>
<tr>
<th>Culture change</th>
<th>Technology leadership</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Awaking the sleeping giant!</td>
<td>- Solutions</td>
</tr>
<tr>
<td>- Strategic direction and leadership</td>
<td>- Technical expertise</td>
</tr>
<tr>
<td>- Performance management system</td>
<td>- New product development – process, 3D design and FEA</td>
</tr>
<tr>
<td>- From “Blame” to “Game for”</td>
<td>- Engagement with customers and institutions</td>
</tr>
<tr>
<td>- Town Hall and comms for engagement</td>
<td>- New technology centre planned</td>
</tr>
<tr>
<td>- Changing and up skilling leadership team</td>
<td>- Upgrading quality systems</td>
</tr>
<tr>
<td>- Health &amp; Safety number 1</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Market orientation</th>
<th>Operational excellence</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Customer engagement at different levels</td>
<td>- Investing in neglected factories</td>
</tr>
<tr>
<td>- Key account management</td>
<td>- Upgrading quality systems</td>
</tr>
<tr>
<td>- Technical visits, seminars, training</td>
<td>- Lean continuous improvements</td>
</tr>
<tr>
<td>- Senior customer visit programme</td>
<td>- Mission directed work teams for engagement</td>
</tr>
<tr>
<td>- Revised services offering</td>
<td>- Bridon operating system</td>
</tr>
<tr>
<td>- Increased media and industry profile</td>
<td>- Waste and scrap reduction programmes</td>
</tr>
<tr>
<td></td>
<td>- Supply chain management project</td>
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</table>
Investment and growth phase

Key investment overview

- **Newcastle – new facility**
  - New manufacturing facility – c. £20m investment in 2011 and 2012
  - 9,000 tonnes of additional capacity
  - Will produce the next generation of ropes, the biggest and most capable in the world

- **Doncaster**
  - Investment in own wire mill in 2010 / 2011 – over £1m net annual cost savings
  - Greater vertical integration
  - Block Wire drawing machine in 2010 – 9,000 tonnes p.a. capacity increase (c. 14% of product line) and strengthened quality

- **Germany and Newcastle (Willington Quay)**
  - Upgrades and extensions – more than 1,000 tonnes of additional capacity

**£30m investment programme in 2010 - 2012**

- **New markets (e.g. Brazil) and opportunities**
Global technology leadership

Significant investment for the future: Project Neptune

Overview

- State-of-the-art manufacturing facility
- Leading rope technology
- Supporting ultra deep challenges
- World leading capacities
- Material development and innovation
- 600t rope weights
- Heavy lift transportation
- Logistical flexibility
- Installation expertise
- Deepwater portside location
- Bedrock quality
Global technology leadership

At the forefront of technology: technology centre

Overview

- Towards being the global technological leader
- Leading edge testing equipment
- Support to our new product development, leading to innovative products
Global technology leadership

11 new products launched in 2010, and strong pipeline

<table>
<thead>
<tr>
<th>New products</th>
<th>Future developments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Big T 8 Bristar Dragline Ropes</td>
<td>Mooring lines made with highly drawn polymer wires</td>
</tr>
<tr>
<td>Endurance Dyform 50DB</td>
<td>Stainless Steel Dyform Assembly</td>
</tr>
</tbody>
</table>

Stainless Steel Dyform Assembly
Concluding remarks

1. **Continued investment under Melrose’s ownership**
   - Investing in innovative new products that will deliver real benefits for our customers
   - Investing to create the world’s leading rope manufacturer
   - A pipeline of projects - new facility in Newcastle coming on-line next year

2. **Clear strategy: become the global technology leader for demanding rope applications**

3. **Exposure to sectors with strong growth potential**

4. **Focus on delivering solutions for our customers**
The Crosby Group

Larry Postelwait – Chief Executive

16% of Melrose’s 2010 revenue (post sale of Dynacast):
# Products Overview

## World Leading Manufacturer of Lifting Products

<table>
<thead>
<tr>
<th>Block and Sheave family</th>
<th>Energy products</th>
<th>Heavy lifts</th>
<th>Standard products</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1.png" alt="Block and Sheave" /></td>
<td><img src="image2.png" alt="Energy products" /></td>
<td><img src="image3.png" alt="Heavy lifts" /></td>
<td><img src="image4.png" alt="Standard products" /></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hardware family</th>
<th><img src="image5.png" alt="Hardware family" /></th>
</tr>
</thead>
</table>

Manufacturer of a complete line of lifting products, marketed through a worldwide group of specialty distributors and OEMs
Locations overview

Global reach with manufacturing facilities in Europe, North America and China

Approximate number of distributors

- Crosby USA: 1,190
- Crosby International: 80
- Crosby Europe: 1,070
- Crosby Canada: 98

- Newly opened facility in China
- Distribution network and training centre set up in Brazil
Revenue

- Revenue in 2010 11% below 2008 peak
- More growth to come given global demand prospects in Oil & Gas

Headline¹ operating profit growth (%)

- Operating margin recovered from 2009 downturn
- Room for further improvement

Cash conversion

- More cash generated than profits
- Strong track record of cash generation

Notes

¹ Before exceptional costs, exceptional income and intangible asset amortisation

Average headline¹ operating profit conversion to cash (post capex) in Melrose ownership

120%
Sales by end market and geography

Sales breakdown by end market, 2010¹

- Energy, Oil & Gas and Mining (61%)
- Industrial/Construction (11%)
- Mining (9%)
- Infrastructure (28%)

Sales breakdown by geography, 2010

- North America (65%)
- Latin America, Asia and Middle East (20%)
- Europe and Africa (15%)

Notes
1 Based on management internal estimates
### Competitive position

#### Sector share analysis

<table>
<thead>
<tr>
<th></th>
<th>Crosby NA</th>
<th>Crosby Europe</th>
<th>Crosby International</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sector size¹</strong></td>
<td>c. $380m</td>
<td>c. $280m</td>
<td>c. $190m</td>
</tr>
<tr>
<td><strong>Sector share¹</strong></td>
<td>43%</td>
<td>22%</td>
<td>18%</td>
</tr>
<tr>
<td><strong>Key customers</strong></td>
<td>Certex,</td>
<td>Certex,</td>
<td>KTL</td>
</tr>
<tr>
<td></td>
<td>HHI, Delta, Ackland</td>
<td>SIRTEF, Cosalt Offshore</td>
<td>Aqua Terra, Lam Hong, ProCarga, IPH</td>
</tr>
<tr>
<td><strong>Other suppliers</strong></td>
<td></td>
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</tr>
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</table>

*Source: The Crosby Group*

### Strong position in targeted geographies with quality customer base – international expansion

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**Note**

1. Sector estimates are internal estimates derived from operations management
Medium term growth prospects

Market sectors – Energy and Oil & Gas

Global Oil & Gas upstream capex outlook ($m)

Note

1. Sector estimates are internal estimates derived from operations management

Source: Deutsche Bank, Wood Mackenzie
Medium term growth prospects

**Market sectors – Mining, Construction and Industrial**

- Infrastructure: 11%
- General Construction: 18%
- Mining: 9%
- Engineering, Industrial, Auto, Fishing & Other: 10%
- Mining, Construction and Industrial (48%)

**Global mining capital and exploration expenditure ($bn)**

- 2010-15E CAGR of 14%

**Construction industry value ($bn)**

- 2010-15E CAGR of 3%

**Note**

1. Market sector estimates are internal estimates derived from operations management

**Source:** RBS, Metso, Metals Economics Group

**Source:** US BEA, BMI
Key developments under Melrose ownership

1. Provided the investment to grow the business

2. Targeted several emerging markets that will continue to expand our global scope

3. Expanded focus on emerging markets has supported the entry to new markets and driven the penetration of growing markets in China, Brazil, India and Sakhalin Island

4. Improved capital planning and approval process has allowed manufacturing to continue to expand capacity to match sales growth

5. Reorganisation of the sales force for international growth
Investment and growth phase

Capital investment greater than depreciation

2008 – 2010 Melrose invested

- $23.8 million dollars or an average of $8m/year

Under Melrose: Capex / Depreciation: 1.5x

$ (yearly average)

2008-2011

Degreciation  = Capital Spent

Comments

- Previously focused on the North America markets

In the last three years

- Investing into international platform
  - Target key growth markets in China and Brazil
  - Reorganised sales force in the US, Canada and Europe
- Growing customer and distributor relationships
- New products developed
International expansion

The Europe plan

Key strategic actions

- Reorganised outside sales similar to the US model
- Consolidated all inside sales into one location in Belgium with our new warehouse
- Currently rationalising manufacturing performed in all of Europe
- Opened a Block and Sheave centre in Belgium to shorten lead times

Crosby in Europe

Full manufacturing capabilities and clear strategy to develop sales
International expansion

The Brazil plan

Key strategic actions

- Identified as a key growth market
- Crosby products address what management believes to be expanding Brazilian offshore and ship-building markets
- Cooperation with IPH Brazil to rapidly grow market share
  - Provided a test machine for end-products
- Training centre established in Macae to support sales
  - Close to the oil fields
  - Plan to move warehouse as well in the long-term
- Grew sales from $0 million to current $3 million
  - Targets post 2012 established

Investment and strategic actions to penetrate further the Brazilian market
International expansion

The China plan

Key strategic actions

- Expand distribution network: GLE (mining), LV Yang (Offshore)
- Increased customer base with new OEM for Sheaves and Blocks
- New manufacturing capabilities with value added services (e.g. welding, cleaning)
- New technical sales to further penetrate the offshore oilfield market
- Grew sales from $0.3m in 2004 to $3.8m in 2010

Crosby in China

Hangzhou, China

Full manufacturing capabilities and clear strategy to develop sales
Concluding remarks

1. Present in attractive end markets with strong growth prospects

2. International expansion remains a key priority
   - A plan to grow global exposure with focused investment
   - Strategy paying off in Europe, Brazil, China, India and Sakhalin Island

3. Investment focus under Melrose’s ownership to grow revenue in positive end markets

4. Well positioned against its competitors gaining market share in US

5. Investing in new products to drive growth
BRUSH Turbogenerators

Martyn Vaughan – Managing Director

27% of Melrose’s 2010 revenue (Post sale of Dynacast):
Products overview

The world’s largest independent manufacturer of turbogenerators for the power generation industry

- **Products**
  - 2 and 4 pole air cooled turbogenerators
  - Hydrogen and combined cooled generators
  - Transformers

- **Applications**
  - Power stations
  - Combined cycle plants
  - Offshore platforms
  - FPSO
  - LNG terminals
  - Pipeline power supply
  - Distribution networks

- **Aftermarket**
  - Parts
  - Service

- **Note**
  1. Operations under BRUSH Transformers name, integrated into BRUSH Turbogenerators during 2010

- **Premium product**
- **Strong and respected brand with 120 year history**
- **Global player**
Locations overview

Manufacturing sites

Loughborough, UK
- 903 employees
- Established 120 years
- 2 Pole DAX 10-150 MVA generators
- 11/33/132 kV transformers
- Power/load management
- DAX Aftermarket

Ridderkerk, Netherlands
- 337 Employees
- Established 120 years
- Acquired in 2000
- 4 pole generators 15-60 MVA
- DG / All makes Aftermarket

Plzen, Czech Republic
- 955 employees
- Established 80 years
- Acquired in 2001
- 2 Pole generators
- Air cooled 60-200 MVA (DAX)
- Hydrogen cooled 200-375 MVA
- Hydrogen / water cooled 1,100 MVA
- Aftermarket

Over 4,000 generators installed worldwide

North America – 1,059
Central America - 180
South America - 241
Europe - 1,162
Africa - 278
Australasia/Asia - 687
Middle East - 556
Financial performance

Revenue

- Revenue still 4% below 2008 peak
- Recovery in 2010 and expected to grow further

Headline² operating profit growth (%)

- Continued margin improvement made under Melrose ownership
- Significant operational improvement

Cash conversion

- More cash generated than profits

Average headline² operating profit conversion to cash (post capex) in Melrose ownership

126%

Notes

1 Includes pre-Melrose ownership under different accounting policies
2 Before exceptional costs, exceptional income and intangible asset amortisation
Sales by end market and geography

Sales¹ breakdown by end market, 2010
- Base load power
- Peak lopping
- Combined heat/power plants
- Combined cycle plants
- Solar power plants

Sales² breakdown by installation, 2010
- Aftermarket: 30%

Notes
1. Excludes Transformers and Harrington Generators
2. Excludes Transformers, Harrington Generators and Aftermarket
Competitive position

Sector share, 2010

**All sectors > 20MW**

- Siemens, 27%
- BRUSH, 12%
- GE, 22%
- Shanghai, 8%
- BHEL, 6%
- Others, 25%

**Focus - Gas Turbine Sector 20 – 130MW**

- BRUSH, 51%
- Siemens, 14%
- GE, 29%
- Shanghai, 8%
- BHEL, 3%
- Nanjing, 1%
- Others, 2%

Key customers

<table>
<thead>
<tr>
<th></th>
<th>Gas turbine</th>
<th>Steam turbine</th>
</tr>
</thead>
<tbody>
<tr>
<td>GE Oil &amp; Gas</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Rolls-Royce</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>BRUSH</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Siemens</td>
<td>27%</td>
<td></td>
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<tr>
<td>BHEL</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>25%</td>
<td></td>
</tr>
</tbody>
</table>

**Note**

- The largest independent manufacturer of turbogenerators
- Sector share of >50% in gas turbines 20MW-130MW

Source: McCoy database, BRUSH database
Medium-term growth prospects

Emerging markets in need of new capacity...

The global power market

By technology

- Electricity demand is closely correlated to GDP growth
- Global GDP growth = 4.5% over next 5 years
- New OE equipment demand over next 5 years to stabilise at 264GW p.a.
- 23% of demand is replacement of life-expired equipment
- +32% on 2010 order levels over next 5 years
- Gas turbine sector is big winner, +75% over next 5 years

By region

- ...replacement capacity required in mature economies

Installed plant exceeding 40 years of age

Source: Credit Suisse research

Global power plant orders GW p.a. (excl hydro, wind & China coal) 1950-2015E

Source: Credit Suisse research
Key developments under Melrose ownership

Brush Turbogenerators – the first three years

Key developments

- Increased productivity
- Greater focus on Aftermarket
- Margin improvement
- Reduced lead times
- Extend current product range
- Cash generation
- Massive culture change

Productivity - sales and profit per employee

£295m £272m £282m

No. of employees
2898
2397
2335

2008 2009 2010

Increased productivity

- Starting from a low base
- Professional factory management
- Zero tolerance on reliance on overtime and hire/fire
- Make versus buy on non-core components
- Incentive system
- Lean as a strategy not just a tool
Focusing on Aftermarket

Growing the offering

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
<th>% of total generator sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>£55m</td>
<td>22%</td>
</tr>
<tr>
<td>2009</td>
<td>£61m</td>
<td>+10%</td>
</tr>
<tr>
<td>2010</td>
<td>£75m</td>
<td>+23%</td>
</tr>
</tbody>
</table>

Target to get to >30%

Strengths of BRUSH – Knowledge and product strong … but need investment

“Overall, its their professionalism and you know if BRUSH are doing a job it gets done.” – End User (Canada)

“They are technologically competent and the engineers they have are very experienced and competent with our machines.” – End User (UK)

“I like their product, it’s an excellent product. The people we have worked with have been excellent.” – End User (USA)

“They have knowledgeable engineers but very few of them.” – Prime Mover GE (USA)

“When they do provide aftermarket support they are very knowledgeable and helpful but they are scarce.” – Prime Mover PW (USA)

“If you can get the engineers on site they are the top of the line.” – End User (USA)

Performance

Responsive

Engineers

Knowledge

Professional
Focusing on Aftermarket

The strategy

Why?
- Exploit large Brush installed base and Brush brand
- 25 year average generator lifespan Aftermarket revenue potential
- Attractive gross margins
- End customer preference for OEM service
- Brush historically under-represented

How?
- New investment in people and capex being put in place
- Deep knowledge of market and customers
- Global reach and local presence
- Focused and integrated organisation to deliver
- GMS acquisition in US
Investment and growth phase

<table>
<thead>
<tr>
<th>Strategy</th>
<th>First 3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased productivity</td>
<td>+19%</td>
</tr>
<tr>
<td>- Sales / employee</td>
<td>+90%</td>
</tr>
<tr>
<td>- Profit / employee</td>
<td></td>
</tr>
<tr>
<td>Aftermarket sales</td>
<td>30%</td>
</tr>
<tr>
<td>- % of total sales</td>
<td></td>
</tr>
<tr>
<td>Reduced lead times</td>
<td>-15%</td>
</tr>
<tr>
<td>- Order to delivery</td>
<td></td>
</tr>
</tbody>
</table>

- Considerable investment opportunities in Aftermarket (e.g. GMS)
- Historically under invested facilities
  - Good productivity opportunities
  - Capacity increase
- Investment in technology with product range extension
Concluding remarks

1. Strong and respected brand with premium product
   - Supplying to over 130 markets worldwide

2. Good forecast market growth in next 5 years
   - Strong energy and oil & gas market exposure

3. Greater focus on Aftermarket
   - Installed fleet of 4,000+ generators
   - Significant investment opportunities

4. Strong productivity growth in the first 3 years – more of the same planned for the next 3 years
   - Growing profitability
   - Lean “as a way of life”
   - Reducing lead times even further

5. Extend current product range
Conclusion
“Two Way Bet”

- Excellent 'buy, improve, sell' track record
  → Ready for the next one but will remain patient

- Strong end market exposure
  → Now investing for growth
Q&A