

March 2010

Strictly private and confidential



Full Year Results Announcement

Twelve months to 31 December 2009



Contents

Sections

-
- 1 Highlights

 - 2 Summary financial results

 - 3 Summary of operating divisions
 - 4 Energy

 - 5 Lifting

 - 6 Dynacast

 - 7 Other Industrial

 - 8 Questions

 - 9 Appendix

Highlights

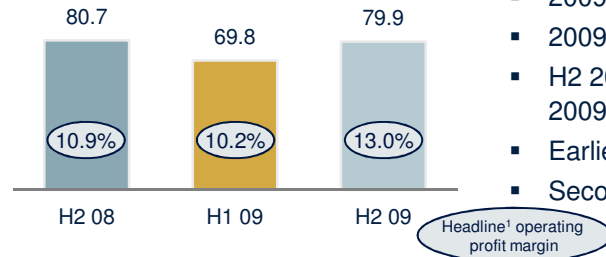


Highlights

- First full year of FKI exceeded expectations
 - High quality businesses
 - FKI presented significant opportunity to grow margins
 - Cash generation excellent - working capital rebasing achieved
 - Restructuring to date successful and investment opportunities to improve further
- Pre FKI Group performed equally well
 - Reacted very promptly to downturn
 - Strong performance at Dynacast and MPC in the circumstances
- 2010
 - Early days but some recovery
 - Key question is will it be sustained
 - Strong growth potential in existing businesses
 - Looking for an acquisition but only when time right
- Dividend
 - Committed to progressive policy
 - Group performance has given scope

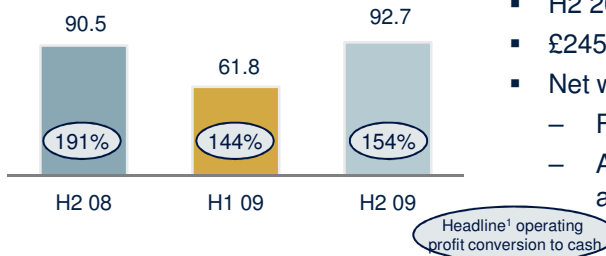
Highlights – margin growth and strong cash

Headline¹ operating profit (£m) - excellent progress in headline¹ operating margin (%)



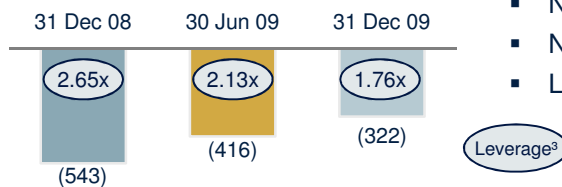
- 2009 headline¹ EPS at 16.6p (2008²: 16.1p)
- 2009 headline¹ profit margin increased to 13.0% in H2 2009
- H2 2009 headline¹ operating profit virtually back to H2 2008 levels (14% up on H1 2009)
- Earlier cycle business, Dynacast, Truth and MPC, started to recover faster
- Second interim dividend of 4.8p (full year 7.7p – 10% increase on 2008)

Strong cash generation after all costs including tax (£m)



- H2 2009 cash generation of £93 million, strongest period since FKI acquisition
- £245 million of cash generated from trading (post tax) since FKI acquisition
- Net working capital as a percentage of sales now below 9%
 - Fallen from 16% in FKI before acquisition
 - At constant exchange rates, reduced by £149 million (57%) from £263 million at acquisition to £114 million

Significant reduction in net debt (£m)



- Net debt position improved by £221 million (41%) in the year
- Net debt, at constant exchange rates, has halved since the FKI acquisition
- Leverage³ now at 1.76x compared with 2.70x at acquisition of FKI

¹ Before exceptional costs, exceptional income and intangible asset amortisation

² Restated to include Logistex Europe within discontinued operations

³ Existing businesses at balance sheet date

Summary financial results

First full year of FKI results

Income statement – statutory format

	Restated ² year ended 31 Dec 2008 (£m)	Year ended 31 Dec 2009 (£m)
Revenue	895.3	1,298.5
Cost of sales	(677.9)	(970.3)
Net operating expenses – Headline ¹	(120.8)	(178.5)
Net operating expenses – Exceptional items and intangible asset amortisation	(26.5)	(36.6)
Operating profit	70.1	113.1
Net finance cost		
– Headline ¹	(23.5)	(31.1)
– Exceptional	(23.1)	-
Profit before tax	23.5	82.0
Tax		
– Headline ¹	(21.8)	(36.1)
– Exceptional	11.7	8.8
Profit for the year from continuing operations	13.4	54.7
(Loss)/profit for the year from discontinued operations	(61.2)	24.6
(Loss)/profit for the year	(47.8)	79.3

- 2008 results only include six months of FKI

¹ Before exceptional costs, exceptional income and intangible asset amortisation

² Restated to include the results of Logistex Europe within discontinued operations

Headline¹ earnings per share 16.6p

Income statement – headline¹ results twelve months ended 31 December 2009

	Headline ¹ results (£m)	Other ² (£m)	Total (£m)
Revenue	1,298.5	-	1,298.5
Operating profit	149.7	(36.6)	113.1
Net finance costs	(31.1)	-	(31.1)
Profit before tax	118.6	(36.6)	82.0
Tax	(36.1)	8.8	(27.3)
Profit after tax	82.5	(27.8)	54.7
Profit from discontinued operations	-	24.6	24.6
Profit for the period	82.5	(3.2)	79.3
EPS	16.6p	(0.6p)	16.0p

- Headline¹ EPS of 16.6p (adjusted 2008 headline¹ EPS 16.1p³) up 3% on 2008
- Headline¹ profit before tax £118.6 million

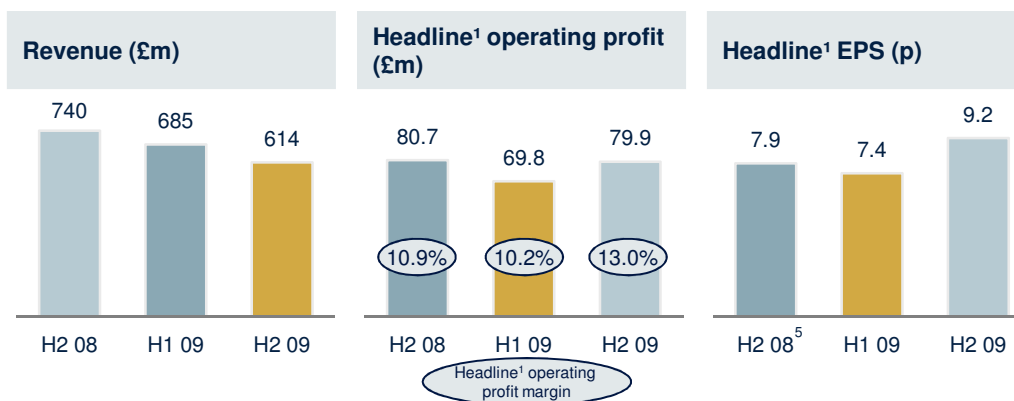
¹ Before exceptional costs, exceptional income and intangible asset amortisation

² Consists of exceptional costs, exceptional income, intangible asset amortisation and results from discontinued operations

³ Restated to include the results of Logistex Europe with discontinued operations

Improving margin trends and EPS growth

Summary performance – half yearly trend



- H2 2009 headline¹ operating profit recovered to almost H2 2008 level. (14% up on H1 2009)
- Headline¹ EPS increased due to improved headline operating margin and lower finance costs due to strong cash generation
- Revenue H2 2009 vs H1 2009
 - Dynacast up 18%
 - Other Industrial down 1%
 - Lifting down 18%
 - Energy down 19%

	H2 2008 ⁴	H1 2009 ⁴	H2 2009	Full year 2009
Trading				
Revenue (£m)	740.2	684.7	613.8	1,298.5
Headline¹ operating profit (£m)	80.7	69.8	79.9	149.7
Headline¹ profit before tax (£m)	56.8	53.0	65.6	118.6
Headline¹ earnings per share (EPS)	7.9p ⁵	7.4p	9.2p	16.6p
Headline¹ operating profit as % of revenue (ROS)	10.9%	10.2%	13.0%	11.5%
Cash generation and net debt				
Headline¹ profit conversion to cash (post capex)	191%	144%	154%	149%
Cash generation from trading (after all costs including tax) (£m)	90.5	61.8	92.7	154.5
Net debt (£m)	543.1	416.4	321.7	321.7
Net debt to headline¹ EBITDA ² (leverage ³)	2.65x	2.13 x	1.76x	1.76 x

¹ Before exceptional costs, exceptional income and intangible asset amortisation

² Operating profit before depreciation and amortisation

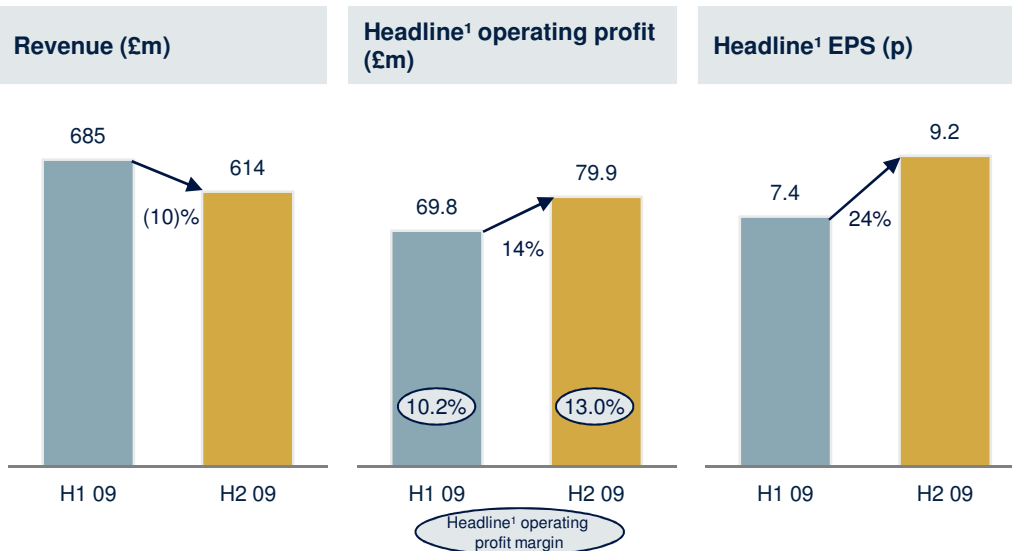
³ Existing businesses at balance sheet date

⁴ Restated to include Logistex UK within continuing operations

⁵ Calculated using the full number of shares in issue post the FKI acquisition and assuming a 30% tax rate

Comparison with six months ago: EPS up 24%

Summary performance – comparison with six months ago (H2 2009 v H1 2009)



- Stronger headline¹ operating profit despite 10% revenue fall
- Headline¹ EPS up by 24%

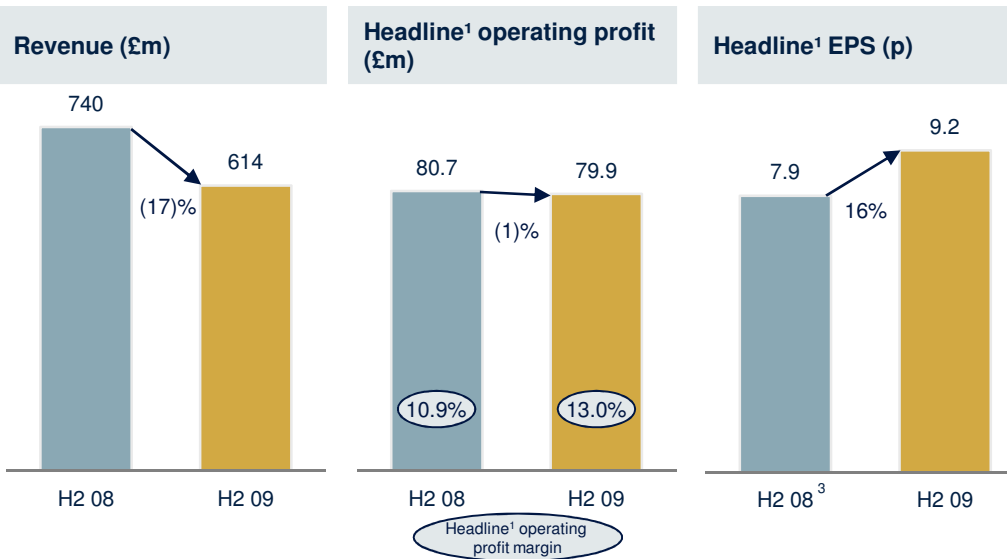
	H1 2009 ²	H2 2009	Actual variance	Variance at constant exchange rates
Revenue (£m)	684.7	613.8	(10)%	(8)%
Headline¹ operating profit (£m)	69.8	79.9	14%	17%
Headline¹ profit before tax (£m)	53.0	65.6	24%	26%
Headline¹ earnings per share (EPS)	7.4p	9.2p	24%	26%
Headline¹ operating profit as a % of revenue (ROS)	10.2%	13.0%	+2.8 percentage pts	+2.7 percentage pts

¹ Before exceptional costs, exceptional income and intangible asset amortisation

² Restated to include Logistex UK within continuing operations

Comparison with a year ago: EPS up 16%

Summary performance – comparison with a year ago (H2 2009 v H2 2008)



- Similar headline¹ operating profit despite 17% revenue fall
- Headline¹ EPS up by 16%

	H2 2008 ²	H2 2009	Actual variance	Variance at constant exchange rates
Revenue (£m)	740.2	613.8	(17%)	(21%)
Headline ¹ operating profit (£m)	80.7	79.9	(1%)	(7%)
Headline ¹ profit before tax (£m)	56.8	65.6	15%	8%
Headline ¹ earnings per share (EPS)	7.9p ³	9.2p	16%	9%
Headline ¹ operating profit as a % of revenue (ROS)	10.9%	13.0%	+2.1 percentage pts	+2.0 percentage pts

¹ Before exceptional costs, exceptional income and intangible asset amortisation

² Restated to include Logistex UK within continuing operations

³ Calculated using the full number of shares in issue post the FKI acquisition and assuming a 30% tax rate

Continued cost reduction

Cost reductions achieved since 1 July 2008

	Energy	Lifting	Dynacast	Other Industrial	Total
Labour cost reduction (since 1 July 2008)	£20.2m	£24.6m	£15.4m	£22.4m	£82.6m
Percentage of total labour costs	18%	21%	25%	28%	21%
Total cash cost incurred to achieve reduction	£5.5m	£2.1m	£1.4m	£3.1m	£12.1m

Headcount (full time equivalent) (since 1 July 2008)

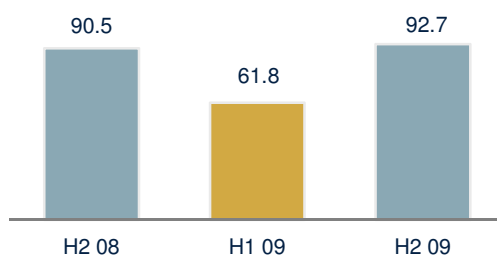
Headcount reduction	355	249	258	733	1,595
---------------------	-----	-----	-----	-----	-------

- Group has reacted quickly to reduce costs
- Approximately 20% reduction in total labour costs
 - 30% of labour savings should be permanent of which 85% saved within 2009 result
 - Savings from headcount, short time working, overtime costs and reduction of subcontract labour

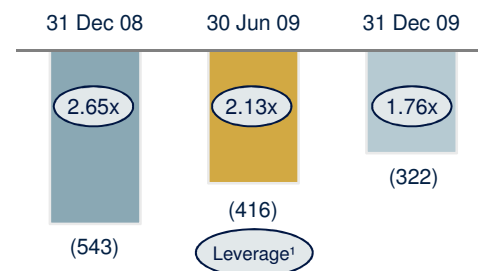
H2 2009 highest period of cash generation

Cash generation and net debt

Strong cash generation after all costs including tax (£m)



Net debt reduction (£m)



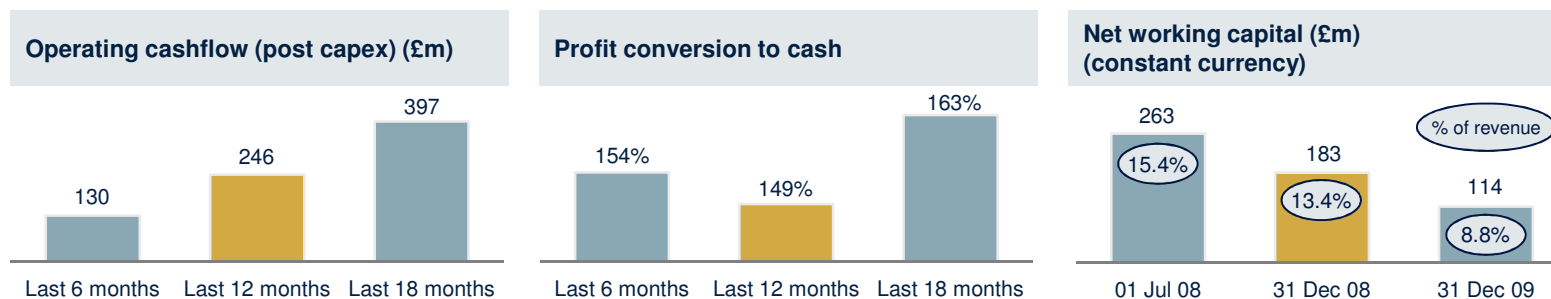
- Cash generation from trading continued to be strong
- H2 2009 was the strongest period since FKI ownership
- H2 2009 cash generation £92.7 million
- 2010 cash generation expected to stabilise

Movement in net debt

	Last 6 months 2009 (£m)	Last 12 months 2009 (£m)	Last 18 months (since FKI) 2009 (£m)
Opening net (debt) /cash	(416.4)	(543.1)	22.3
Acquired net debt	-	-	(471.7)
Net cash flow of acquisitions	-	-	(11.2)
Net cash flow from disposals	27.6	48.6	48.6
Cash generation from trading (after tax)	92.7	154.5	245.0 (See over)
Amounts paid to shareholders	(14.5)	(35.6)	(56.7)
Foreign exchange movement	(10.0)	56.0	(98.1)
Other non-cash movement	(1.1)	(2.1)	0.1
Closing net debt	(321.7)	(321.7)	(321.7)

¹ Existing businesses at balance sheet date

Net debt & working capital halved in 18 months³



- Headline¹ operating profit conversion to cash (post capex) of 154% in H2 2009 (163% since FKI acquisition)
- Net working capital has reduced by 57% from £263 million to £114 million in 18 months at constant currency, now 8.8% of revenue

Cash generated from trading (after all costs including tax)

	Last 6 months 2009 (£m)	Last 12 months 2009 (£m)	Last 18 months (since FKI) 2009 (£m)
Including continuing and discontinued businesses			
Headline ¹ operating profit	84.4	164.9	243.7
Depreciation ²	16.6	36.0	55.0
Working capital movement	38.7	69.1	148.3
Net capital expenditure	(9.9)	(23.9)	(50.4)
Operating cash flow (post capex)	129.8	246.1	396.6
Profit conversion to cash %	154%	149%	163%
Net interest and net tax paid	(1.2)	(12.9)	(54.0)
Pension contributions	(17.0)	(32.1)	(48.1)
Other (including restructuring costs)	(18.9)	(46.6)	(49.5)
Cash generated from trading (after all costs including tax)	92.7	154.5	245.0

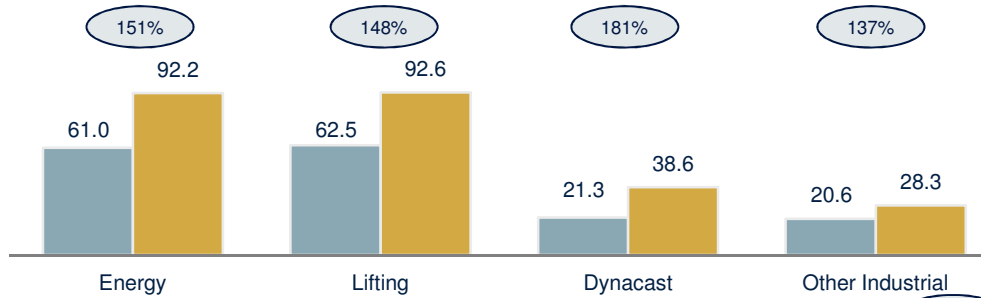
¹ Before exceptional costs, exceptional income and intangible asset amortisation

² Includes computer software amortisation

³ At constant exchange rates

All divisions producing strong cashflows

Operating cashflow (post capex) (£m)



- All continuing divisions show strong cash generation (post capex)²
- Longer term Melrose average cash generation significantly above profit at 132%

■ Headline¹ operating profit in 2009 ■ Headline¹ operating cash generation (post capex)² in 2009 ○ Headline¹ profit conversion to cash % in 2009

Profit conversion to cash by division

£m in 2009	Energy	Lifting	Dynacast	Other Industrial	HO	Total continuing	Dis-continued	Total
Headline ¹ operating profit	61.0	62.5	21.3	20.6	(15.7)	149.7	15.2	164.9
Headline ¹ operating cash generation (post capex) ²	92.2	92.6	38.6	28.3	(11.1)	240.6	5.5	246.1
Headline ¹ profit conversion to cash (%)	151%	148%	181%	137%	(71%)	161%	36%	149%
Headline ¹ profit conversion to cash (%) – since FKI	142%	130%	172%	130%	(55%)	151%	371%	163%

Profit conversion to cash for the Melrose Group since inception (October 2003 to December 2009)

Headline ¹ operating profit (£m)	377.2
Headline ¹ operating cash generation (post capex) ² (£m)	498.5
Headline ¹ profit conversion to cash (%)	132%

¹ Before exceptional costs, exceptional income and intangible asset amortisation

² Headline¹ operating cash (post working capital movement and capital expenditure) that is generated from headline¹ operating profit

Pensions being managed

Pension, post retirement, life and medical benefits

	31 December 2009			31 December 2008		
	Asset (£m)	Liabilities (£m)	Deficit (£m)	Asset (£m)	Liabilities (£m)	Deficit (£m)
FKI UK defined benefit pension plans	543.5	(660.6)	(117.1)	494.5	(555.2)	(60.7)
McKechnie UK defined benefit pension plan	128.1	(140.2)	(12.1)	102.1	(110.7)	(8.6)
North America and other pension plans	192.8	(228.0)	(35.2)	199.8	(246.8)	(47.0)
US retiree life and medical plans	-	(4.7)	(4.7)	-	(27.0)	(27.0)
Closing plan assets/(liabilities)	864.4	(1,033.5)	(169.1)	796.4	(939.7)	(143.3)

- McKechnie UK fully closed in 2005
- FKI North America defined benefit pension plan now fully closed (closure reduced liabilities by £5.2 million)
- Various US retiree life and medical plans also fully closed during the year (closure reduced liabilities by £16.7 million)
 - Further closures confirmed since year end
- Part of the FKI UK defined benefit plan (£19 million liabilities, 3%) now bought out for £22.9 million post year end
- Total income statement headline¹ pension charge £25.6 million in 2009 (2008: £18.7 million) including all defined contribution plans
 - £22.4 million (2008: £16.9 million) in headline¹ operating profit before a pension credit of £3.4 million in H2 2009 due to US plan closures
 - £6.6 million (2008: £1.8 million) in finance costs

¹ Before exceptional costs, exceptional income and intangible asset amortisation

Income statement tax rate should reduce to 28%

Tax		
	2008	2009
Headline ¹ income statement rate	30% ²	30%
Headline ¹ cash tax rate	22%	3% NB. 2009 cash tax includes a £9.8 million cash refund

- Current income statement tax rate
 - equal to 30% as expected (2008: 30% post FKI acquisition)
 - expected to reduce to c.28% in 2010 in line with geographic make up of Group profits
- The cash tax rate in 2009 is extremely low, at 3%, as the Group has benefited from:
 - A £9.8 million cash refund from 2008 losses carried back to earlier years
 - Higher than expected profits in the US and UK which were relieved by tax losses
- Previous FKI tax disputes are nearing resolution. Settlement of these will drive a one time increase in the cash tax rate

¹ Before exceptional costs, exceptional income and intangible asset amortisation

² Post the FKI acquisition on 1 July 2008

Summary of operating divisions

- Energy
- Lifting
- Dynacast
- Other Industrial

Ongoing divisions

	Energy	Lifting	Dynacast	Other Industrial
	Turbogenerators, Marelli, Switchgear, Transformers	Bridon, Crosby, Acco	Dynacast	Truth, Harris, Weber Knapp, Madico, MPC, Traction, Logistex UK
12 months to 31 Dec 2009				
Revenue (£m)	418.3	419.0	208.7	252.5
Headline ¹ operating profit (£m)	61.0	62.5	21.3	20.6
Return on revenue	14.6%	14.9%	10.2%	8.2%
Percentage of Group profit (prior to central costs)				
	37%	38%	13%	12%

¹ Before exceptional costs, exceptional income and intangible asset amortisation

Energy — highlights

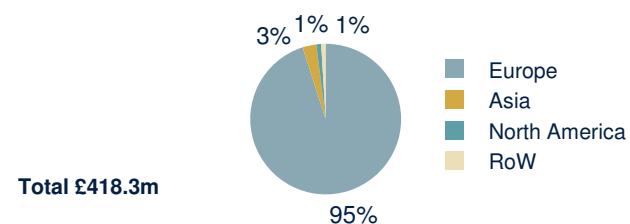
Energy – headline¹ results

(£m)	H2 2008	H1 2009	H2 2009	Full year 2009	Last six month trend	Year over year trend
Revenue	229.4	231.6	186.7	418.3	(19%)	(19%)
Headline ¹ EBITDA ²	34.7	34.6	33.9	68.5	(2%)	(2%)
Headline ¹ EBITDA ² margin	15.1%	14.9%	18.2%	16.4%	+3.3pps	+3.1pps
Headline ¹ Operating profit	30.9	30.8	30.2	61.0	(2%)	(2%)
Headline ¹ Operating margin	13.5%	13.3%	16.2%	14.6%	+2.9pps	+2.7pps

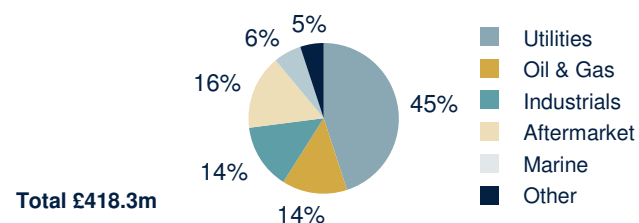
Key points – headline¹ results for H2 2009 v H1 2009

- Revenue down 19% (20% at constant currency)
- Headline¹ operating profit down 2% (3% at constant currency)
- Headline¹ operating margin up +2.9 percentage points (+2.9 percentage points at constant currency)

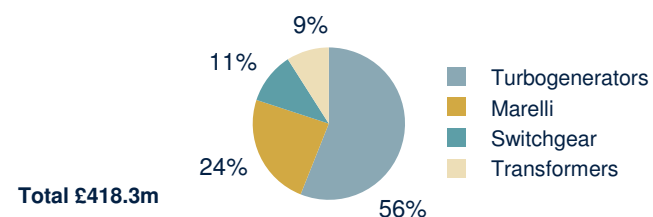
Revenue by geography – full year 2009



Revenue by end market – full year 2009



Revenue by company – full year 2009



¹ Before exceptional costs, exceptional income and intangible asset amortisation

² Operating profit before tax, depreciation and amortisation

Lifting — highlights

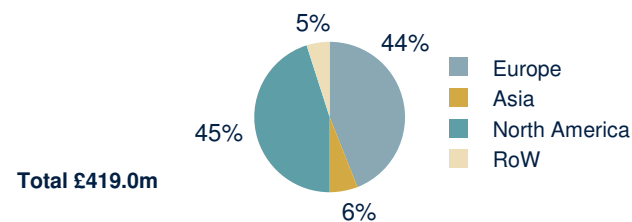
Lifting – headline¹ results

(£m)	H2 2008	H1 2009	H2 2009	Full year 2009	Last six month trend	Year over year trend
Revenue	232.3	230.2	188.8	419.0	(18%)	(19%)
Headline ¹ EBITDA ²	40.2	36.6	35.1	71.7	(4%)	(13%)
Headline ¹ EBITDA ² margin	17.3%	15.9%	18.6%	17.1%	+2.7pps	+1.3pps
Headline ¹ Operating profit	35.7	31.7	30.8	62.5	(3%)	(14%)
Headline ¹ Operating margin	15.4%	13.8%	16.3%	14.9%	+2.5pps	+0.9pps

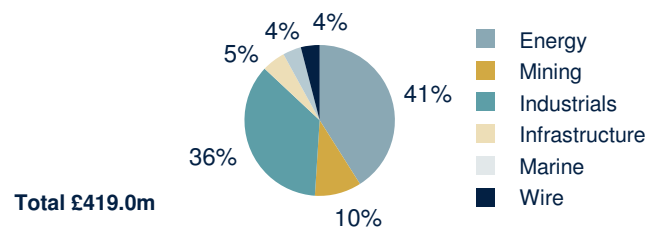
Key points – headline¹ results for H2 2009 v H1 2009

- Revenue down 18% (14% at constant currency)
- Headline¹ operating profit down 3% (up 3% at constant currency)
- Headline¹ operating margin up +2.5 percentage points (+2.7 percentage points at constant currency)

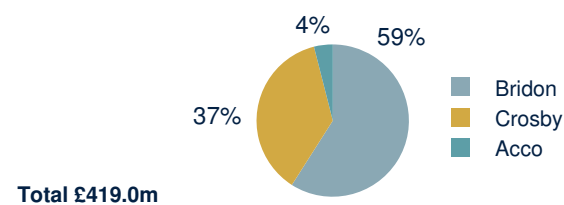
Revenue by geography – full year 2009



Revenue by end market – full year 2009



Revenue by company – full year 2009



¹ Before exceptional costs, exceptional income and intangible asset amortisation

² Operating profit before tax, depreciation and amortisation

Dynacast — highlights

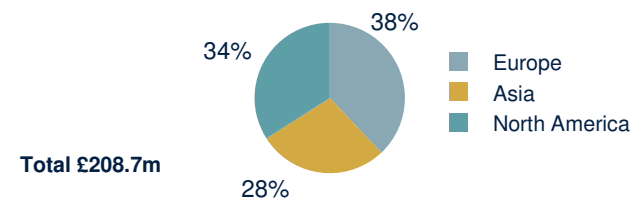
Dynacast – headline¹ results

(£m)	H2 2008	H1 2009	H2 2009	Full year 2009	Last six month trend	Year over year trend
Revenue	120.1	95.7	113.0	208.7	18%	(6%)
Headline ¹ EBITDA ²	19.3	13.5	16.6	30.1	23%	(14%)
Headline ¹ EBITDA ² margin	16.1%	14.1%	14.7%	14.4%	+0.6pps	-1.4pps
Headline ¹ Operating profit	15.4	9.0	12.3	21.3	37%	(20%)
Headline ¹ Operating margin	12.8%	9.4%	10.9%	10.2%	+1.5pps	-1.9pp

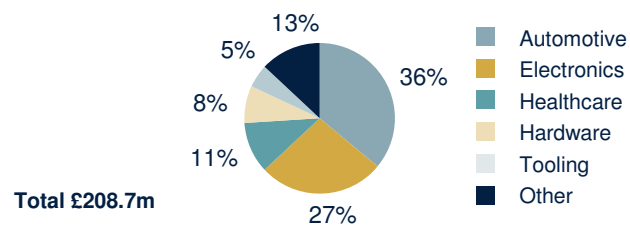
Key points – headline¹ results for H2 2009 v H1 2009

- Revenue up 18% (21% at constant currency)
- Headline¹ operating profit up 37% (36% at constant currency)
- Headline¹ operating margin up +1.5 percentage points (+1.1 percentage points at constant currency)

Revenue by geography – full year 2009



Revenue by end market – full year 2009



2008 full year results

- Revenue £246.3 million
- Headline¹ operating profit £33.4 million
- Headline¹ operating margin 13.6%

¹ Before exceptional costs, exceptional income and intangible asset amortisation

² Operating profit before tax, depreciation and amortisation

Other Industrial — highlights

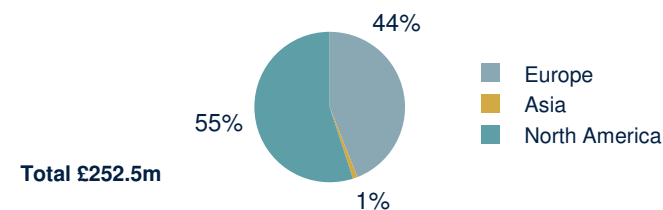
Other Industrial – headline¹ results

(£m)	H2 ³ 2008	H1 ³ 2009	H2 2009	Full year 2009	Last six month trend	Year over year trend
Revenue	158.4	127.2	125.3	252.5	(1%)	(21%)
Headline ¹ EBITDA ²	13.8	9.7	18.3	28.0	89%	33%
Headline ¹ EBITDA ² margin	8.7%	7.6%	14.6%	11.1%	+7.0bps	+5.9pps
Headline ¹ Operating profit	10.6	5.9	14.7	20.6	149%	39%
Headline ¹ Operating margin	6.7%	4.6%	11.7%	8.2%	+7.1pps	+5.0pps

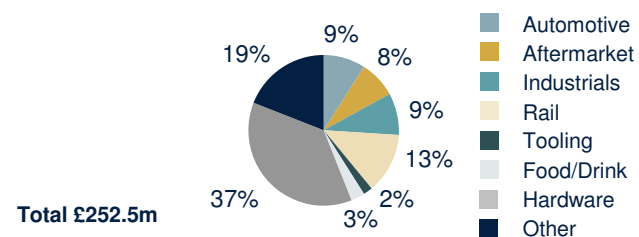
Key points – headline¹ results for H2 2009 v H1 2009

- Revenue down 1% (up 4% at constant currency)
- Headline¹ operating profit up 149% (up 169% at constant currency)
- Headline¹ operating margin up +7.1 percentage points (+7.4 percentage points at constant currency)
- Pension curtailment gain in H2 2009 £3.4 million

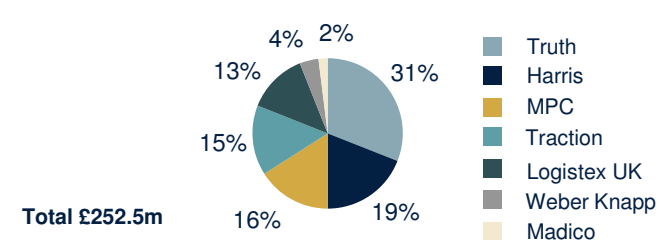
Revenue by geography – full year 2009



Revenue by end market – full year 2009



Revenue by company – full year 2009



¹ Before exceptional costs, exceptional income and intangible asset amortisation

² Operating profit before tax, depreciation and amortisation

³ Restated to include Logistex UK

Questions

Appendix

Financial results

Appendix 1

Net exceptional costs and intangible asset amortisation

Full year 2009 (£m)	Continuing			Discontinued		
	Cash costs	Non cash costs	Total	Cash costs	Non cash costs	Total
Labour related one-off costs	15.4	-	15.4	1.9	-	1.9
Restructuring costs	8.5	-	8.5	-	-	-
US retiree benefit plan closures	-	(9.0)	(9.0)	-	(7.7)	(7.7)
Net profit on disposal of operations	-	-	-	(48.6)	38.9	(9.7)
Fair value provisions release	-	(5.0)	(5.0)	-	-	-
Amortisation of intangible assets	-	26.7	26.7	-	-	-
Total	23.9	12.7	36.6	(46.7)	31.2	(15.5)

Financial results

Appendix 2

Balance sheet			
	Dec 2008¹	Dec 2009	FX movement
	(£m)	(£m)	(£m)
Fixed assets, intangible assets and goodwill	1,579.3	1,436.6	(93.2)
Net working capital	216.9	114.3	(13.2)
Pension and retirement benefits	(143.3)	(169.1)	6.5
Provisions	(158.9)	(144.2)	5.5
Deferred tax and corporate tax	(140.0)	(152.5)	7.9
Net assets held for sale and other ²	(3.4)	(0.1)	0.2
Net debt	(543.1)	(321.7)	56.0
Net assets	807.5	763.3	(30.3)

¹ Restated to reflect the finalisation of the acquisition accounting of FKI plc, increasing goodwill by £7.9 million

² Other includes interests in joint ventures and derivative financial instruments

Financial results

Appendix 3

Exchange rates	2008 (6 month average post FKI)		2009	
	US Dollar	Euro	US Dollar	Euro
Average rates	1.74	1.23	1.57	1.12
Closing rates	1.46	1.05	1.62	1.13

¹ Before exceptional costs, exceptional income and intangible asset amortisation

² Operating profit before depreciation and amortisation

Financial results

Appendix 4

Leverage ³

Net debt to headline ¹ EBITDA ²	Jul 2008	Dec 2008	Jun 2009	Dec 2009
Net debt to headline ¹ EBITDA ²	2.70x	2.65x	2.13x	1.76x

Credit bank facility

£750 million committed loan facility	Repaid	Available (at current exchange rates)	Drawn	Undrawn
Revolving credit facility £250m	-	£250m	£25m	£225m
Committed term facility £500m	\$80m	£476m	£476m	-
Total facility £750m	\$80m	£726m	£501m	£225m
			Plus current cash in hand	£148m
			Total undrawn facility plus cash in hand	£373m

- Significant headroom available with the current bank facility (acquisitions need bank approval)
- Facility runs until 2013

¹ Before exceptional costs, exceptional income and intangible asset amortisation

² Operating profit before tax, depreciation and amortisation

³ Existing businesses at balance sheet date

Net working capital reduction – total Group

	01 July 2008 (£m)	31 December 2008 (£m)	31 December 2009 (£m)
Net working capital - existing businesses ¹ at balance sheet rates	209	214	114
Net working capital - constant currency (31 December 2009 exchange rates)	263	183	114
<i>Percentage of revenue</i>	<i>15.4%</i>	<i>13.4%</i>	<i>8.8%</i>

- Net working capital, at constant exchange rates, reduced by 57% since FKI acquisition

¹ Existing businesses at 31 December 2009

Financial results

Appendix 6

Remaining invested capital in FKI

	(£m)
FKI acquisition price	970.4
Cash generated (after all costs including tax): - from trading	(201.5)
- from disposals	(48.6)
Remaining invested capital in FKI	720.3
2009 EBITDA ¹ of remaining FKI businesses	165.4
Multiple of EBITDA ¹	4.4x

¹ Operating profit before tax, depreciation and amortisation