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If you sell or transfer or have sold or otherwise transferred all of your Shares, please forward this document (but not any personalised Form of Proxy), as soon as possible to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee. If you have sold or otherwise transferred only part of your holding of Shares, please consult the bank, stockbroker or other agent through whom the sale or transfer was effected. If you receive this document from another Shareholder, as a purchaser or transferee, please contact the Registrar for a personalised Form of Proxy.

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MELROSE INDUSTRIES PLC

*(Incorporated and registered in England and Wales with
Registered No. 08243706)*

Proposed Disposal of Elster and Notice of General Meeting

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of Melrose which is set out in Part I of this Circular and which contains the unanimous recommendation by the Melrose Directors that you vote in favour of the resolution to be proposed at the General Meeting. The Disposal will not take place unless the resolution is passed at the General Meeting.

Notice of the General Meeting, to be held at the offices of Investec at 2 Gresham Street, London EC2V 7QP on 21 August 2015 at 10.30 a.m., is set out at the end of this Circular. Shareholders will find enclosed with this Circular a Form of Proxy for use in connection with the General Meeting. Whether or not you intend to attend the General Meeting in person, please complete and sign the enclosed Form of Proxy in accordance with the instructions printed on it and return it to the Company's Registrar, Equiniti at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA as soon as possible and, in any event, by no later than 10.30 a.m. on 19 August 2015. You may alternatively register your vote online by visiting Equiniti's website at www.sharevote.co.uk. In order to register your vote online, you will need to enter the Voting ID, Task ID and your Shareholder Reference Number which are set out on the enclosed Form of Proxy, and you will need to ensure that your vote is registered online not later than 10.30 a.m. on 19 August 2015.

If you hold your Shares in CREST, and you wish to appoint a proxy or proxies through the CREST electronic proxy appointment service, you may do so by using the procedures described in the CREST Manual (available via www.euroclear.com). In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST Proxy Instruction must be properly authenticated in accordance with Euroclear's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Equiniti, ID RA19 by 10.30 a.m. on 19 August 2015.

The completion and return of a Form of Proxy will not prevent you from attending the General Meeting and voting in person should you so wish and be so entitled.

Rothschild, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting solely for

Melrose and no one else in connection with the Disposal and, save for any responsibility which may arise under FSMA or the regulatory regime established thereunder, will not be responsible to anyone other than Melrose for providing the protections afforded to the respective clients of Rothschild or for providing advice in connection with the Disposal, the contents of this document or any transaction, arrangement or other matter referred to in this document.

J.P. Morgan, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting solely for Melrose and no one else in connection with the Disposal and, save for any responsibility which may arise under FSMA or the regulatory regime established thereunder, will not be responsible to anyone other than Melrose for providing the protections afforded to the respective clients of J.P. Morgan or for providing advice in connection with the Disposal, the contents of this document or any transaction, arrangement or other matter referred to in this document.

This document is a circular relating to the Disposal which has been prepared in accordance with the Listing Rules and approved by the Financial Conduct Authority. For a discussion of the risks relating to the Disposal, see the discussion of risks and uncertainties set out in Part II (*Risk Factors Relating to the Disposal*) of this Circular.

Capitalised terms have the meaning ascribed to them in Part VII (*Definitions*) of this Circular.

A summary of action to be taken by Shareholders is set out on page 7 of this Circular and in the Notice of General Meeting set out at the end of this Circular.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	<u>Time and Date</u>
Announcement of the Disposal	28 July 2015
Publication of and posting of this Circular, the Notice of General Meeting and the Form of Proxy	29 July 2015
Latest time and date for receipt of Forms of Proxy, CREST Proxy Instructions and registration of online votes from Shareholders in respect of the General Meeting	10.30 a.m. on 19 August 2015
General Meeting	10.30 a.m. on 21 August 2015
Expected date of completion of the Disposal (subject to approval) .	First Quarter 2016

Notes:

- (1) All references in this Circular to times are to London times unless otherwise stated.
- (2) The timetable may be subject to change. If any of the above times and/or dates should change, the new times and/or dates will be notified to the Financial Conduct Authority and announced to Shareholders through a Regulatory Information Service.

Forward looking statements

This document contains certain “forward looking statements” relating to the Group, the Continuing Group, the Elster Group and the Disposal, including with respect to certain of the Group’s plans and its current goals and expectations relating to its future financial condition, performance, results, strategy and objectives. Statements containing the words “believes”, “intends”, “should”, “plans”, “pursues”, “seeks” and “anticipates” (or negatives thereof), and variations thereof or words of similar meaning, are forward looking. By their nature, all forward looking statements involve assumptions, risk and uncertainty because they relate to future events and circumstances which are beyond Melrose’s control including, among other things, the domestic and global economic and business conditions, market-related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally, the policies and actions of regulatory authorities, the impact of competition, inflation and deflation; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and any regulations in the jurisdictions in which Melrose and its affiliates operate. As a result, Melrose’s actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in the forward looking statements and no assurances can be given that the forward looking statements in this document will be realised.

Any forward looking statements made herein speak only as of the date they are made. Except as required by the Financial Conduct Authority, the London Stock Exchange or any other applicable law or regulation, Melrose expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained in this document to reflect any change in Melrose’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Forward looking statements contained in this document do not in any way seek to qualify the working capital statement contained in Section 11 of Part VI (*Additional Information*) of this document.

**DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE
AND ADVISERS**

DIRECTORS

Christopher Miller (*Executive Chairman*)
David Roper (*Executive Vice-Chairman*)
Simon Peckham (*Chief Executive*)
Geoffrey Martin (*Group Finance Director*)
Perry Crosthwaite (*Senior Non-Executive Director*)
John Grant (*Non-Executive Director*)
Justin Dowley (*Non-Executive Director*)
Elizabeth Hewitt (*Non-Executive Director*)

COMPANY SECRETARY

Adam Westley

REGISTERED OFFICE

11th Floor
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20 Colmore Circus Queensway
Birmingham
West Midlands
B4 6AT

**LEAD FINANCIAL ADVISER AND JOINT
SPONSOR TO MELROSE**

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**FINANCIAL ADVISER AND JOINT SPONSOR
TO MELROSE**

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**AUDITORS TO MELROSE AND REPORTING
ACCOUNTANTS**

Deloitte LLP
2 New Street Square
London
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PART I
LETTER FROM THE CHAIRMAN OF MELROSE



Incorporated and registered in England and Wales with Registration No. 08243706

Directors:

Christopher Miller (*Executive Chairman*)
David Roper (*Executive Vice-Chairman*)
Simon Peckham (*Chief Executive*)
Geoffrey Martin (*Group Finance Director*)
Perry Crosthwaite (*Senior Non-Executive Director*)
John Grant (*Non-Executive Director*)
Justin Dowley (*Non-Executive Director*)
Elizabeth Hewitt (*Non-Executive Director*)

Registered office:

11th floor
Colmore Plaza
20 Colmore Circus Queensway
Birmingham
West Midlands
B4 6AT

29 July 2015

Dear Shareholder,

PROPOSED DISPOSAL OF ELSTER

1. INTRODUCTION

On 28 July 2015, the Melrose Board announced that, in line with its “buy, improve, sell” business model, Melrose had entered into an agreement with respect to the sale of its Elster business (comprising Elster Gas, Elster Electricity and Elster Water), a world leader in measuring and improving the flow of natural gas, electricity and water, to Honeywell, for a consideration of £3.3 billion payable in cash on completion, subject to customary adjustments. In addition, Honeywell will assume Elster related pension obligations as well as the Group’s FKI UK DB Scheme and McKechnie Plan. Key highlights of the sale are as follows:

- Consideration of £3.3 billion implying a multiple of 3.1 times 2014 revenue and 14.3 times 2014 headline¹ EBITDA²;
- Generated 2.3 times equity investment and 33 per cent. equity IRR within the three years since Melrose acquired Elster for £1.8 billion in August 2012;
- In addition to the cash consideration, Honeywell is assuming the Group’s FKI UK DB Scheme and McKechnie Plan as well as its related pension obligations, which together comprise the majority of the Group’s pension schemes;
- It is our intention to return over £2 billion to Shareholders following Completion (subject to, amongst other things, exchange rate movements). We expect to announce further details on the proposed return of capital within a reasonably short period following Completion; and
- On the basis that the return of capital is implemented, Melrose will have raised approximately £2.0 billion from Shareholders who, in addition to their remaining shareholding, will have received over £3.8 billion since flotation on AIM in 2003.

Melrose acquired Elster in August 2012 and has since implemented numerous operational improvement programmes within the business. We are very pleased with the progress that Elster has made to date and prior to being approached by Honeywell we had expected to continue to own most of the Elster business for longer. However, the Melrose Board believes that Honeywell’s offer for the Elster business, combined with the transfer of the majority of the Group’s defined benefit pension liabilities, represents an offer we should accept for shareholders in terms of delivering both certainty in one transaction and a sizeable return on original investment earlier than the Melrose Board had anticipated.

¹ Before exceptional costs, exceptional income and intangible asset amortisation

² Operating profit before depreciation and amortisation

Melrose's focus since its inception has always been to make good businesses better and to generate superior returns for our Shareholders. Over the years Melrose has acquired and improved businesses in which it saw significant potential and later sold them at the appropriate time. As a result the market capitalisation of Melrose has increased as it raised capital and decreased as capital was returned to Shareholders. Following the sale of our Elster business and the associated return of capital, Melrose will become substantially smaller in size. The Melrose Board wishes to make clear to our Shareholders that there is no change to our "buy, improve, sell" business model nor will this sale influence the size of the acquisition opportunities that we are able to pursue. The search for our next acquisition continues and we believe that Melrose will, if anything, benefit from a greater level of flexibility for our next acquisition. The Melrose Board is excited to begin another successful chapter in Melrose's history and looks forward in due course to inviting you to invest in the next project.

Elster acquisition

Melrose's strategy is to buy good manufacturing businesses with strong fundamentals whose performance we believe can be improved. Melrose improves the businesses through a mixture of investment and changed management focus, before selling them and returning the proceeds to Shareholders.

When acquiring Elster in 2012, the Melrose Board recognised that Elster was already a quality business with further potential, serving strong end markets with attractive long term demand drivers. Moreover, the Melrose Board believed there to be further business development opportunities for Elster as well as an opportunity to improve efficiency and ultimately the financial performance of Elster.

Shortly after its acquisition, Melrose reorganised Elster into three separately managed business units: Elster Gas, Elster Electricity and Elster Water, and invested heavily to improve each of them. Melrose has achieved the following milestones in respect of its Elster business during its three years of ownership:

- Increased operating profit by two thirds and improved operating margins by seven percentage points;
- Acquired Eclipse, a manufacturer of gas combustion components and systems for industrial heating and drying applications headquartered in Rockford, Illinois (USA), in October 2014 that enabled Elster Gas to offer a complete range of combustion solutions;
- Generated average headline³ operating profit conversion to cash (pre capex) of 93 per cent.; and
- Implemented a number of operational and margin improvement programmes, invested substantial amounts in automated production and outsourced non-core production where appropriate.

Return of capital and use of proceeds

The Disposal is expected to generate net proceeds of £3.3 billion. Melrose intends to return over £2 billion (subject, amongst other things, to currency fluctuations) from the sale of Elster to Shareholders with the balance of the net proceeds used to repay existing borrowings (up to £0.8 billion) or placed initially on interest-bearing deposit so that any such proceeds will be available to meet the requirements of the Group's trading activity.

The proposed return of capital will be conditional on Completion of the Disposal, which is anticipated to occur in the first quarter of 2016, and will also require the prior approval of Shareholders.

It is envisaged that shortly after Completion of the Disposal a circular will be sent to Shareholders containing full details of the proposed return of capital and other connected matters as well as convening a separate general meeting in order to seek Shareholder approval.

Financial effects of the Disposal

An unaudited statement of the net assets of the Group has been prepared for illustrative purposes only to show the effect of the Disposal as if it had occurred at 30 June 2015. This statement is set out in Part V of this Circular. Elster currently represents a large part of the Group's gross assets and the Disposal will have a significant impact on Melrose's earnings, mitigated in part by the sales proceeds generated by the Disposal and the intended return of capital. Elster and the transferred pension obligations contributed 76% of the Group revenues, 80% of the Group headline⁴ operating profit and represented 81% of the Group gross assets for the 31 December 2014 year end.

³ Before exceptional costs, exceptional income and intangible asset amortisation

⁴ Before exceptional costs, exceptional income and intangible asset amortisation

Shareholder Approvals

Due to its size, the Disposal is conditional upon, amongst other things, the approval of Shareholders under the Listing Rules. A General Meeting is to be held at the offices of Investec at 2 Gresham Street, London EC2V 7QP at 10.30 a.m. on 21 August 2015 for the purpose of seeking such approval. A notice convening the General Meeting, at which the Disposal Resolution will be proposed, is set out at the end of this Circular.

This Circular sets out the proposed terms of the Disposal, including the background to and reasons for the Disposal, and explains why the Melrose Board considers the Disposal to be in the best interests of Melrose and the Shareholders as a whole.

2. PRINCIPAL TERMS AND CONDITIONS OF THE DISPOSAL

The Disposal Agreement between the Company, Melrose PLC, Sageford (a wholly owned subsidiary of the Company) (as “Seller”) and Honeywell (as “Purchaser”) was entered into on 28 July 2015, pursuant to which the Seller has agreed to sell Elster.

The consideration for the Disposal is based on an enterprise value of £3.3 billion and is payable in cash on Completion, subject to limited customary adjustments.

As part of the terms of the Disposal the Elster Retirement Plans will remain with Elster following the Disposal and the McKechnie Plan and the FKI UK DB Scheme will also be transferred to Honeywell.

The Disposal is expected to complete in the first quarter of 2016. Completion is conditional upon, amongst other things, obtaining the relevant approvals from regulatory authorities in the relevant jurisdictions, including Brazil, China, the European Union, Russia, Turkey and the United States, and the approval of the Shareholders at the General Meeting of Melrose.

Further details of the Disposal Agreement are set out in Part III (*Principal Terms and Conditions of the Disposal*).

3. INFORMATION ON ELSTER

The Elster business is a world leader in measuring and improving the flow of natural gas, electricity and water. For the financial year ended 31 December 2014, Elster generated £1,050 million of total revenue and £206 million of headline⁵ operating profit (prior to the adjustments for the FKI UK DB Scheme and McKechnie Plan).

Elster comprises three operating units: Elster Gas (the gas meters, systems, heat process units and technologies business segment of Elster), Elster Electricity (the electricity meters, communications and energy management business segment of Elster) and Elster Water (the water metering and communications systems business segment of Elster).

Financial information set out in this paragraph 3 has been extracted without material adjustment from the financial information relating to the Elster Group, set out in Part IV (*Financial Information Relating to the Elster Group*) of this Circular.

4. INFORMATION ON HONEYWELL

Honeywell is a diversified technology and manufacturing company with business operations managed through three operating units: Aerospace (a leading global supplier of aircraft engines, integrated avionics, systems and service solutions, and related products and services), Automation and Control Solutions (a leading global provider of environmental and combustion controls, sensing controls, security and life safety products and services), and Performance Materials and Technologies (a global leader in developing and manufacturing advanced materials, process technologies and automation solutions). It is intended that the Elster businesses will report under the Automation and Control Solutions and Performance Materials and Technologies divisions of Honeywell.

Honeywell was incorporated in Delaware in 1985 and trades as Honeywell International Inc. on the New York Stock Exchange.

⁵ Before exceptional costs, exceptional income and intangible asset amortisation

5. CURRENT TRADING AND FUTURE PROSPECTS

On 28 July 2015, the Group issued Melrose's 2015 Half Year Results. The following text has been extracted from that statement:

“Current trading conditions remain challenging for Brush, but with action being taken in the business, coupled with a better order phasing, a much improved second half of 2015 is anticipated. Brush is a high quality business and your Board believes that its medium to long term prospects continue to look attractive.

Your Board is optimistic about the future and believes that Melrose is very well positioned to continue to create superior value for shareholders.”

6. RISK FACTORS

For a discussion of the risks and uncertainties which you should take into account when considering whether to vote in favour of the Disposal Resolution, please refer to Part II (*Risk Factors Relating to the Disposal*) of this Circular.

7. GENERAL MEETING

A notice convening the General Meeting to be held at the offices of Investec at 2 Gresham Street, London EC2V 7QP at 10.30 a.m. on 21 August 2015 is set out at the end of this Circular.

As a Class 1 transaction for the purposes of the Listing Rules, Melrose requires the approval of the Shareholders to proceed with the Disposal. Completion is therefore conditional upon the passing of the Disposal Resolution at the General Meeting, as well as the other conditions set out in Part III (*Principal Terms and Conditions of the Disposal*) of this Circular.

8. ACTION TO BE TAKEN

You will find enclosed with this document a Form of Proxy for use in respect of the Disposal Resolution to be proposed at the General Meeting. Whether or not you intend to be present at the General Meeting, you are requested to complete the Form of Proxy in accordance with the instructions printed on it, and return it as soon as possible, but in any event so as to be received by Equiniti, by hand or by post, at Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, **not later than 10.30 a.m. on 19 August 2015**.

You may alternatively register your vote online by visiting Equiniti's website at www.sharevote.co.uk. In order to register your vote online, you will need to enter the Voting ID, Task ID and your Shareholder Reference Number which are all set out on the enclosed Form of Proxy, and you will need to ensure that your vote is registered online **not later than 10.30 a.m. on 19 August 2015**.

If you hold your Ordinary Shares in CREST, and you wish to appoint a proxy or proxies through the CREST electronic proxy appointment service, you may do so by using the procedures described in the CREST Manual (available via www.euroclear.com). In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST Proxy Instruction must be properly authenticated in accordance with Euroclear's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Equiniti, ID RA19, **not later than 10.30 a.m. on 19 August 2015**.

The return of a completed Form of Proxy, the registration of your vote online or the giving of a CREST Proxy Instruction will not prevent you from attending the General Meeting and voting in person if you so wish and are so entitled.

9. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Part VI (*Additional Information*) of this Circular. You are advised to read the whole of this Circular and not just rely on the key summarised information in this letter.

10. DIRECTORS' RECOMMENDATION

The Board has received financial advice in respect of the Disposal from Rothschild and J.P. Morgan. In providing their advice, Rothschild and J.P. Morgan have placed reliance on the Board's commercial assessment of the Disposal.

In the Board's opinion the Disposal is in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board unanimously recommends that its Shareholders vote in favour of the Disposal Resolution to be proposed at the General Meeting, as the Directors intend to do in respect of their own aggregate shareholdings of 34,169,119 Ordinary Shares, representing approximately 3.43 per cent. of the existing issued Ordinary Share capital of the Company.

Yours faithfully,

Christopher Miller
Executive Chairman

PART II RISK FACTORS RELATING TO THE DISPOSAL

This section describes the risk factors which are considered by the Melrose Directors to be material in relation to the Disposal, the new material risks to the Group as a result of the Disposal and the existing material risks which may be impacted by the Disposal, as well as the material risks to the Group if the Disposal were not to proceed. However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties not presently known to the Directors, or that the Board considers immaterial, or that the Board considers material to the Group but will not be impacted by the Disposal, may also adversely affect the Group's business, results of operations or financial condition. If any or a combination of the following risks materialise, the Group's business, financial condition, operational performance, future performance and share price could be materially adversely affected. In such circumstances, the market price of the Melrose Shares could decline and you may lose all or part of your investment. The information given is as of the date of this Circular and, except as required by the FCA, the London Stock Exchange, the Listing Rules, the Prospectus Rules, the Disclosure and Transparency Rules or any other applicable law or regulation, will not be updated.

You should consider carefully the risks and uncertainties described below, together with all other information contained in this Circular and the information incorporated by reference herein, before deciding whether to vote in favour of the Disposal Resolution. The risks described below are not set out in any order of priority.

1. RISKS RELATING TO THE DISPOSAL

1.1 The Group's operations after the Disposal will be less diversified

Following the Disposal the Continuing Group's business will be less diversified both commercially and geographically and will comprise only Brush. Weak performance in Brush, or in any particular part of Brush's businesses, may have an adverse impact on the financial condition of the Continuing Group.

1.2 Warranties, undertakings and indemnity given by the Company, Melrose PLC and the Seller

The Disposal Agreement contains limited title and capacity warranties and interim operating covenants in respect of Elster given by the Company, Melrose PLC and the Seller in favour of the Purchaser, which could cause the Continuing Group to incur liabilities and obligations to make payments which would not have arisen had the Disposal Agreement not been entered into or the Elster Group sold. The Seller has also agreed to be responsible for any payments in relation to squeeze out proceedings brought by former minority shareholders of Elster Group GmbH. The Seller's overall aggregate liability for all claims under the Disposal Agreement is capped at the total consideration payable to the Seller.

If the Company, Melrose PLC or the Seller should incur costs under any of these warranties, undertakings or indemnity these costs could have an adverse effect on its business, financial condition and results of operations.

Further details of the exposure and limitations on the liability of the Company, Melrose PLC and the Seller pursuant to such warranties, undertakings and indemnity are set out in Section 1.5 of Part III (*Principal Terms and Conditions of the Disposal*) of this Circular.

1.3 Warranties, undertakings and indemnities given by the Purchaser

The Disposal Agreement contains certain warranties, undertakings and indemnities given by the Purchaser in favour of the Seller. The extent to which the Purchaser will be required, if at all, to make payments in respect of these warranties, undertakings and indemnities is unpredictable. If, however, the Purchaser suffers financial distress, any payments due to the Seller in respect of such warranties, undertakings and indemnities may be put at risk.

2. RISKS RELATING TO THE DISPOSAL NOT PROCEEDING

2.1 The Disposal may not complete

The Disposal Agreement is conditional on various matters, including the passing of the Disposal Resolution at the General Meeting, relevant approvals having been obtained from the regulatory authorities in various jurisdictions, including Brazil, China, the European Union, Russia, Turkey and the United States and there being no material adverse effect on the Elster Group between the date of the Disposal Agreement and Completion (as further set out in Section 1.4 of Part III (*Principal Terms and*

Conditions of the Disposal) of this Circular). In the event that such conditions are not met, the Disposal may not be completed. Should the Disposal fail to complete, Melrose would be obliged to pay out-of-pocket fees incurred in relation to the transaction without being able to set these off against the Disposal proceeds.

2.2 Break Fee

If the Disposal does not proceed, the Seller may be required to pay a termination fee to the Purchaser as further set out in Section 1.6 of Part III (*Principal Terms and Conditions of the Disposal*) of this Circular.

2.3 Potentially disruptive effect on the Group

The success of Elster depends on the continued contribution of key personnel and on maintaining strong relationships with key customers over the long term. If the Disposal does not proceed, Elster's key management and employees may be demotivated and key management or employees may choose to leave Elster. This may have a negative effect on the performance of Elster under Melrose's ownership. There may also be uncertainty for customers of Elster as to Melrose's future intentions for Elster. To maintain shareholder value, Melrose may be required to allocate additional time and resources to the ongoing supervision and development of Elster.

2.4 Loss of shareholder value

The ability to dispose of certain businesses at the perceived right time represents an important part of Melrose's "buy, improve, sell" strategy. The Board believes that the Disposal is in the best interests of the Company and its Shareholders taken as a whole and that it currently provides the best opportunity to realise an attractive and certain value for Elster. If the Disposal does not complete, there can be no certainty around the timing of the next suitable and available opportunity to realise this value in respect of Elster for Shareholders.

PART III
PRINCIPAL TERMS AND CONDITIONS OF THE DISPOSAL

The following is a summary of the principal terms of the Disposal Agreement and the Warranty Agreement. As set out in Section 14 of Part VI (*Additional Information*), the Disposal Agreement and the Warranty Agreement are available for inspection by Shareholders.

1. DISPOSAL AGREEMENT

1.1 Parties and Structure

The Disposal Agreement was entered into on 28 July 2015 between: (i) the Company (as “Ultimate Parent”); (ii) Melrose PLC (as “Parent”); (iii) Sageford UK Limited (as “Seller”) (an indirect, wholly-owned subsidiary of the Company); and (iv) Honeywell International Inc. (as “Purchaser”). Under the terms of the Disposal Agreement, the Seller has agreed, subject to the satisfaction of certain conditions, to sell the entire issued share capital of the Sale Company.

Pursuant to the terms of the Disposal Agreement, the Warranty Agreement was entered into on 28 July 2015 between the Seller and the Purchaser. Under the terms of the Warranty Agreement, the Seller has provided certain warranties to the Purchaser with respect to the business of the Elster Group. As set out in more detail in Section 1.5 of this Part III (*Principal Terms and Conditions of the Disposal*), the Purchaser’s sole recourse under the Warranty Agreement shall be to an insurance policy taken out by the Purchaser and the Purchaser will not be able to recover against the Seller for any claims pursuant to the Warranty Agreement.

1.2 Consideration

The consideration for the Disposal is based on an enterprise value of £3.3 billion, subject to limited customary adjustments, and is payable in cash on Completion.

1.3 Locked box and pre-Completion undertakings

The Seller has provided certain covenants and undertakings to the Purchaser that in the period commencing on 1 July 2015 and ending on and including the date of Completion, there has been no transfer of value from the Elster Group to or for the benefit of the Continuing Group, other than pursuant to certain agreed actions. In the event of any breach of such covenants or undertakings, the Seller has agreed to pay to the Purchaser a sum equal to the aggregate of: (i) the amount which would be necessary to put the relevant member of the Elster Group into the financial position which would have existed had there been no breach; and (ii) any liabilities, costs and expenses incurred by the Purchaser or a member of its group as a result of the breach.

The Seller has also undertaken to cause the Elster Group to operate in the ordinary course of business during the period from the date of the Disposal Agreement to Completion, and has given a number of specific undertakings to the Purchaser regarding the conduct of the business and affairs of the Elster Group during such period.

1.4 Conditions to Completion

Completion is conditional upon:

- (a) the passing of the Disposal Resolution at the General Meeting (the “**Shareholder Consent Condition**”);
- (b) the relevant approvals having been obtained from the relevant regulatory authorities, including each of Brazil, China, the European Union, Russia, Turkey and the United States (the “**Regulatory Conditions**”); and
- (c) no material adverse effect on the Elster Group having occurred on or prior to Completion which is continuing (the “**MAE Condition**”).

The Purchaser and the Seller have each agreed to use their reasonable best endeavours to achieve satisfaction of their respective Regulatory Conditions. The Company has also agreed that it shall use its reasonable best endeavours to achieve satisfaction of the Shareholder Consent Condition as soon as reasonably practicable and in any event on or before 3.00 p.m. on 28 August 2015. The Company has further agreed not to withdraw, modify, qualify or amend the recommendation of the Melrose Board

except and only to the extent that the Melrose Board have determined (having taken appropriate advice) that any such action is required in order to comply with their fiduciary duties.

1.5 Warranties, indemnities and limitations on liability

The Ultimate Parent, the Parent and the Seller have provided certain warranties to the Purchaser with respect to themselves and the Sale Company. These warranties relate to, among other things, title, capacity and authority. The Seller has also agreed to be responsible for any payments in relation to squeeze out proceedings brought by former minority shareholders of Elster Group GmbH.

The Seller's liability for all claims under the interim operating covenants is subject to a £40,000,000 threshold and a £500,000,000 cap. The Seller's overall aggregate liability for all claims (including a claim for a breach of an interim operating covenant and in relation to the squeeze out proceedings) under the Disposal Agreement is capped at the total consideration payable to the Seller.

In addition, pursuant to the Warranty Agreement, the Seller has provided certain warranties to the Purchaser with respect to the business of the Elster Group (the "**Business Warranties**"). The Warranty Agreement also contains a covenant in respect of certain tax matters relating to the Elster Group arising on or before Completion (the "**Tax Covenant**"). However, the Purchaser's sole recourse for any breach of such Business Warranties and/or under the Tax Covenant shall be to an insurance policy taken out by the Purchaser and the Purchaser will not be able to recover against the Seller for any claims in respect of the Business Warranties or the Tax Covenant.

1.6 Termination and Termination Fee

The Disposal Agreement may be terminated by written notice from either party to the other party in the event that:

- (a) the General Meeting has been held and the Disposal Resolution was proposed but not approved by shareholders;
- (b) any of the Regulatory Conditions have not been satisfied by 3.00 p.m. on 30 June 2016; or
- (c) Completion does not take place on the date set for Completion because the other party has failed to comply with any of its Completion obligations under the Disposal Agreement and, following postponement of Completion by the non-defaulting party, Completion fails to take place on the postponed date of Completion due to failure by the defaulting party to comply with any of its Completion obligations under the Disposal Agreement.

The Disposal Agreement may be terminated by written notice from the Purchaser in the event that:

- (a) the Board withdraws or modifies its recommendation to shareholders of the Disposal;
- (b) the Shareholder Consent Condition has not been satisfied by 3.00 p.m. on 28 August 2015; or
- (c) there is a material adverse effect on the Elster Group prior to Completion.

If the Board withdraws or modifies its recommendation to Shareholders of the Disposal prior to the General Meeting and the Disposal Agreement is terminated by the Seller or the Purchaser, the Seller will be obliged to pay the Purchaser a termination fee of £25,318,000 (representing one per cent of the Company's market capitalisation at the close of business on the last business day prior to the date of the Disposal Agreement).

If the Board does not withdraw or modify its recommendation to Shareholders of the Disposal prior to the General Meeting but, in any case, the Shareholder Consent Condition has not been satisfied by 28 August 2015 and the Disposal Agreement is terminated by the Seller or the Purchaser, the Seller will be obliged to pay to the Purchaser its properly incurred and reasonable third party costs incurred in the period from 29 June 2015 to the date of termination of the Disposal Agreement, up to a total amount of £15,000,000.

The Warranty Agreement shall automatically terminate in the event that the Disposal Agreement is terminated prior to Completion.

1.7 Parent guarantee

Melrose PLC, as parent company of the Seller, has given an irrevocable and unconditional guarantee to the Purchaser of the Seller's obligations and liabilities pursuant to the Disposal Agreement.

1.8 Pensions

FKI UK DB Scheme

The Purchaser has agreed that, following Completion, a member of the Purchaser's group will replace FKI Limited as the sole sponsoring employer and principal employer for the FKI UK DB Scheme.

McKechnie Plan

The Purchaser has agreed that, following Completion, a member of the Purchaser's group will replace Melrose UK Holdings Limited, as the sole sponsoring employer and principal employer for the McKechnie Plan.

Elster Retirement Plans

The Purchaser has agreed that, following Completion, the Elster Retirement Plans will remain with the Elster Group and any other sponsoring employers who are not in the Elster Group shall cease to participate in the Elster Retirement Plans.

The Purchaser has agreed to be responsible for any and all costs, expenses and liabilities relating to pension schemes and other benefit plans of the Elster Group, the McKechnie Plan and FKI UK DB Scheme following Completion.

1.9 'No shop' undertaking

The Ultimate Parent has undertaken not to solicit or enter into any discussions in relation to any proposal or transaction relating to any of the material businesses and/or material assets of the Elster Group including any securities of any member of the Elster Group, the Parent and/or the Seller.

1.10 Governing law

The Disposal Agreement and the Warranty Agreement are governed by the laws of England and Wales.

PART IV
FINANCIAL INFORMATION RELATING TO THE ELSTER GROUP

1. NATURE OF FINANCIAL INFORMATION

The financial information table in this Part IV (*Financial Information Relating to the Elster Group*) of this Circular presented below relates to the financial information of the Elster Group for the three years ended 31 December 2014 and the six months ended 30 June 2015.

The financial information relating to the periods under Melrose ownership has been extracted without material adjustment from the consolidation schedules underlying the audited consolidated accounts of Melrose for the years ended 31 December 2012, 31 December 2013 and 31 December 2014, and from the unaudited interim statements of Melrose for the six month period ended 30 June 2015. This financial information has been prepared under IFRS as adopted by the EU. The accounting policies used are consistent with the accounting policies adopted in Melrose's published consolidated financial statements for the years ended 31 December 2012, 31 December 2013, 31 December 2014 and the six months ended 30 June 2015.

Melrose acquired Elster on 23 August 2012. Therefore the financial information relating to the period from 1 January 2012 to 22 August 2012 has been extracted from the accounting records of Elster under its previous ownership. This financial information was prepared under US GAAP in accordance with the accounting policies adopted by the previous owner.

The financial information contained in this Part IV (*Financial Information Relating to the Elster Group*) of this Circular does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act. The consolidated statutory accounts of Melrose for the financial years ended 31 December 2012, 31 December 2013 and 31 December 2014 have been delivered to the Registrar of Companies.

The auditors' reports in respect of Melrose for the financial years ended 31 December 2012, 31 December 2013 and 31 December 2014 were unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985 or section 498 (2) or (3) of the Companies Act (as applicable).

Deloitte LLP were the auditors for the Group, including the Elster Group (other than for the period under the previous ownership during which KPMG AG were the auditors), in respect of the three years ended 31 December 2014, and reviewed the unaudited interim statements of Melrose for the six month period ended 30 June 2015.

Shareholders should read the whole of this Circular and not rely solely on the financial information contained in this Part IV (*Financial Information Relating to the Elster Group*) of this Circular.

2. INCOME STATEMENTS OF ELSTER GROUP

	1 January to 22 August 2012 ⁽¹⁾	23 August to 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	Six month period ended 30 June 2015
	£ millions	£ millions	£ millions	£ millions	£ millions
Revenue	751.9	411.1	1,116.3	1,050.2	541.3
Cost of sales	(505.0)	(285.7)	(713.7)	(654.7)	(333.4)
Gross profit	246.9	125.4	402.6	395.5	207.9
Distribution costs	(75.2)	(34.2)	(100.1)	(91.5)	(47.0)
Administration costs	(116.5)	(34.8)	(118.1)	(108.2)	(56.7)
Headline ⁽²⁾ operating expenses	(191.7)	(69.0)	(218.2)	(199.7)	(103.7)
Share of headline results of JVs	2.5	1.2	2.3	2.1	1.6
Intangible asset amortisation	(11.3)	(15.6)	(48.4)	(46.1)	(23.5)
Exceptional operating costs	(15.2)	(39.2)	(15.1)	(26.5)	(17.4)
Exceptional operating income	—	—	28.9	—	29.2
Total operating expenses	(215.7)	(122.6)	(250.5)	(270.2)	(113.8)
Operating profit	31.2	2.8	152.1	125.3	94.1
Headline ⁽²⁾ operating profit	57.7	57.6	186.7	197.9	105.8
Headline ⁽²⁾ finance expenses	(19.5)	(6.6)	(13.7)	(9.5)	(3.6)
Exceptional finance expenses	—	(3.1)	—	—	—
Total finance expenses	(19.5)	(9.7)	(13.7)	(9.5)	(3.6)
Finance income	2.5	0.5	1.4	0.5	0.2
Profit before taxation	14.2	(6.4)	139.8	116.3	90.7
Headline⁽²⁾ profit before taxation⁽³⁾ .	40.7	51.5	174.4	188.9	102.4

(1) The financial information for the period from 1 January 2012 to 22 August 2012 has been extracted without material adjustment from the Elster accounting records as it relates to a period prior to the acquisition of Elster by Melrose. This financial information was prepared under US GAAP and therefore may not be directly comparable to the financial information for the subsequent periods under Melrose ownership which has been prepared in accordance with IFRS. The main differences between US GAAP and IFRS applicable to the Elster business are set out in Part V of the Melrose PLC circular for the 'Proposed Acquisition of Elster Group SE' dated 29 June 2012, which is incorporated by reference, and relate to the treatment of development expenditure, retirement benefit obligations and the associated taxation thereon.

(2) Before exceptional costs, exceptional income and intangible asset amortisation.

(3) Melrose Group tax charges are calculated on a statutory entity basis. It is not, therefore, possible to provide a meaningful allocation of tax costs to the Elster Group.

3. BALANCE SHEET OF ELSTER GROUP

	As at 31 December 2014	As at 30 June 2015
	<u>£ millions</u>	<u>£ millions</u>
Non-current assets		
Goodwill and other intangible assets	2,114.4	1,989.2
Property, plant and equipment	94.4	90.7
Interests in joint ventures	11.8	10.7
Derivative financial assets	1.2	—
Deferred tax asset	60.5	61.9
Trade and other receivables	2.3	1.8
	2,284.6	2,154.3
Current assets		
Inventories	120.0	128.7
Trade and other receivables	178.1	171.6
Derivative financial assets	2.4	1.0
	300.5	301.3
Total assets	<u>2,585.1</u>	<u>2,455.6</u>
Current liabilities		
Trade and other payables	(226.0)	(222.3)
Derivative financial liabilities	(1.9)	(3.3)
Current tax liabilities	(44.4)	(62.2)
Provisions	(44.7)	(86.4)
	(317.0)	(374.2)
Net current assets	<u>(16.5)</u>	<u>(72.9)</u>
Non-current liabilities		
Deferred tax liabilities	(249.4)	(229.3)
Retirement benefit obligations	(171.4)	(133.8)
Provisions	(75.6)	—
	(496.4)	(363.1)
Total liabilities	<u>(813.4)</u>	<u>(737.3)</u>
Net assets	<u>1,771.7</u>	<u>1,718.3</u>

PART V
UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP

The unaudited pro forma statement of net assets set out below (the “*Pro Forma Financial Information*”) is based on the financial information relating to Elster Group set out in Part IV (*Financial Information Relating to the Elster Group*) of this Circular.

The Pro Forma Financial Information has been prepared pursuant to Listing Rule 13.3.3R, and on the basis of the notes set out below, to illustrate the effect of the Disposal on the IFRS financial position of the Group as if the Disposal had occurred on 30 June 2015.

The Pro Forma Financial Information is shown for illustrative purposes only. Due to its nature, it addresses a hypothetical situation and, therefore, does not represent the Continuing Group’s actual financial position or results following the Disposal.

Shareholders should read the whole of this Circular and not rely solely on the Pro Forma Financial Information contained in this Part V (*Unaudited Pro Forma Statement of Net Assets of the Group*) of this Circular.

Deloitte’s report on the Pro Forma Financial Information is set out in this Part V (*Unaudited Pro Forma Statement of Net Assets of the Group*) of this Circular.

Unaudited pro forma statement of net assets of the Group as at 30 June 2015

	Adjustments				Un-audited pro forma Continuing Group as at 30 June 2015 £ millions Note 5
	Melrose Group as at 30 June 2015 £ millions Note 1	Elster Group (excluding the McKechnie Plan and the FKI UK DB Scheme) as at 30 June 2015 £ millions Note 2	FKI UK DB Scheme and McKechnie Plan as at 30 June 2015 £ millions Notes 2 and 3	Net proceeds £ millions Note 4	
Non-current assets					
Goodwill and other intangible assets	272.5				272.5
Property, plant and equipment . . .	110.6				110.6
Deferred tax assets	5.4				5.4
	388.5	—	—	—	388.5
Current assets					
Inventories	58.6				58.6
Trade and other receivables	73.2				73.2
Derivative financial assets	7.6				7.6
Cash and cash equivalents	45.6			3,279.0	3,324.6
Assets held for sale	2,455.6	(2,447.2)	(8.4)		—
	2,640.6	(2,447.2)	(8.4)	3,279.0	3,464.0
Total assets	3,029.1	(2,447.2)	(8.4)	3,279.0	3,852.5
Current liabilities					
Trade and other payables	(93.0)				(93.0)
Interest-bearing loans and borrowings	(1.2)				(1.2)
Derivative financial liabilities	(7.5)				(7.5)
Current tax liabilities	(1.8)				(1.8)
Provisions	(15.4)				(15.4)
Liabilities held for sale	(737.3)	708.3	29.0		—
	(856.2)	708.3	29.0	—	(118.9)
Net current assets	1,784.4	(1,738.9)	20.6	3,279.0	3,345.1
Non-current liabilities					
Interest-bearing loans and borrowings	(786.7)				(786.7)
Derivative financial liabilities	(2.2)				(2.2)
Deferred tax liabilities	(15.9)				(15.9)
Retirement benefit obligations . . .	(34.1)				(34.1)
Provisions	(22.3)				(22.3)
	(861.2)	—	—	—	(861.2)
Total liabilities	(1,717.4)	708.3	29.0	—	(980.1)
Net assets	1,311.7	(1,738.9)	20.6	3,279.0	2,872.4

Notes:

The unaudited pro forma statement of net assets as at 30 June 2015 has been compiled on the following basis:

- (1) The net assets of the Group have been extracted without material adjustment from Melrose's unaudited interim financial statements for the six months ended 30 June 2015 prepared in accordance with IAS 34: "Interim Financial Reporting" as adopted by the European Union.
- (2) These adjustments remove the assets and liabilities relating to the Elster Group, reflecting the fact that, following the Disposal, the Group will no longer consolidate the results of the Elster Group. The financial information on the Elster Group (including the McKechnie Plan and the FKI UK DB Scheme) has been extracted, without material adjustment, from the historical information on the Elster Group set out in Part IV (*Financial Information Relating to the Elster Group*) of this Circular.
- (3) The liabilities held for sale of £29 million comprise net pension assets of £7 million relating to the McKechnie Plan and net pension liabilities of £36 million relating to the FKI UK DB Scheme as set out in Section 10 of Part VI (*Additional Information*). The asset held for sale of £8.4 million represents the deferred tax asset on these pension obligations.
- (4) The adjustment reflects the estimated cash proceeds of £3,300 million to be received from the Disposal, less associated costs of the Disposal of an estimated £21 million.
- (5) No adjustments have been made to reflect the trading or other transactions of the Group since 30 June 2015. The unaudited pro forma statement of net assets does not constitute statutory accounts within the meaning of section 434 of the Companies Act.

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE
CONTINUING GROUP



Deloitte LLP
2 New Street Square
London
EC4A 3BZ

The Board of Directors
on behalf of Melrose Industries PLC
11th Floor Colmore Plaza
20 Colmore Circus Queensway
Birmingham
B4 6AT

N M Rothschild & Sons Limited
New Court
St Swithin's Lane
London
EC4N 8AL

J.P. Morgan Limited
25 Bank Street
Canary Wharf
London E14 5JP

29 July 2015

Dear Sirs,

Melrose Industries PLC (the "Company")

We report on the pro forma financial information (the "**Pro forma financial information**") set out in Part V of the Circular, which has been prepared on the basis described in the notes thereto, for illustrative purposes only, to provide information about how the disposal of the Elster Group might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 30 June 2015. This report is required by the Commission Regulation (EC) No 809/2004 (the "**Prospectus Directive Regulation**") as applied by Listing Rule 13.3.3R and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the "**Directors**") to prepare the Pro forma financial information in accordance with Annex II items 1 to 6 of the Prospectus Directive Regulation as applied by Listing Rule 13.3.3R.

It is our responsibility to form an opinion as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive Regulation as applied by Listing Rule 13.3.3R.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to Shareholders as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R (6), consenting to its inclusion in the Circular.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Opinion

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

Deloitte LLP
Chartered Accountants

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

**PART VI
ADDITIONAL INFORMATION**

1. RESPONSIBILITY

Melrose and the Melrose Directors, whose names appear on page 3 of this Circular, accept responsibility for the information contained in this Circular. To the best of the knowledge and belief of Melrose and the Melrose Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. MELROSE

The Company is a public company limited by shares operating under the laws of England and Wales, which was incorporated and registered in England and Wales on 8 October 2012 under registered number 08243706.

The principal legislation under which the Company operates is the Companies Act and the regulations made under it.

The registered office of the Company, and the business address of the Directors, is 11th Floor, Colmore Plaza, 20 Colmore Circus Queensway, Birmingham, West Midlands B4 6AT. The head office and principal place of business of the Company is Leconfield House, Curzon Street, London W1J 5JA. The Company's telephone number at its registered office is +44 (0) 121 296 2800 and at its head office is +44 (0) 20 7647 4500.

3. MAJOR SHAREHOLDERS

As at the Latest Practicable Date, the Company had been notified of the following voting interests of three per cent or more in the Issued Ordinary Share Capital:

<u>Name</u>	<u>Number of existing Ordinary Shares</u>	<u>Percentage of the Issued Ordinary Share Capital</u>
BlackRock, Inc.	104,103,286	9.71%
Aberdeen Asset Managers Limited	53,456,498	4.99%
Schroders plc	46,308,210	4.32%

4. THE DIRECTORS

The Directors of Melrose are:

Christopher Miller	<i>Executive Chairman</i>
David Roper	<i>Executive Vice-Chairman</i>
Simon Peckham	<i>Chief Executive</i>
Geoffrey Martin	<i>Group Finance Director</i>
Perry Crosthwaite	<i>Senior Non-Executive Director</i>
John Grant	<i>Non-Executive Director</i>
Justin Dowley	<i>Non-Executive Director</i>
Elizabeth Hewitt	<i>Non-Executive Director</i>

5. DIRECTORS' INTERESTS IN SHARES

5.1 Interests in Ordinary Shares

Set out below are the interests of the Directors of the Group in the Issued Ordinary Share Capital as at the Latest Practicable Date:

<u>Directors</u>	<u>Number of existing Ordinary Shares</u>	<u>Percentage of the Issued Ordinary Share Capital</u>
Christopher Miller ⁽¹⁾	14,203,260	1.427%
David Roper	7,530,783	0.757%
Simon Peckham	7,775,196	0.781%
Geoffrey Martin	3,739,054	0.376%
Perry Crosthwaite	174,724	0.018%
John Grant	275,257	0.028%
Justin Dowley	446,643	0.045%
Elizabeth Hewitt	24,202	0.002%

(1) The interests of Mr. Miller include 5,311,426 Shares held by Harris & Sheldon Investments Limited, a company which is connected to Mr. Miller.

5.2 Interests under the 2012 Incentive Plan

The Directors have the following options over 2012 Incentive Shares under the 2012 Incentive Plan as at the Latest Practicable Date:

<u>Directors</u>	<u>Number of 2012 Incentive Shares under option</u>
Christopher Miller	8,500
David Roper	8,500
Simon Peckham	8,500
Geoffrey Martin	8,500

6. SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Details of the terms of each executive Melrose Director's service agreements are set out below:

<u>Name</u>	<u>Date of Initial Appointment⁽¹⁾</u>	<u>Leave (days)⁽²⁾</u>	<u>Benefits on Termination</u>	<u>Notice Period</u>	<u>Confidentiality Obligations</u>
Christopher Miller	8 October 2012	25	None other than payment in lieu of untaken holiday entitlement	12 months	During and after employment
David Roper	8 October 2012	25	None other than payment in lieu of untaken holiday entitlement	12 months	During and after employment
Simon Peckham	8 October 2012	25	None other than payment in lieu of untaken holiday entitlement	12 months	During and after employment
Geoffrey Martin	8 October 2012	25	None other than payment in lieu of untaken holiday entitlement	12 months	During and after employment

(1) Each of the executive directors was re-elected at the Company's 2015 annual general meeting on 14 May 2015 and will be subject to re-election at the Company's 2016 annual general meeting.

(2) In addition to bank and public holidays.

The details of the terms of appointment of each non-executive Director of Melrose is set out below:

<u>Name</u>	<u>Date of Initial Appointment⁽¹⁾</u>	<u>Expenses</u>	<u>Confidentiality Obligations</u>	<u>Termination Provisions</u>
Perry Crosthwaite . . .	8 October 2012 ⁽²⁾	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	Without notice and/or compensation if removed from office by shareholders in a general meeting or not re-appointed by shareholders at an annual general meeting of the Company.
John Grant	8 October 2012 ⁽²⁾	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	Without notice and/or compensation if removed from office by shareholders in a general meeting or not re-appointed by shareholders at an annual general meeting of the Company.
Justin Dowley	8 October 2012 ⁽²⁾	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	Without notice and/or compensation if removed from office by shareholders in a general meeting or not re-appointed by shareholders at an annual general meeting of the Company.
Elizabeth Hewitt . . .	8 October 2013 ⁽³⁾	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	Without notice and/or compensation if removed from office by shareholders in a general meeting or not re-appointed by shareholders at an annual general meeting of the Company.

- (1) Each of the non-executive directors will be subject to re-election at the Company's 2016 annual general meeting.
- (2) Each of Perry Crosthwaite, John Grant and Justin Dowley has been a non-executive director of the Company since 8 October 2012 and each was elected as a non-executive director at the Company's 2013 annual general meeting and re-elected at the Company's 2014 and 2015 annual general meetings.
- (3) Elizabeth Hewitt has been a non-executive director of the Company since 8 October 2013 and was elected as a non-executive director at the Company's 2014 annual general meeting and re-elected at the Company's 2015 annual general meeting.

Save as set out above, there are no existing or proposed service agreements between any Melrose Director and any member of the Group providing for benefits upon termination of employment.

In the financial year ended 31 December 2014, the amount of remuneration paid (including any contingent or deferred compensation) and benefits in kind granted to each of the Melrose Directors by the Group for services in all capacities to the Group were as follows:

<u>Name</u>	<u>Total salary and fees (£)</u>	<u>Taxable benefits (£)</u>	<u>Bonus (£)</u>	<u>Pension related benefits⁽¹⁾ (£)</u>	<u>Total (£)</u>
Christopher Miller	435,000	9,000	—	65,000	509,000
David Roper	435,000	19,000	—	65,000	519,000
Simon Peckham	435,000	21,000	252,000	65,000	773,000
Geoffrey Martin	348,000	46,000	202,000	52,000	648,000
Perry Crosthwaite ⁽²⁾	67,000	—	—	—	67,000
John Grant ⁽³⁾	70,000	—	—	—	70,000
Justin Dowley ⁽⁴⁾	68,000	—	—	—	68,000
Elizabeth Hewitt ⁽⁵⁾	64,000	—	—	—	64,000
Miles Templeman ⁽⁶⁾	23,000	—	—	—	23,000

- (1) Of the total £247,836 attributable to pension contributions, £195,660 was paid as a supplement to base salary in lieu of pension arrangements. The balance of £52,176 was paid into the individual Directors' nominated private pension plans.
- (2) Perry Crosthwaite was chairman of the Company's Remuneration Committee until the conclusion of the Company's 2014 annual general meeting at which point he was replaced by Justin Dowley. Perry Crosthwaite received an amount of £1,822 in recognition of his chairmanship of the Remuneration Committee for the period from 1 January 2014 to 13 May 2014. Perry Crosthwaite was senior non-executive director of the Company with effect from the Company's 2014 annual general meeting

and received an amount of £3,178 in recognition of his holding that position for the period from 13 May 2014 to 31 December 2014.

- (3) Includes £8,181 per annum in recognition of chairmanship of the Company's Audit Committee.
- (4) Justin Dowley became chairman of the Company's Remuneration Committee with effect from the conclusion of the Company's 2014 annual general meeting. Justin Dowley received an amount of £6,365 in recognition of his chairmanship of the Company's Remuneration Committee for the period from 13 May 2014 to 31 December 2014.
- (5) Includes £1,586 in recognition of chairmanship of the Nomination Committee for the period from the conclusion of the Company's 2014 annual general meeting on 13 May 2014 to 31 December 2014.
- (6) Miles Templeman stood down as non-executive director of the Company with effect from the conclusion of the Company's 2014 annual general meeting and the fees referred to above reflect his fees for the period from 1 January 2014 to 13 May 2014.

7. LITIGATION

7.1 The Continuing Group

There are no, nor have there been any, governmental, legal or arbitration proceedings (nor is Melrose aware of any such proceedings which are pending or threatened) which may have, or during the last twelve months prior the date of this Circular have had, a significant effect on Melrose and/or the Continuing Group's financial position or profitability.

7.2 Elster Group

There are no, nor have there been any, governmental, legal or arbitration proceedings (nor is Melrose aware of any such proceedings which are pending or threatened) which may have, or during the last twelve months prior the date of this Circular have had, a significant effect on the Elster Group's financial position or profitability.

8. MATERIAL CONTRACTS

8.1 The Continuing Group

No contracts have been entered into (other than contracts entered into in the ordinary course of business) by any member of the Continuing Group either (i) within the period of two years immediately preceding the date of this Circular which are or may be material to the Continuing Group; or (ii) which contain any provisions under which any member of the Continuing Group has any obligation or entitlement which is, or may be, material to the Continuing Group as at the date of this Circular, save as disclosed below:

(a) Disposal Agreement

On 28 July 2015, the Company, Melrose PLC and Sageford UK Limited entered into the Disposal Agreement with Honeywell International Inc. Details of the terms of the Disposal Agreement are set out in Part III (*Principal Terms and Conditions of the Disposal*) of this Circular.

(b) Warranty Agreement

On 28 July 2015, Sageford UK Limited entered into the Warranty Agreement with Honeywell International Inc. Details of the terms of the Warranty Agreement are set out in Part III (*Principal Terms and Conditions of the Disposal*) of this Circular.

(c) FKI UK DB Scheme Agreement

On 28 July 2015, Melrose PLC and Honeywell International Inc. entered into an agreement with the trustees of the FKI UK DB Scheme providing for the replacement of certain Melrose PLC guarantees in relation to the liabilities of the FKI UK DB Scheme with Honeywell International Inc. guarantees with effect from and conditional on Completion.

(d) McKechnie Plan Agreement

On 28 July 2015, Melrose PLC and Honeywell International Inc. entered into an agreement with the trustees of the McKechnie Plan providing for the replacement of certain Melrose PLC guarantees in relation to the liabilities of the McKechnie Plan with Honeywell International Inc. guarantees with effect from and conditional on Completion.

(e) Bridon Group Disposal Agreement

On 11 October 2014, Melrose PLC and FKI Limited entered into an agreement with Bridge Bidco Limited, an affiliate of the Ontario Teachers' Pension Plan, in respect of the sale and purchase of the Bridon Group for an enterprise value of £365 million payable in cash on completion of the transaction, subject to limited adjustments. As part of the transaction, Melrose contributed £6.7 million into the Bridon Group (2013) Pension Scheme, which remains with the Bridon Group following completion. The disposal completed on 12 November 2014.

(f) Crosby and Acco Disposal Agreement

On 10 October 2013, Melrose and Crosby Overseas Holdings Limited entered into an agreement (as amended on 21 November 2013) with Oliver Bidco Limited (a newly incorporated company controlled by affiliates of Kohlberg Kravis Roberts & Co L.P.) for the sale of Certex France S.a r.l., Crosby Premier Stampings Limited, Crosby Industria e Comercio de Ferramentas Ltda, FKI Industries Inc., Inter Product B.V., Parson Chaine Europe SAS and Rhombus Rollen Verwaltungsgesellschaft for total consideration of \$1,010 million (£627.3 million). The disposal completed on 22 November 2013.

8.2 The Elster Group

No contracts have been entered into (other than contracts entered into in the ordinary course of business) by any member of the Elster Group either (i) within the period of two years immediately preceding the date of this Circular which are or may be material to the Elster Group; or (ii) which contain any provisions under which any member of the Elster Group has any obligation or entitlement which is, or may be, material to the Elster Group as at the date of this Circular.

9. RELATED PARTY TRANSACTIONS

Details of related party transactions (which for these purposes are those set out in the standards adopted according to Regulation (EC) No 1606/2002) which Melrose have entered into:

- (a) during the year ended 31 December 2012 are disclosed in accordance with the respective standard adopted according to Regulation (EC) No 1606/2002 in note 8 on page 124 of Melrose's 2012 Annual Report and Accounts;
- (b) during the year ended 31 December 2013 are disclosed in accordance with the respective standard adopted according to Regulation (EC) No 1606/2002 in note 8 on page 145 of Melrose's 2013 Annual Report and Accounts; and
- (c) during the year ended 31 December 2014 are disclosed in accordance with the respective standard adopted according to Regulation (EC) No 1606/2002 in note 8 on page 155 of Melrose's 2014 Annual Report and Accounts.

10. PENSIONS

It has been agreed that the Elster Retirement Plans will remain with Elster following the Disposal. The McKechnie Plan and the FKI UK DB Scheme will be transferred to Honeywell. The pension related assets and liabilities under these plans as at 30 June 2015 were as follows:

	<u>McKechnie Plan</u>	<u>FKI UK DB Scheme</u>	<u>Elster Retirement Plans</u>	<u>Total</u>
	£ millions	£ millions	£ millions	£ millions
Assets	209	496	43	748
Liabilities	(202)	(532)	(148)	(882)
Net pension assets/(liabilities)	7	(36)	(105)	(134)

Following Completion, Melrose will retain the Brush Group (2013) Pension Scheme with respect of its Brush business as well as the FKI US Plan.

11. WORKING CAPITAL STATEMENT

The Company and the Directors are of the opinion that, taking into account the net proceeds of the Disposal, the Continuing Group has sufficient working capital available for its present requirements, that is, for at least the next twelve months from the date of publication of this Circular.

12. SIGNIFICANT CHANGE

12.1 The Continuing Group

There has been no significant change in the financial or trading position of the Continuing Group since 30 June 2015, being the date to which the last published unaudited interim financial statements for the Group have been prepared.

12.2 Elster Group

There has been no significant change in the financial or trading position of the Elster Group since 30 June 2015, being the date to which the financial information in Part IV (*Financial Information Relating to the Elster Group*) of this Circular has been prepared.

13. CONSENTS

Rothschild has given and has not withdrawn its written consent to the inclusion in this Circular of the references to its name in the form and context in which they are included.

J.P. Morgan has given and has not withdrawn its written consent to the inclusion in this Circular of the references to its name in the form and context in which they are included.

Deloitte is a member firm of the Institute of Chartered Accountants in England and Wales and has given and has not withdrawn its written consent to the inclusion of its report set out in Part V (*Unaudited Pro Forma Statement of Net Assets of the Group*) of this Circular in the form and context in which it is included.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Simpson Thacher & Bartlett LLP, CityPoint, One Ropemaker Street, London EC2Y 9HU during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Circular up to and including the date of the General Meeting and at the registered office of the Company from the date of this Circular up to and including the date of the General Meeting, and at the place of the General Meeting from 15 minutes prior to its commencement until its conclusion:

- (a) the Articles;
- (b) Melrose's 2012 Annual Report and Accounts;
- (c) Melrose's 2013 Annual Report and Accounts;
- (d) Melrose's 2014 Annual Report and Accounts;
- (e) Melrose's 2015 Half Year Results;
- (f) the report on the unaudited pro forma financial information of Elster Group from Deloitte as set out in Part V (*Unaudited Pro Forma Statement of Net Assets of the Group*) of this Circular;
- (g) the consent letters referred to in Section 13 above;
- (h) the Disposal Agreement;
- (i) the Warranty Agreement; and
- (j) this Circular and the Form of Proxy.

15. INFORMATION INCORPORATED BY REFERENCE

The information set out in the following table has been incorporated by reference into this Circular by reference:

<u>Documents containing information incorporated by reference</u>	<u>Section of this Circular which refers to the document containing information incorporated by reference</u>	<u>Where the information can be accessed by Shareholders</u>
Melrose's 2012 Annual Report and Accounts	Part VI (<i>Additional Information</i>), Section 9	http://www.melroseplc.net/investors/reports/
Melrose's 2013 Annual Report and Accounts	Part VI (<i>Additional Information</i>), Section 9	http://www.melroseplc.net/investors/reports/
Melrose's 2014 Annual Report and Accounts	Part VI (<i>Additional Information</i>), Section 9	http://www.melroseplc.net/investors/reports/
Part V of the Melrose PLC circular for the 'Proposed Acquisition of Elster Group SE' dated 29 June 2012	Part IV (<i>Financial Information Relating to the Elster Group</i>), Section 2	http://www.melroseplc.net/investors/elster-acquisition/

A copy of each of the documents listed above is available for inspection in accordance with terms of Section 14 of this Part VI (*Additional Information*).

Dated: 29 July 2015

**PART VII
DEFINITIONS**

The following definitions apply throughout this Circular, unless the context requires otherwise:

2012 Incentive Plan	the incentivisation plan approved by a special resolution of Shareholders at a general meeting of Melrose on 11 April 2012
2012 Incentive Shares	the incentive shares of £1.00 each in the capital of Melrose
Articles	the articles of association of Melrose as amended from time to time
Board or Melrose Board	the board of directors of Melrose
Bridon or Bridon Group	the Bridon business which comprised, as at 12 November 2014, Bridon Limited, together with each of its direct and indirect subsidiaries and subsidiary undertakings
Brush or Brush Group	the Brush business which comprised, as at the date hereof, Brush Electrical Machines Ltd and FKI Switchgear (Hong Kong) Ltd together with each of their direct and indirect subsidiaries and subsidiary undertakings
Brush Group (2013) Pension Scheme	the occupational pension scheme known as the ‘Brush Group (2013) Pension Scheme’, established by a definitive deed dated 4 April 2013
Business Day	a day (other than a Saturday or Sunday or public holiday) on which banks are open for business in London
Circular or this document	this shareholder circular dated 29 July 2015
Companies Act	the Companies Act 2006, as amended from time to time
Company or Melrose	Melrose Industries PLC, a public limited company incorporated under the laws of England and Wales with its registered office at 11 th Floor, Colmore Plaza, 20 Colmore Circus Queensway, Birmingham, West Midlands B4 6AT
Completion	the completion of the Disposal in accordance with the terms, and subject to the conditions, of the Disposal Agreement
Continuing Group	the Group, with effect from Completion
CREST	the electronic transfer and settlement system for the paperless settlement of trades in listed securities operated by Euroclear
CREST Manual	the manual, as amended from time to time, produced by Euroclear describing the CREST system and supplied by Euroclear to users and participants thereof
CREST Proxy Instruction	the instruction whereby CREST members send a CREST message appointing a proxy for the General Meeting and instructing the proxy how to vote and containing the information set out in the CREST Manual
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), as amended
Deloitte	Deloitte LLP, auditors to Melrose and reporting accountants
Disclosure and Transparency Rules	the Disclosure and Transparency Rules as published by the FCA
Disposal	the proposed disposal of the Elster Group by the Seller pursuant to the terms of the Disposal Agreement

Disposal Agreement	the sale and purchase agreement dated 28 July 2015 between the Company, Melrose PLC, the Seller and the Purchaser, further details of which are set out in Part III (<i>Principal Terms and Conditions of the Disposal</i>) of this Circular
Disposal Resolution	the ordinary resolution to be proposed and considered at the General Meeting to approve the Disposal, as set out in the Notice of General Meeting forming part of this Circular
Eclipse	the Eclipse business which comprised, as at 31 October 2014, Eclipse, Inc together with each of its direct and indirect subsidiaries
Elster or Elster Group	the Elster business which comprised, as at the date hereof, the Sale Company together with its direct and indirect subsidiaries and subsidiary undertakings and will include on Completion the McKechnie Plan and the FKI UK DB Scheme
Elster Electricity	the electricity meters, communications and energy management business segment of Elster
Elster Gas	the gas meters, systems, heat process units and technologies business segment of Elster
Elster Retirement Plans	the Elster (UK) Pension Plan, the Aegon and Friends Life group personal pension plans and any other defined contribution plan or arrangement that is sponsored by and so will transfer with any member of the Elster Group
Elster Water	the water metering and communications systems business segment of Elster
EU	the economic and political confederation of European nations which share a common foreign and security policy and co-operate on justice and home affairs known as the European Union
Euroclear	Euroclear UK & Ireland Limited, the operator of CREST (as defined in the CREST Regulations)
Financial Conduct Authority or FCA	the United Kingdom Financial Conduct Authority
FKI UK DB Scheme	the occupational pension scheme known as the FKI Group Pension Scheme established by a definitive deed dated 29 September 1989
FKI US Plan	the defined benefit plan known as the ‘Melrose North America, Inc. Group Pension’ and the defined contribution benefit plan known as the ‘Melrose North America, Inc. 401(k) Retirement Savings Plan for Non-Union Employees’
Form of Proxy	the form of proxy for use at the General Meeting which accompanies this Circular
FSMA	the Financial Services and Markets Act 2000, as amended from time to time
General Meeting	the general meeting of Melrose to be held at the offices of Investec at 2 Gresham Street, London EC2V 7QP at 10.30 a.m. on 21 August 2015 to consider and, if thought fit, pass the Disposal Resolution
Group or Melrose Group	Melrose, its subsidiaries and subsidiary undertakings from time to time
Honeywell	Honeywell International Inc.
IFRS	International Financial Reporting Standards, as issued by the International Accounting Standards Board and endorsed by the EU
Issued Ordinary Share Capital	the issued Ordinary Shares of the Company

J.P. Morgan	J.P. Morgan Limited
Joint Sponsors	Rothschild and J.P. Morgan
Latest Practicable Date	27 July 2015, being the latest practicable date prior to the publication of this Circular
Listing Rules	the listing rules made by the FCA under section 73A of FSMA
London Stock Exchange	London Stock Exchange plc
McKechnie Plan	the occupational pension scheme known as the McKechnie Pension Plan established by a deed dated 10 April 1963
Melrose Directors or Directors . .	the directors of Melrose
Melrose's 2012 Annual Report and Accounts	the annual report and accounts prepared by Melrose for the financial year ended 31 December 2012 and published by Melrose on 6 March 2013
Melrose's 2013 Annual Report and Accounts	the annual report and accounts prepared by Melrose for the financial year ended 31 December 2013 and published by Melrose on 5 March 2014
Melrose's 2014 Annual Report and Accounts	the annual report and accounts prepared by Melrose for the financial year ended 31 December 2014 and published by Melrose on 4 March 2015
Melrose's 2015 Half Year Results	the half year results prepared by Melrose for the six month period ended 30 June 2015 and published by Melrose on 28 July 2015
Notice of General Meeting	the notice of General Meeting contained in this Circular
pence, £ and pounds sterling	the lawful currency of the United Kingdom
Pro Forma Financial Information	has the meaning given to such term in Part V (<i>Unaudited Pro Forma Statement of Net Assets of the Group</i>) of this Circular
Prospectus Rules	the rules for the purposes of Part VI of FSMA in relation to offers of securities to the public and the admission of securities to trading on a regulated market
Purchaser	Honeywell International Inc.
Registrar or Equiniti	Equiniti Limited, or any other registrar appointed by the Company from time to time
Regulatory Information Service . .	one of the regulatory information services authorised by the FCA to receive, process, and disseminate regulatory information from listed companies
Rothschild	N M Rothschild & Sons Limited
Sageford or Seller	Sageford UK Ltd, a private limited company incorporated under the laws of England and Wales with its registered office at 11th Floor, Colmore Plaza, 20 Colmore Circus Queensway, Birmingham, West Midlands B4 6AT
Sale Company	Teaford GmbH, a company incorporated under the laws of Germany with its corporate seat in Wiesbaden and registered business address at Steinern Straße 19-21, 55252 Mainz-Kastel, Germany
Share(s) or Ordinary Shares	the ordinary shares of 7/55 pence each in the share capital of Melrose
Shareholders	holders of Shares
UK or United Kingdom	United Kingdom of Great Britain and Northern Ireland

US or United States United States of America

Warranty Agreement the warranty agreement dated 28 July 2015 between the Seller and the Purchaser, further details of which are set out in Part III (*Principal Terms and Conditions of the Disposal*) of this Circular

All references to legislation in this Circular are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

For the purpose of this Circular, “subsidiary” and “subsidiary undertaking” have the meanings given by the Companies Act.

Words importing the singular shall include the plural and *vice versa*, and words importing the masculine gender shall include the feminine or neutral gender.

NOTICE OF GENERAL MEETING

MELROSE INDUSTRIES PLC

(incorporated and registered in England and Wales under the Companies Act 2006 with registered number 08243706)

NOTICE OF GENERAL MEETING

NOTICE IS GIVEN that a General Meeting of Melrose Industries PLC (“**Melrose**” or the “**Company**”) will be held at the offices of Investec at 2 Gresham Street, London EC2V 7QP at 10.30 a.m. on 21 August 2015 to consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution:

ORDINARY RESOLUTION

THAT the disposal of the Elster Group on the terms, and subject to the conditions, of the disposal agreement between (i) the Company; (ii) Melrose PLC; (iii) Sageford UK Limited; and (iv) Honeywell International Inc. dated 28 July 2015 and all agreements entered into pursuant to or in connection with such disposal (the “**Disposal**”), as summarised in the circular to shareholders dated 29 July 2015 of which this Notice forms part, with such modifications (if any) as may be made in the manner specified below, be and is approved and the Directors of the Company be and are authorised to complete the Disposal in accordance with such terms and conditions and to agree such modifications to and such variations, waivers and extensions of any of the terms and conditions of the Disposal as they may deem necessary, expedient or appropriate, provided that any such modifications to, or variations, waivers and extensions of, the terms and conditions of the Disposal are not material.

29 July 2015

Registered office:

11th floor
Colmore Plaza
20 Colmore Circus Queensway
Birmingham
West Midlands
B4 6AT

By order of the Board

Adam Westley
Company Secretary

NOTES

Notes:

1. The holders of Ordinary Shares in the Company are entitled to attend the General Meeting and are entitled to vote. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and, on a poll, vote instead of him. The proxy need not be a member of the Company.
2. A Form of Proxy is enclosed with this notice. To be effective, the Form of Proxy must be completed and returned, together with any power of attorney or authority under which it is completed or a certified copy of such power or authority, so that it is received by the Company's registrars at the address specified on the Form of Proxy not less than 48 hours (excluding any part of a day that is not a working day) before the time for holding the meeting (or, in the event of an adjournment, not less than 48 hours before the stated time of the adjourned meeting (excluding any part of a day that is not a working day)). Returning a completed Form of Proxy will not preclude a member from attending the meeting and voting in person.
3. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the "Act") to enjoy information rights (a "Nominated Person") may, under an agreement between him and the shareholder by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in paragraphs 1 and 2 can only be exercised by shareholders of the Company.
4. To be entitled to attend and vote at the General Meeting (and for the purposes of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members by 6.00 p.m. on 19 August 2015 (or, in the event of an adjournment, not less than 48 hours before the stated time of the adjourned meeting (excluding any part of a day that is not a working day)). Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. As at 28 July 2015 (being the last Business Day prior to the publication of this notice) the Company's issued share capital consists of 995,206,966 ordinary shares of $\frac{7}{55}$ pence each, carrying one vote each. Therefore, the total voting rights in the Company as at 28 July 2015 are 995,206,966.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent ID RA19 by 10.30 a.m. on 19 August 2015. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
8. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such

action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

9. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.
10. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
11. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
12. A copy of this notice, and other information required by section 311A of the Act, can be found at www.melroseplc.net.
13. You may not use an electronic address provided in either this Notice of General Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.
14. You may register your vote online by visiting Equiniti's website at www.sharevote.co.uk. In order to register your vote online, you will need to enter the Voting ID, Task ID and your Shareholder Reference Number which are set out on the enclosed Form of Proxy. The return of the Form of Proxy by post or registering your vote online will not prevent you from attending the General Meeting and voting in person, should you so wish. Alternatively, shareholders who have already registered with Equiniti's online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk and click on the link to vote. The on-screen instructions give details on how to complete the appointment process. A proxy appointment made electronically will not be valid if sent to any address other than those provided or if received after 10.30 a.m. on 19 August 2015.