

THIS DOCUMENT AND THE ACCOMPANYING FORM OF PROXY AND ELECTION FORM ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you should consult immediately your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred or sell or otherwise transfer your entire holding of Existing Ordinary Shares, please forward this document (but not any personalised Form of Proxy or Election Form) as soon as possible to the purchaser or transferee or to the agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws of such jurisdiction. If you have sold or transferred only part of your holding of Existing Ordinary Shares please consult the agent through whom the sale or transfer was affected.

Application will be made to the Financial Conduct Authority and the London Stock Exchange respectively for the New Ordinary Shares resulting from the proposed Capital Reorganisation to be admitted to the Official List and to trading on the main market for listed securities of the London Stock Exchange in place of the Existing Ordinary Shares. It is expected that dealings in the Existing Ordinary Shares will continue until 4.30 p.m. on 7 February 2014 and that Admission of the New Ordinary Shares will become effective and dealings in them will commence on the London Stock Exchange at 8.00 a.m. on 10 February 2014.

None of the New Ordinary Shares, the B Shares, the C Shares or the C Deferred Shares have been marketed nor are they available to the public, in whole or in part, in connection with the Return of Capital and associated Share Capital Consolidation and, in respect of the New Ordinary Shares only, in connection with Admission. The attention of those Shareholders who are not resident in the United Kingdom or who are citizens, residents or nationals of other countries is drawn to the information set out in paragraph 6 of Part II of this document.

Melrose Industries PLC

(Incorporated and registered in England and Wales with registered number 08243706)

Proposed Return of Capital to Shareholders of 47 pence per Existing Ordinary Share by way of one B Share or one C Share for each Existing Ordinary Share, and an 11 for 13 Share Capital Consolidation and Notice of General Meeting

This document should be read as a whole and in conjunction with the accompanying Form of Proxy and Election Form. Your attention is drawn to the letter from the Chairman of Melrose which is set out in Part I of this document and which contains a recommendation that you vote in favour of the resolution to be proposed at the General Meeting.

The Return of Capital and associated Share Capital Consolidation are conditional on, among other things, the approval of Shareholders at the General Meeting.

Notice of a General Meeting of Melrose to be held at the offices of Investec at 2 Gresham Street, London EC2V 7QP at 11.00 a.m. on 7 February 2014 is set out on page 44 of this document.

A Form of Proxy for use in connection with the resolution to be proposed at the General Meeting is enclosed. 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 Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, not later than 11.00 a.m. on 5 February 2014. 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 11.00 a.m. on 5 February 2014.

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 UK & Ireland Limited'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 11.00 a.m. on 5 February 2014.

A summary of the action to be taken by Shareholders is set out on page 8 of this document and in the accompanying notice of the General Meeting. 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.

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 only for Melrose and no-one else in connection with the Return of Capital and associated Share Capital Consolidation and will not be responsible to anyone other than Melrose for providing the protections afforded to clients of Rothschild nor for providing advice in relation to the Return of Capital and associated Share Capital Consolidation, the contents of this document or any transaction, arrangement or other matter referred to in this document.

Investec, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority in the United Kingdom, is acting only for Melrose and no-one else in connection with the Return of Capital and associated Share Capital Consolidation and will not be responsible to anyone other than Melrose for providing the protections afforded to clients of Investec, nor for providing advice in relation to the Return of Capital and associated Share Capital Consolidation, the contents of this document or any transaction, arrangement or other matter referred to in this document.

Certain terms used in this document, including certain capitalised terms and certain technical and other terms, are defined in Part VIII. Part III contains a number of frequently asked questions with answers in relation to the Return of Capital and associated Share Capital Consolidation.

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EXPECTED TIMETABLE OF EVENTS

	2014
Latest time and date for receipt of Form of Proxy for General Meeting	11.00 a.m. on 5 February
General Meeting	11.00 a.m. on 7 February
Latest time and date for dealings in Existing Ordinary Shares	4.30 p.m. on 7 February
B/C Share Record Date for entitlement to B Shares and/or C Shares	5.00 p.m. on 7 February
Share Capital Consolidation Record Date. Existing Ordinary Share register closed and Existing Ordinary Shares disabled in CREST	6.00 p.m. on 7 February
New Ordinary Shares admitted to the Official List and admitted to trading on the main market for listed securities of the London Stock Exchange	8.00 a.m. on 10 February
Dealings in the New Ordinary Shares commence and enablement in CREST. New Ordinary Shares and “interim CREST entitlements” entered into CREST	8.00 a.m. on 10 February
Latest time for receipt of Election Forms and TTE Instructions from CREST holders in relation to the Share Alternatives	4.30 p.m. on 14 February
B Shares and/or C Shares allotted and issued, and B Shares, in respect of elections made under the Deferred Capital Option (Alternative 3), enabled in CREST	17 February
C Share Dividend becomes due and payable on C Shares issued pursuant to the Income Option (Alternative 1) and C Shares automatically convert into C Deferred Shares	17 February
Redemption of B Shares issued pursuant to the Immediate Capital Option (Alternative 2)	17 February
Despatch of the New Ordinary Share certificates and cheques for fractional entitlements	19 February
Despatch of cheques or bank accounts credited (as appropriate) in respect of the C Share Dividend to be paid under the Income Option (Alternative 1)	28 February
Despatch of cheques or CREST accounts credited (as appropriate) in respect of the proceeds of redemption of B Shares redeemed on the Initial Redemption Date under the Immediate Capital Option (Alternative 2)	28 February
Despatch of the B Share certificates in respect of the B Shares to be redeemed on the Final Redemption Date under the Deferred Capital Option (Alternative 3)	28 February
Final Redemption Date	30 April
Automatic redemption of all C Deferred Shares	30 April
Despatch of cheques or CREST accounts credited, as appropriate, in respect of the proceeds of redemption of B Shares redeemed on the Final Redemption Date under the Deferred Capital Option (Alternative 3)	7 May

N.B. All dates are subject to change.

References to times in this document are to London time. If any of the above times or dates should change, the revised times and/or dates will be notified to Shareholders by an announcement on an RIS.

All events in the above timetable following Admission of the New Ordinary Shares are conditional upon Admission of the New Ordinary Shares.

Shareholders holding their Existing Ordinary Shares in uncertificated form should refer to paragraph 6 of Part VII of this document for information on electing and settling through CREST for the purposes of the Return of Capital.

PART I
LETTER FROM THE CHAIRMAN OF MELROSE



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

Directors:

Christopher Miller (*Executive Chairman*)
David Roper (*Executive Vice Chairman*)
Simon Peckham (*Chief Executive*)
Geoffrey Martin (*Group Finance Director*)
Miles Templeman (*Senior Non-Executive Director*)
Perry Crosthwaite (*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

21 January 2014

Dear Shareholder,

**PROPOSED RETURN OF CAPITAL TO SHAREHOLDERS AND
SHARE CAPITAL CONSOLIDATION**

1. Introduction

Realising value in businesses at the appropriate time and returning all or part of this value to shareholders has been a fundamental part of the “buy, improve, sell” strategy that Melrose has followed since being founded ten years ago. In the second half of 2013, we completed the disposals of five of our ‘FKI’ businesses for a total consideration of approximately £945 million, having more than tripled the shareholder value in respect of these businesses in less than five years of Melrose ownership.⁽¹⁾

- On 22 November 2013, the disposal of Crosby and Acco to an affiliate of KKR & Co. L.P., for a total consideration of US\$1,010 million (£623 million);
- On 1 August 2013, the disposal of Marelli Motori to an affiliate of The Carlyle Group, for a total consideration of €212 million (£185 million);
- On 3 July 2013, the disposal of Truth Hardware to Tyman plc, for a total consideration of US\$200 million (£131 million); and
- On 31 December 2013, the disposal of Harris to Avis Industrial Corporation for an undisclosed consideration.

In accordance with our strategy the Board intends to use part of the net proceeds of the disposals to return approximately £600 million in cash to Shareholders. This is equivalent to 47 pence per Existing Ordinary Share. The balance of the net proceeds has been used to pay down Melrose’s existing borrowings.

The disposals represent a significant return on equity investment and add to Melrose’s already strong track record. In our first ten years since being founded⁽²⁾, Melrose has:

- Grown from an AIM-listed company with a £13 million market capitalisation to an approximately £4.1 billion market capitalisation and membership of the FTSE 100 index;
- Created £3 billion of shareholder value;

(1) At the exchange rates on the respective days of completion of each Disposal.

(2) To 31 October 2013.

- Achieved an average annual return on equity investment of 27 per cent. since making our first investment in 2005 and an increase in operating margins of 5 to 6 percentage points across the businesses we owned for the same period; and
- Provided a total shareholder return of 504 per cent. since making our first investment in 2005, which compares to 93 per cent. for the FTSE 350 index for the same period.

The Return of Capital is being made using a redeemable share scheme (in this case involving B Shares and/or C Shares), giving Shareholders a choice to receive their proceeds from the Return of Capital in a form of either income or capital and, if capital, the timing of such return. This document describes these choices and how to make them.

Your approval of the Return of Capital and associated Share Capital Consolidation is being sought at a General Meeting to be held at 11.00 a.m. on 7 February 2014. The notice of the General Meeting is set out at the end of this document.

Shareholders should read the whole of this document and not just rely on the summarised information set out in this letter.

2. Summary of the Return of Capital and associated Share Capital Consolidation

The Board will be putting the Resolution to effect the Return of Capital and associated Share Capital Consolidation before Shareholders at the General Meeting, to be held on 7 February 2014. The Resolution provides for the creation and issue to Shareholders of the B Shares and/or C Shares, the consolidation of the Company's Existing Ordinary Shares into New Ordinary Shares and appropriate amendments to the Company's Articles to implement the Return of Capital. Further explanations of the Resolution are set out in Part II of this document.

The purpose of the Return of Capital and associated Share Capital Consolidation is to:

- return approximately £600 million in aggregate in cash to Shareholders, equivalent to 47 pence per Existing Ordinary Share;
- give Shareholders, subject to restrictions in respect of US Shareholders and other Restricted Shareholders, a choice of receiving this cash by way of capital or dividend income; and
- reduce the number of Ordinary Shares in issue so that, subject to normal market movements, the share price of one New Ordinary Share immediately after Admission should be approximately equal to the closing middle-market share price of one Existing Ordinary Share on 20 January 2014 (the latest practicable date before the announcement of the Return of Capital and associated Share Capital Consolidation).

The Board believes that the Return of Capital and associated Share Capital Consolidation is the most suitable method of returning cash to Shareholders, giving them the choice to receive their cash in the form of capital or dividend income or a combination of both and providing some flexibility as to the timing of any capital that they elect to receive.

3. Return of Capital

3.1 Capital Reorganisation

Under the Capital Reorganisation, Shareholders will receive:

**One B Share or one C Share for each Existing Ordinary Share held on the
B/C Share Record Date,
and 11 New Ordinary Shares for every 13 Existing Ordinary Shares held on the
Share Capital Consolidation Record Date.**

At the closing middle-market price of 311.70 pence per Existing Ordinary Share on 20 January 2014, the proposed Return of Capital to Shareholders represents approximately 15.1 per cent. of Melrose's market capitalisation at that date.

The main features of the B Shares and C Shares, and the choices available to Shareholders, are summarised in paragraph 3.2 below.

Associated with and conditional upon the passing of the Resolution and Admission, there will be a one-off Ordinary Share Capital Consolidation in the ratio of 11:13. As a result of the Share Capital Consolidation,

the Existing Ordinary Shares will be replaced by the New Ordinary Shares so as to reduce the number of Ordinary Shares in issue to reflect the cash to be returned to Shareholders by way of the B/C Share Scheme. The aim of this is to ensure, so far as possible, that the market price of an Ordinary Share remains approximately the same before and after the Return of Capital and, so far as is possible, to maintain comparability of historical and future per share data. The ratio used for the Share Capital Consolidation has been set by reference to the closing middle-market price of 311.70 pence per Existing Ordinary Share on 20 January 2014 (the latest practicable date before the announcement of the Return of Capital and associated Share Capital Consolidation).

The New Ordinary Shares will be admitted to listing on the Official List and to trading on the main market of the London Stock Exchange in the same way as the Existing Ordinary Shares and will be equivalent in all material respects to the Existing Ordinary Shares, including their dividend, voting and other rights. It is expected that the New Ordinary Shares will be admitted to listing on the Official List and to trading on the main market of the London Stock Exchange with effect from 8.00 a.m. on 10 February 2014. None of the B Shares, the C Shares or the C Deferred Shares will be admitted to the Official List or to trading. Please refer to Part II of this document for further information.

It is expected that, following the Share Capital Consolidation, Melrose's issued share capital will consist of 1,071,761,339 Ordinary Shares of $\frac{13}{10}$ pence each.

3.2 *The Share Alternatives*

Each Shareholder, subject to restrictions in respect of US Shareholders and other Restricted Shareholders, will have the following alternatives in relation to the Existing Ordinary Shares you hold on the B/C Share Record Date. Shareholders should read Part VI of this document since the three share alternatives will each have different United Kingdom tax consequences.

The Return of Capital has been structured with the objective of enabling Shareholders, subject to restrictions in respect of US Shareholders and other Restricted Shareholders, to elect to receive their cash proceeds of 47 pence per Existing Ordinary Share as:

- an immediate income payment (the "Income Option"); or
- an immediate capital payment (the "Immediate Capital Option"); or
- a capital payment deferred until after 6 April 2014 (the "Deferred Capital Option"); or
- any combination of the Income Option, the Immediate Capital Option and/or the Deferred Capital Option.

It is important to note that Shareholders who do not make a valid election, and all US Shareholders and other Restricted Shareholders, will be deemed to have chosen the Income Option (Alternative 1) in respect of ALL of their entitlement under the proposed Return of Capital.

Shareholders who are in any doubt as to their tax position should consult an appropriate professional adviser.

Alternative 1: Income Option

If you choose the Income Option in respect of all or some of your B/C Share Entitlement, you will receive one C Share for each Existing Ordinary Share held by you at the B/C Share Record Date in respect of which this option is chosen or is deemed to be chosen and the C Share Dividend of 47 pence per C Share will be paid in respect of such C Share(s). The cash proceeds of the C Share Dividend are expected to become due and payable to you on 17 February 2014 (or such other date as the Directors may determine) and it is expected that the cash proceeds of the C Share Dividend will be sent to relevant Shareholders on 28 February 2014 (or such other date as the Directors may determine).

Following the C Share Dividend becoming due and payable on 17 February 2014 (or such other date as the Directors may determine), the C Shares shall be automatically converted into C Deferred Shares, with each holder of C Shares automatically receiving one C Deferred Share for each such C Share held, and the C Deferred Shares then being redeemed by the Company on 30 April 2014 (or such other date as the Directors may determine) for an aggregate consideration of one penny. The C Deferred Shares will not be admitted to listing on the Official List or to trading on the main market for listed securities of the London Stock Exchange, will carry extremely limited rights and will have negligible value as Shareholders will have already received a cash pay-out in relation to those C Shares in the form of the C Share Dividend.

It is expected that the C Share Dividend will generally be treated as dividend income for United Kingdom tax purposes.

Alternative 2: Immediate Capital Option

If you choose the Immediate Capital Option in respect of all or some of your B/C Share Entitlement, you will receive one B Share for each Existing Ordinary Share held by you at the B/C Share Record Date in respect of which this option is chosen. You will have those B Shares for which you have chosen the Immediate Capital Option redeemed by Melrose on 17 February 2014 (or such other date as the Directors may determine) for 47 pence per B Share, free of all dealing expenses and commissions. It is expected that the redemption proceeds in relation to the redemption of the B Shares redeemed under the Immediate Capital Option will be sent to relevant Shareholders on 28 February 2014 (or such other date as the Directors may determine).

The B Shares issued under the Immediate Capital Option will not be admitted to listing on the Official List or to trading on the main market for listed securities of the London Stock Exchange.

It is expected that the proceeds from this redemption will generally be treated as capital for United Kingdom tax purposes.

Alternative 3: Deferred Capital Option

If you choose the Deferred Capital Option in respect of all or some of your B/C Share Entitlement, you will receive one B Share for each Existing Ordinary Share held by you at the B/C Share Record Date in respect of which this option is chosen. You will hold those B Shares for which you have chosen the Deferred Capital Option until they are redeemed by Melrose on 30 April 2014 at 47 pence per B Share, free of all dealing expenses and commissions. It is expected that the redemption proceeds in relation to the redemption of the B Shares redeemed under the Deferred Capital Option will be sent to relevant Shareholders on 7 May 2014 (or such other date as the Directors may determine).

The B Shares issued under the Deferred Capital Option will not be admitted to listing on the Official List or to trading on the main market for listed securities of the London Stock Exchange.

Holding all or some of your B Shares until 30 April 2014 may be of some value to you from a tax planning perspective. It is expected that the proceeds from this redemption will generally be treated as capital for United Kingdom tax purposes.

Subject to restrictions in respect of US Shareholders and other Restricted Shareholders, you may elect to receive any one of, or a combination of, the share alternatives listed above. Please see Part IV of this document for details on how to do this.

Details of how to complete and return your Election Form are set out in Part IV of this document. Details of how to make your election through CREST are set out in paragraph 6 of Part VII of this document. Properly completed and returned Election Forms and elections made through CREST will not become effective until 4.30 p.m. on 14 February 2014, after which they will become irrevocable.

If you hold your Existing Ordinary Shares in uncertificated form, in order to facilitate the Share Alternative elections, you will, for the purposes of settlement in CREST only, be credited with one "interim CREST entitlement" under the ISIN GB00BHY3RX59 for each Existing Ordinary Share held at the B/C Share Record Date, from the period from 8.00 a.m. on 10 February 2014 until 4:30 p.m. on 14 February 2014 (being the end of the Election Period). During this period CREST holders will have their accounts credited with "interim CREST entitlements" to allow them to elect electronically through the CREST system. From 8.00 a.m. on 17 February 2014 (or such other time and/or date as the Directors may determine), "interim CREST entitlements" in relation to which elections have been made under the Deferred Capital Option (Alternative 3) will, for the purposes of dealings and settlement in CREST, be designated as "B Shares" under the ISIN GB00BHY3ZC05. Accordingly, on 17 February 2014 those CREST holders who have elected to receive B Shares in respect of all or some of their B/C Share Entitlement and to hold all or some of such B Shares until the Final Redemption Date, will have their CREST accounts credited with such B Shares.

If you do not properly complete and return your Election Form, or if you are a CREST holder and you do not send a valid TTE Instruction, or if you are a US Shareholder or another Restricted Shareholder, you will be deemed to have chosen the Income Option (Alternative 1) in respect of ALL of your B/C Share Entitlement.

Further information on each of the share alternatives is set out in Part II of this document.

The rights and restrictions attaching to the B Shares, the C Shares and the C Deferred Shares are set out in Part V of this document.

3.3 Key dates

A detailed expected timetable in respect of the B/C Share Scheme and the General Meeting is set out on page 2 of this document. The following are the key expected dates in respect of the Return of Capital and associated Share Capital Consolidation:

	<u>2014</u>
Latest time and date for receipt of Form of Proxy for General Meeting	11.00 a.m. on 5 February
General Meeting	11.00 a.m. on 7 February
Latest time and date for dealings in Existing Ordinary Shares	4.30 p.m. on 7 February
B/C Share Record Date for entitlement to B Shares and/or C Shares . .	5.00 p.m. on 7 February
Share Capital Consolidation Record Date	6.00 p.m. on 7 February
Latest time for receipt of Election Forms and TTE Instructions from CREST holders in relation to the Share Alternatives	4.30 p.m. on 14 February
B Shares and/or C Shares allotted and issued, and B Shares, in respect of elections made under the Deferred Capital Option (Alternative 3), enabled in CREST	17 February
Despatch of cheques or bank accounts credited (as appropriate) in respect of the C Share Dividend to be paid under the Income Option (Alternative 1)	28 February
Despatch of cheques or CREST accounts credited (as appropriate) in respect of the proceeds of redemption of B Shares redeemed on the Initial Redemption Date under the Immediate Capital Option (Alternative 2)	28 February
Despatch of the B Share certificates in respect of the B Shares to be redeemed on the Final Redemption Date under the Deferred Capital Option (Alternative 3)	28 February
Despatch of cheques or CREST accounts credited, as appropriate, in respect of the redemption of B Shares redeemed on the Final Redemption Date under the Deferred Capital Option (Alternative 3) . .	7 May

These dates are indicative only and are subject to change.

3.4 Shareholder Helpline

If you have any queries in relation to the Election Form, or Form of Proxy, you may call the Shareholder Helpline on 0871 384 2995 (from inside the United Kingdom) or +44 (0)121 415 0142 (from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. (London time), Monday to Friday (excluding public holidays). Calls to these numbers are charged at 8 pence per minute (excluding VAT) plus network extras. Calls to the Shareholder Helpline from outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The Shareholder Helpline will remain open until 14 March 2014.

Please note that the Shareholder Helpline will not be able to give advice on the merits of the Return of Capital and/or associated Share Capital Consolidation described in this document or to provide legal or financial or taxation advice. For legal, financial or taxation advice, you will need to consult an independent adviser.

4. General Meeting

Your approval is being sought for the proposed Return of Capital and associated Share Capital Consolidation.

A General Meeting, notice of which is set out at the end of this document, has been convened for 11.00 a.m. on 7 February 2014 for this purpose. The Board has decided to call the General Meeting on not less than 14 clear days' notice, as permitted by the authority granted at the 2013 AGM, because it believes it to be in the best interests of Shareholders to expedite the proposed Return of Capital. A Form of Proxy to be used in connection with the General Meeting is enclosed with this document.

At the General Meeting a special resolution will be proposed in connection with the Return of Capital and associated Share Capital Consolidation to, among other things:

- (i) authorise the Directors to allot and issue B Shares up to an aggregate nominal amount of £595,314,706.92 and C Shares up to an aggregate nominal amount of £126.66;
- (ii) provide for the mechanics of the B/C Share Scheme and for the Share Capital Consolidation; and
- (iii) amend the Articles of Association to reflect the proposed rights and restrictions attaching to the B Shares, the C Shares and the C Deferred Shares.

A summary explanation of the Resolution is set out in paragraph 11 of Part II of this document.

5. Further information

Your attention is drawn to the remaining parts of this document which contain further information on Melrose and the Return of Capital and associated Share Capital Consolidation.

6. United Kingdom taxation in relation to the Return of Capital and associated Share Capital Consolidation

A guide to the general tax position of United Kingdom Shareholders as at the date of this document is set out in Part VI of this document.

You are strongly advised to read Part VI of this document and to seek professional advice tailored to your specific circumstances.

7. US Shareholders and other Overseas Shareholders

The attention of US Shareholders and those Shareholders who are not resident in the United Kingdom or who are citizens, residents or nationals of other countries is drawn to the information set out in paragraph 6 of Part II of this document.

Neither the Immediate Capital Option (Alternative 2) nor the Deferred Capital Option (Alternative 3) are being made available to US Shareholders and/or other Restricted Shareholders, and such US Shareholders and/or other Restricted Shareholders may not choose either the Immediate Capital Option (Alternative 2) or the Deferred Capital Option (Alternative 3). Any purported election by a US Shareholder or other Restricted Shareholder for the Immediate Capital Option (Alternative 2) or the Deferred Capital Option (Alternative 3) will be deemed by the Company to be an election for the Income Option (Alternative 1) in respect of ALL of that Shareholder's B/C Share Entitlement and accordingly that Shareholder will receive C Shares in respect of ALL of their B/C Share Entitlement and be entitled to be paid the C Share Dividend in respect of such C Shares.

Shareholders should note that the Company has not applied for any tax clearances with respect to the Return of Capital or the Share Capital Consolidation in the United Kingdom or in any other jurisdiction.

8. Action to be taken

You will find enclosed with this document a Form of Proxy for use in respect of 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 Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, **not later than 11.00 a.m. on 5 February 2014.**

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 11.00 a.m. on 5 February 2014.**

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 UK & Ireland Limited'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 11.00 a.m. on 5 February 2014.**

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.

You will also find an Election Form enclosed with this document. Shareholders (other than US Shareholders and other Restricted Shareholders) electing through CREST should not complete an Election Form but instead should refer to paragraph 6 of Part VII of this document. Shareholders (other than US Shareholders and other Restricted Shareholders) wishing to choose the Income Option (Alternative 1) DO NOT need to complete or return the Election Form. Shareholders (other than US Shareholders and other Restricted Shareholders) wishing to choose the Immediate Capital Option (Alternative 2) or the Deferred Capital Option (Alternative 3) should refer to Part IV for instructions on how to complete the Election Form.

Shareholders who do not make a valid election (either by returning a completed Election Form or by electing through CREST), and all US Shareholders and other Restricted Shareholders, will be deemed to have chosen the Income Option (Alternative 1) in respect of ALL of their B/C Share Entitlement.

9. Recommendation

The Board, which has received financial advice from Rothschild, considers the Return of Capital and associated Share Capital Consolidation to be in the best interests of Shareholders as a whole and recommends that you vote in favour of the Resolution at the General Meeting, as the Directors intend to do in respect of their own holdings. In providing its advice, Rothschild has placed reliance on the Board's commercial assessment of the Return of Capital and associated Share Capital Consolidation.

Yours faithfully

Christopher Miller
Executive Chairman

PART II

DETAILS OF THE RETURN OF CAPITAL AND ASSOCIATED SHARE CAPITAL CONSOLIDATION

1. Return of Capital and associated Share Capital Consolidation

The Return of Capital and associated Share Capital Consolidation consist of the Capital Reorganisation (see paragraph 2 below) and the B/C Share Scheme (see paragraphs 3, 4 and 5 below).

Conditions to the implementation of the Return of Capital and associated Share Capital Consolidation

The Return of Capital and associated Share Capital Consolidation are conditional upon:

- (a) the approval by Shareholders of the Resolution to be proposed at the General Meeting; and
- (b) Admission.

If these conditions are not satisfied by 8.00 a.m. on 10 February 2014 (or such later time and/or date as the Directors may determine), no New Ordinary Shares or B Shares or C Shares will be created and the Return of Capital and associated Share Capital Consolidation will not take effect.

2. Capital Reorganisation

2.1 Allotment and Issuance of B Shares and C Shares

It is proposed to capitalise a sum of up to £595,314,706.92 standing to the credit of the Company's merger reserve and apply the amount in paying up in full B Shares with a nominal value of 47 pence per B Share and to capitalise a sum of up to £126.66 standing to the credit of the Company's merger reserve and apply the amount in paying up in full C Shares with a nominal value of 0.00001 pence per C Share, to be allotted and issued to Shareholders.

The B Shares and C Shares will be allotted and issued to Shareholders on the basis of one B Share or one C Share for each Existing Ordinary Share held at the B/C Share Record Date.

The exact number of B Shares and C Shares to be allotted and issued will depend upon the elections made by each Shareholder between the Share Alternatives, but in total will be equal to the number of Existing Ordinary Shares in issue at the B/C Share Record Date. As at 20 January 2014 (the latest practicable date prior to the publication of this document) there were 1,266,627,036 Existing Ordinary Shares in issue. The Company is expected to announce the exact number of B Shares and/or C Shares allotted and issued under the B/C Share Scheme on 17 February 2014 (or such other date as the Directors may determine).

The B Shares and the C Shares will carry limited voting rights as more fully set out in Part V of this document.

It is a condition of the issue of the C Shares (Alternative 1) and the C Deferred Shares resulting therefrom, and of the B Shares which are to be redeemed by the Company on the Initial Redemption Date (Alternative 2), that no share certificates will be issued with respect to such C Shares, C Deferred Shares or B Shares and no CREST accounts will be credited with such C Shares, C Deferred Shares or B Shares. Share certificates will only be issued in respect of B Shares that are to be redeemed by the Company on the Final Redemption Date, and holders of Existing Ordinary Shares whose holdings are registered in CREST will automatically have any B Shares that are to be redeemed by the Company on the Final Redemption Date credited to their CREST account. The Company will apply for the B Shares that are to be redeemed by the Company on the Final Redemption Date to be admitted to CREST with effect from 17 February 2014 so that transfers of such B Shares may be settled within the CREST system.

None of the C Shares, the C Deferred Shares or the B Shares will be admitted to the Official List nor to trading on the main market for listed securities of the London Stock Exchange.

2.2 Share Capital Consolidation

The Existing Ordinary Shares will be consolidated so that Shareholders will receive 11 New Ordinary Shares for every 13 Existing Ordinary Shares they own at the Share Capital Consolidation Record Date. The intention of the Share Capital Consolidation is that, subject to normal market movements, the share price of one New Ordinary Share immediately after Admission should be approximately equal to the share price of one Existing Ordinary Share immediately before the Share Capital Consolidation. The ratio used for the Share Capital Consolidation has been set by reference to the closing middle market price of 311.70 pence per Existing Ordinary Share on 20 January 2014 (the latest practicable date prior to the

announcement of the Return of Capital and associated Share Capital Consolidation). The effect of the Share Capital Consolidation will be to reduce the number of issued Ordinary Shares to reflect the return of 47 pence per Existing Ordinary Share to Shareholders, but Shareholders will own the same proportion of the Company as they did before the Share Capital Consolidation, subject to fractional entitlements.

In order to ensure that the aggregate of all fractional entitlements to be sold in the market adds up to a whole number of New Ordinary Shares, between the B/C Share Record Date and the Share Capital Consolidation Record Date, one Ordinary Share will be allotted fully paid up for cash to Investec at a price which is equal to the closing middle-market price of an Existing Ordinary Share on 7 February 2014, less 47 pence, per Ordinary Share. This Ordinary Share will not be entitled to participate in the Return of Capital.

New Ordinary Shares will be admitted to listing on the Official List and to trading on the main market for listed securities of the London Stock Exchange in the same way as Existing Ordinary Shares and will be equivalent in all material respects to the Existing Ordinary Shares, including their dividend, voting and other rights. New Ordinary Share certificates will be issued to Shareholders who hold their Ordinary Shares in certificated form following the Capital Reorganisation.

Application will be made for the New Ordinary Shares to be admitted to the Official List and to trading on the main market for listed securities of the London Stock Exchange, with dealings expected to commence on 10 February 2014. The Company will apply for the New Ordinary Shares to be admitted to CREST with effect from Admission so that general market transactions in the New Ordinary Shares may be settled within the CREST system.

If you currently hold Existing Ordinary Shares in uncertificated form, the Existing Ordinary Shares under ISIN GB00B8L59D51 will be disabled by 4.30 p.m. on 7 February 2014 and on, or soon after, 8.00 a.m. on 10 February 2014 your CREST account will be credited with New Ordinary Shares under ISIN GB00BHY3ZD12.

2.3 Fractional entitlements to New Ordinary Shares

Unless a holding of Existing Ordinary Shares is exactly divisible by 13, a Shareholder will have a fractional entitlement to a New Ordinary Share following the Share Capital Consolidation. So, for example, a Shareholder having 100 Existing Ordinary Shares would, after the Share Capital Consolidation, be entitled to 84 New Ordinary Shares and to a fractional entitlement of $\frac{8}{13}$ of a New Ordinary Share.

These fractional entitlements of all Shareholders will be aggregated and sold in the market on their behalf. The proceeds of sale, net of commission, will be distributed *pro rata* to the relevant Shareholders. Cheques in respect of the proceeds of sale are expected to be despatched to relevant Shareholders or CREST accounts credited with the proceeds, as appropriate on 19 February 2014 (or such other date as the Directors may determine).

Should the cash consideration for your fractional entitlement be less than £1.00, net of commission, you will not receive a cheque in respect of that entitlement; rather, the proceeds will be retained by the Company and donated to charities chosen by the Board.

3. Share Alternatives

3.1 Alternative 1: Income Option

Shareholders (other than US Shareholders and other Restricted Shareholders) may elect to receive C Shares in respect of all or some of their B/C Share Entitlement and therefore to receive the C Share Dividend of 47 pence per C Share. Such elections will not become effective until the end of the Election Period, after which they will become irrevocable.

To choose the Income Option and to receive C Shares in respect of all of your B/C Share Entitlement you need take no further action and do not need to return your Election Form. You are, however, encouraged to vote on the Return of Capital and associated Share Capital Consolidation by completing and returning your Form of Proxy for the General Meeting as no B Shares or C Shares or New Ordinary Shares will be created and the Return of Capital will not take effect unless the Resolution to be considered at the General Meeting is passed (and Admission takes place).

To choose the Income Option and to receive C Shares in respect of some (but not all) of your B/C Share Entitlement, you should follow the instructions in Part IV of this document.

To the extent that Shareholders choose the Income Option and to receive C Shares in respect of all or some of their B/C Share Entitlement, the Dividend Reinvestment Plan (“**DRIP**”) cannot be used in relation to the C Share Dividend to be paid to Shareholders in respect of their holdings of such C Shares. Any DRIP elections in relation to the C Share Dividend will not be accepted and any standing DRIP mandates will not apply to the C Share Dividend.

The C Share Dividend is expected to become due and payable on 17 February and, following such date (or such other date as the Directors may determine), the C Shares shall be automatically converted into C Deferred Shares, with the Shareholder automatically receiving one C Deferred Share for each such C Share.

Neither the C Shares nor the C Deferred Shares will be listed and both the C Shares and the C Deferred Shares will carry extremely limited rights as more fully described in Part V of this document. When redeemed by the Company, the C Deferred Shares will have negligible value as Shareholders will have already received a cash pay-out in relation to those shares in the form of the C Share Dividend.

The Company may redeem all C Deferred Shares then in issue at any time for an aggregate consideration of one penny. If the Company redeems the C Deferred Shares, this will be treated as a disposal of the C Deferred Shares by Shareholders. It is expected that the C Deferred Shares will be redeemed on 30 April 2014 (or such other date as the Directors may determine).

Shareholders should read carefully Part VI of this document before deciding whether to elect to receive C Shares.

It is expected that Shareholders who have chosen the Income Option and to receive C Shares in respect of all or some of their B/C Share Entitlement will be sent cheques or have their bank accounts credited in respect of the C Share Dividend on 28 February 2014 (or such other date as the Directors may determine).

3.2 Alternative 2: Immediate Capital Option

Shareholders (other than US Shareholders and other Restricted Shareholders) may elect to receive B Shares in respect of all or some of their B/C Share Entitlement and have all or some of such B Shares redeemed under the Initial Redemption (expected to be on 17 February 2014) or to hold all or some of their B Shares for redemption until the Final Redemption Date (expected to be on 30 April 2014). Such elections will not become effective until the end of the Election Period, after which point they will become irrevocable.

Any B Shares redeemed by the Company by way of the Initial Redemption or the Final Redemption will be cancelled and will not be reissued.

Under the Immediate Capital Option, Shareholders (other than US Shareholders and other Restricted Shareholders) may elect to receive B Shares in respect of all or some of their B/C Share Entitlement and have all or some of such B Shares redeemed by the Company, on the Initial Redemption Date, for 47 pence per B Share, free of all dealing expenses and commissions.

To choose the Immediate Capital Option and to receive B Shares in respect of all or some of your B/C Share Entitlement, you should follow the instructions in Part IV of this document unless you hold your Existing Ordinary Shares through CREST. Shareholders electing through CREST should refer to paragraph 6 of Part VII of this document.

Shareholders should read carefully Part VI of this document before deciding whether to elect to receive B Shares and the Initial Redemption in respect of all or some of such B Shares.

It is expected that Shareholders who have elected to receive B Shares in respect of all or some of their B/C Share Entitlement and who have chosen the Initial Redemption in respect of all or some of such B Shares will have such B Shares redeemed on the Initial Redemption Date. Cheques will be despatched or CREST accounts credited with the proceeds, as appropriate, in respect of such outstanding B shares on 28 February 2014 (or such other date as the Directors may determine).

3.3 Alternative 3: Deferred Capital Option

Shareholders (other than US Shareholders and other Restricted Shareholders) may elect to receive B Shares in respect of all or some of their B/C Share Entitlement and have all or some of such B Shares redeemed under the Initial Redemption (expected to be on 17 February 2014) or to hold all or some of their B Shares for redemption until the Final Redemption Date (expected to be on 30 April 2014). Such

elections will not become effective until the end of the Election Period, after which they will become irrevocable.

Any B Shares redeemed by the Company by way of the Initial Redemption or the Final Redemption will be cancelled and will not be reissued.

Under the Deferred Capital Option, Shareholders (other than US Shareholders and other Restricted Shareholders) may elect to receive B Shares in respect of all or some of their B/C Share Entitlement and to retain all or some of such B Shares until the Final Redemption Date, and to have such B Shares redeemed by the Company on the Final Redemption Date, for 47 pence per B Share, free of all dealing expenses and commissions.

To choose the Deferred Capital Option and to receive B Shares in respect of all or some of your B/C Share Entitlement, you should follow the instructions in Part IV of this document unless you hold your Existing Ordinary Shares through CREST. Shareholders electing through CREST should refer to paragraph 6 of Part VII of this document.

Shareholders should read carefully Part VI of this document before deciding whether to elect to receive B Shares and the Final Redemption in respect of all or some of such B Shares.

It is expected that Shareholders who have elected to receive B Shares in respect of all or some of their B/C Share Entitlement and who have chosen the Final Redemption in respect of all or some of such B Shares will have such B Shares redeemed on the Final Redemption Date. Cheques will be despatched or CREST accounts credited with the proceeds, as appropriate, in respect of such outstanding B shares on 7 May 2014 (or such other date as the Directors may determine).

4. Additional terms of the Share Alternatives

The following terms will apply with respect to elections made under the Income Option (Alternative 1–C Shares), Immediate Capital Option (Alternative 2–B Shares) and the Deferred Capital Option (Alternative 3–B Shares):

- (a) the Election Form, any TTE Instruction of a Shareholder electing through CREST and all resulting contracts will be governed by, and construed in accordance with, English law. Execution by, or on behalf of, a Shareholder of an Election Form, or any TTE Instruction submitted by a Shareholder electing through CREST, constitutes their submission, in relation to all matters arising out of or in connection with such form, to the exclusive jurisdiction of the English courts; and
- (b) no authority conferred by, or agreed to by, execution of the Election Form or any TTE Instruction submitted by a Shareholder electing through CREST shall be affected by, and all such authority shall survive, the death or incapacity of the Shareholder executing such form. All obligations of such Shareholder shall be binding upon the heirs, personal representatives, successors and assigns of such Shareholder.

5. Withdrawal rights

Shareholders should note that any election with respect to their B/C Share Entitlement, whether their Existing Ordinary Shares are held in CREST or otherwise, relating to the Share Alternatives may be withdrawn at any time before the end of the Election Period. After the end of the Election Period, any election is irrevocable.

Shareholders wishing to withdraw their election before the end of the Election Period, whether their Existing Ordinary Shares are held in CREST or otherwise, MUST first telephone the Shareholder Helpline for further information on 0871 384 2995 (from inside the United Kingdom) or +44 (0)121 415 0142 (from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. (London time), Monday to Friday (excluding public holidays), and then send written notice of such withdrawal to Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, as set out below. Calls to this number are charged at 8 pence per minute (excluding VAT) plus network extras. Calls to the Shareholder Helpline from outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The Shareholder Helpline will remain open until 14 March 2014. If such Shareholders wish to re-elect in respect of Share Alternatives, they can request a replacement Election Form or receive instructions on how to re-elect through CREST from the Shareholder Helpline. Shareholders will need to

take into account the postal time necessary for a replacement Election Form to reach Equiniti by the end of the Election Period (which is 4.30 p.m. on 14 February 2014).

For a withdrawal of an election with respect to a Shareholder's B/C Share Entitlement to be effective, whether such Shareholder's Existing Ordinary Shares are held in CREST or otherwise, a written instruction signed by the person(s) who signed the Election Form or, in the case of shares held in uncertificated form, made the relevant election must:

- (a) be received by Equiniti, by hand or by post, at Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA;
- (b) specify the name(s) and address(es) of the person(s) who is/are tendering the election to be withdrawn and the exact number of their B/C Share Entitlement to be withdrawn; and
- (c) in the case of an election originally made by a TTE Instruction, be accompanied by a valid ESA Message given by the person(s) who gave the relevant TTE Instruction, by no later than 1.00 pm on 14 February 2014.

Telex, facsimile, electronic mail or other electronic means of transmission or any form of copy of written notice will not constitute a written instruction of withdrawal. The Company will determine all questions as to the form and validity (including time of receipt) of any instruction of withdrawal, in its absolute discretion, which determination shall be final and binding. The Company also reserves the absolute right to waive any defect or irregularity in the withdrawal by any Shareholder, and such determination will be binding on such Shareholder. None of the Company or Equiniti or any other person will be under any duty to give notification of any defect or irregularity in any instruction of withdrawal or incur any liability for failure to give any such notification or for any reason with regard to withdrawal and re-election.

Withdrawals may not be rescinded after the end of the Election Period and any re-elections in respect of any withdrawn election of all or some of a Shareholder's B/C Share Entitlement that are received by Equiniti after the end of the Election Period will be deemed invalid for the purposes of the Share Alternatives. Any Shareholder who withdraws all or some of their election before the end of the Election Period and does not re-elect that portion of their B/C Share Entitlement will receive the Income Option (Alternative 1) in respect of that portion of their B/C Share Entitlement.

If a written instruction of withdrawal of an election in respect of all or some of a Shareholder's B/C Share Entitlement is received by Equiniti before the end of the Election Period it is possible to re-elect any of the Share Alternatives in respect of that portion of the Shareholder's B/C Share Entitlement. Shareholders wishing to re-elect in respect of the Immediate Capital Option (Alternative 2) or the Deferred Capital Option (Alternative 3) should request a Replacement Election Form or receive instructions on how to re-elect through CREST from the Shareholder Helpline. Once completed and signed, the withdrawal instruction and the Replacement Election Form should be returned in the reply-paid envelope (which will be provided) to Equiniti and no stamps will be needed if the envelope is posted in the United Kingdom. If, however, you do not use the envelope provided, the Replacement Election Form and withdrawal instruction should be returned to Equiniti, by hand or by post, at Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

Before the end of the Election Period, Shareholders who hold their Existing Ordinary Shares through CREST are able to withdraw any TTE Instruction already authenticated and submitted once a written instruction of withdrawal of an election in respect of all or some of a Shareholder's B/C Share Entitlement held as "interim CREST entitlements" through CREST has been received by Equiniti, in accordance with sub-paragraphs (a) and (b) above. Such Shareholders may then submit a further authenticated TTE Instruction in accordance with paragraph 6 of Part VII of this document in order to re-elect the Immediate Capital Option (Alternative 2) or the Deferred Capital Option (Alternative 3), or may take no further action to benefit from the Income Option (Alternative 1). If settlement has already taken place in respect of the TTE Instruction to be withdrawn, the withdrawing Shareholder will need to include all the details contained within the settled TTE Instruction in their withdrawal instruction (completed in accordance with sub-paragraphs (a) and (b) above) to enable Equiniti to transmit in CREST a receiving agent accept (AEAN) message. A further properly authenticated TTE Instruction should then be submitted in accordance with paragraph 6 of Part VII of this document.

To be valid, Replacement Election Forms, withdrawal instructions and re-elections through CREST must be returned or submitted by the end of the Election Period (which is 4:30 p.m. on 14 February 2014).

6. US Shareholders and other Overseas Shareholders

Shareholders who are not resident in the United Kingdom or who are citizens, residents or nationals of other countries should consult their professional advisers to ascertain whether the Return of Capital and associated Share Capital Consolidation (including the receipt of the New Ordinary Shares, the receipt of the C Share Dividend, the receipt of the proceeds of the Initial Redemption or the receipt of the proceeds of the Final Redemption) will be subject to any restrictions or require compliance with any formalities imposed by the laws or regulations of, or any body or authority located in, the jurisdiction in which they are resident or to which they are subject. In particular, it is the responsibility of any Shareholder not resident in the United Kingdom or a citizen, resident or national of another country wishing to receive the C Share Dividend, have B Shares redeemed or otherwise dispose of any shares in the Company to satisfy themselves as to full observance of the laws of each relevant jurisdiction in connection with the Return of Capital and associated Share Capital Consolidation, or redemption or subsequent disposal of any shares in the Company, including the obtaining of any government, exchange control or other consents which may be required, or the compliance with other necessary formalities needing to be observed and the payment of any issue, transfer or other taxes or duties in such jurisdiction.

The distribution of this document in certain jurisdictions other than the United Kingdom may be restricted by law. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Neither this document nor any other document issued or to be issued by or on behalf of the Company in connection with the Return of Capital and associated Share Capital Consolidation constitutes an invitation, offer or other action on the part of the Company in any jurisdiction in which such invitation, offer or other action is unlawful.

Neither the Immediate Capital Option (Alternative 2) nor the Deferred Capital Option (Alternative 3) are being made available to US Shareholders and/or other Restricted Shareholders, and such US Shareholders and/or other Restricted Shareholders may not choose either the Immediate Capital Option (Alternative 2) or the Deferred Capital Option (Alternative 3). Any purported election by a US Shareholder or other Restricted Shareholder for the Immediate Capital Option (Alternative 2) or the Deferred Capital Option (Alternative 3) will be deemed by the Company to be an election for the Income Option (Alternative 1) in respect of ALL of that Shareholder's B/C Share Entitlement and accordingly that Shareholder will receive C Shares in respect of ALL of their B/C Share Entitlement and be entitled to be paid the C Share Dividend in respect of such C Shares.

In the event that the Company is advised that it would or might be in breach of legal or regulatory requirements in any jurisdiction, or the Company would or might be required to make filings or take any other action in any jurisdiction as a result of the Return of Capital and/or the associated Share Capital Consolidation (or any part of either of them) in respect of Shareholders who have registered addresses in any overseas jurisdiction or who are citizens, residents or nationals of other countries, it is proposed that the B Shares and/or C Shares and/or New Ordinary Shares to which such Shareholders are entitled will nevertheless be allotted to such Shareholders but may be issued to a nominee and then sold with the net proceeds of sale being remitted to such Shareholders.

The above provisions of this paragraph relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company in its absolute discretion.

None of the New Ordinary Shares, the B Shares, the C Shares or the C Deferred Shares will be registered under the US Securities Act or under the securities laws of any state of the United States or under any applicable securities laws of any other Restricted Territory.

7. General Meeting

A General Meeting will be held at 11.00 a.m. on 7 February 2014. The notice of General Meeting is set out at the end of this document.

You will find enclosed with this document a Form of Proxy for use in respect of 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 Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, **not later than 11.00 a.m. on 5 February 2014.**

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 11.00 a.m. on 5 February 2014**.

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 UK & Ireland Limited'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 11.00 a.m. on 5 February 2014**.

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.

8. Share certificates

From Admission your Existing Ordinary Share certificates will no longer be valid. New Ordinary Share certificates will only be issued following the Share Capital Consolidation. It is therefore important that, if you hold certificates in respect of your Existing Ordinary Shares, you retain them for the time being until New Ordinary Share certificates are despatched, which is expected to be on 19 February 2014 (or such other date as the Directors may determine). Following this date, the certificates in respect of the Existing Ordinary Shares can be destroyed. New Ordinary Share certificates are despatched to Shareholders at their own risk.

For Shareholders wishing to hold any New Ordinary Shares, and/or B Shares received following election under the Deferred Capital Option (Alternative 3), through the CREST system, the relevant CREST accounts are expected to be credited at 8.00 a.m. on 10 February 2014 and 17 February 2014, respectively. Shareholders holding New Ordinary Shares and such B Shares through the CREST system will not receive any share certificates.

It is a condition of the issue of the C Shares (Alternative 1) and the C Deferred Shares resulting therefrom, and of the B Shares which are to be redeemed by the Company on the Initial Redemption Date (Alternative 2), that no share certificates will be issued with respect to such C Shares, C Deferred Shares or B Shares and no CREST accounts will be credited with such C Shares, C Deferred Shares or B Shares. Share certificates will only be issued in respect of B Shares that are to be redeemed by the Company on the Final Redemption Date, and holders of Existing Ordinary Shares whose holdings are registered in CREST will automatically have any B Shares that are to be redeemed by the Company on the Final Redemption Date credited to their CREST account. The Company will apply for the B Shares that are to be redeemed by the Company on the Final Redemption Date to be admitted to CREST with effect from 17 February 2014.

9. Amendments to the Articles

A number of consequential amendments to the Articles are required in order to implement the Capital Reorganisation. These amendments are set out in Part V of this document.

10. Dealings and despatch of documents

The issue of B Shares and/or C Shares will be made by reference to holdings of Existing Ordinary Shares on the register of members as at the B/C Share Record Date.

It is expected that dealings and settlement within the CREST system of the Existing Ordinary Shares will continue until the Share Capital Consolidation Record Date when, in the case of Existing Ordinary Shares held in certificated form, the register of members will be closed for transfers and no further transfers of Existing Ordinary Shares will be able to be made. The registration of uncertificated holdings in respect of the Existing Ordinary Shares will be "disabled" in CREST on the Share Capital Consolidation Record Date.

On 19 February 2014 (or such other date as the Directors may determine) the Company expects to despatch definitive share certificates in respect of those New Ordinary Shares held in certificated form. The Company also expects to despatch cheques or credit CREST accounts in respect of the sale of fractional entitlements to New Ordinary Shares on 19 February 2014 (or such other date as the Directors may determine). From Admission, certificates in respect of the Existing Ordinary Shares will no longer be valid. Both cheques and share certificates for New Ordinary Shares are despatched to Shareholders at their own risk.

It is expected that Shareholders who hold their Existing Ordinary Shares through the CREST system will, upon Admission, have their CREST accounts credited with the New Ordinary Shares and “interim CREST entitlements” with respect to their B/C Share Entitlement.

Temporary documents of title will not be issued and, pending despatch of definitive share certificates, transfers of New Ordinary Shares held in certificated form will be certified against the register held by Equiniti.

It is expected that cheques in respect of the C Share Dividend under the Income Option (Alternative 1) will be despatched to the relevant Shareholders or bank accounts credited on 28 February 2014 (or such other date as the Directors may determine). Cheques are despatched to Shareholders at their own risk. It is also expected that cheques in respect of B Shares redeemed on the Initial Redemption Date under the Immediate Capital Option (Alternative 2), will be despatched to relevant Shareholders or CREST accounts will be credited, as appropriate, on 28 February 2014 (or such other date as the Directors may determine).

11. Summary explanation of the Resolution to be put to the General Meeting

The special resolution to be proposed at the General Meeting is conditional on Admission taking place and sets out the formal mechanics for the implementation of the Return of Capital and associated Share Capital Consolidation:

- (a) Paragraph (a) proposes the adoption of new Articles of Association incorporating the rights and restrictions to be attached to the B Shares, C Shares and the C Deferred Shares (as set out in Part V of this Circular);
- (b) Paragraph (b) proposes to authorise the Directors to:
 - (i) capitalise a sum not exceeding £595,314,706.92 standing to the credit of the Company’s merger reserve, and to apply such sum in paying up in full up to the maximum number of B Shares that may be allotted pursuant to the authority given by paragraph (c); and/or
 - (ii) capitalise a sum not exceeding £126.66 standing to the credit of the Company’s merger reserve, and to apply such sum in paying up in full up to the maximum number of C Shares that may be allotted pursuant to the authority given by paragraph (c);
- (c) Paragraph (c) proposes to authorise the Directors to exercise all the powers of the Company to allot and issue B Shares up to an aggregate nominal amount of £595,314,706.92 and C Shares up to an aggregate nominal amount of £126.66, to Shareholders on the basis of either one B Share or one C Share for each Existing Ordinary Share held on the B/C Share Record Date. The authority granted to the Directors shall expire at the end of the Company’s next Annual General Meeting after the resolution is passed (or, if earlier, at the close of business on 30 June 2014); and
- (d) Paragraphs (d) and (e) provide for the mechanics of the Share Capital Consolidation including the sub-division and consolidation of the Existing Ordinary Shares into the New Ordinary Shares which will replace them, the sale of fractional entitlements to the New Ordinary Shares following the share capital consolidation and the distribution of the proceeds of sale of such fractional entitlements to shareholders entitled to them and/or their donation to charities chosen by the Board.

PART III

FREQUENTLY ASKED QUESTIONS WITH ANSWERS RELATING TO THE RETURN OF CAPITAL AND ASSOCIATED SHARE CAPITAL CONSOLIDATION

This part of the document sets out some commonly asked questions relating to the Return of Capital and associated Share Capital Consolidation and provides brief responses. Some of these questions are aimed particularly at Melrose's individual Shareholders who hold share certificates for their Melrose Ordinary Shares. **Please read both the questions and answers below and the rest of this document carefully.** If you still have any questions, you may call the Shareholder Helpline on 0871 384 2995 (if calling from inside the United Kingdom) or +44 (0)121 415 0142 (if calling from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. (London time), Monday to Friday (excluding public holidays). Calls to these numbers are charged at 8 pence per minute (excluding VAT) plus network extras. Calls to the Shareholder Helpline from outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. All dates are subject to change. If you hold your Existing Ordinary Shares through CREST and would like some further information, please also contact the Shareholder Helpline. The Shareholder Helpline will remain open until 14 March 2014.

Please note that the Shareholder Helpline will not be able to give advice on the merits of the Return of Capital and/or associated Share Capital Consolidation described in this document or to provide legal or financial or taxation advice. For legal, financial or taxation advice, you will need to consult an independent adviser.

You should be aware that the Return of Capital and associated Share Capital Consolidation are conditional upon approval by Shareholders of the Resolution to be proposed at the General Meeting and upon Admission.

1. What is being proposed?

For each Melrose Ordinary Share held at 5.00 p.m. on 7 February 2014, we intend to return 47 pence in cash to Shareholders. Associated with this will be a share capital consolidation in the ratio of 11 New Ordinary Shares for every 13 Existing Ordinary Shares held at the Share Capital Consolidation Record Date.

2. Why is Melrose returning this cash now?

In the second half of 2013, we completed the disposals of five of our 'FKI' businesses for a total consideration of approximately £945 million, and, in accordance with our strategy of returning all or part of realised value to Shareholders, we now intend to return approximately £600 million in cash.

3. How is this being done?

We have chosen a method of returning the cash which enables Shareholders to choose whether to receive the cash as dividend income or capital. This is known as a "**B/C Share Scheme**". Full details are set out in this document.

For every Melrose Ordinary Share that you hold at 5.00 p.m. on 7 February 2014, you will be entitled to receive either one B Share or one C Share. Each B Share and C Share entitles you to receive 47 pence in cash. Your right to receive either one B Share or one C Share for every Existing Ordinary Share that you hold at 5.00 p.m. on 7 February 2014 is known as your "**B/C Share Entitlement**".

4. What happens to my Melrose shares?

As part of the proposals, there will also be a consolidation of Existing Ordinary Shares in Melrose. This will reduce the number of Ordinary Shares that you and all Shareholders hold, but these Ordinary Shares will have a higher nominal value ($\frac{13}{110}$ pence per Ordinary Share instead of 0.10 pence per Ordinary Share). If we were to do nothing more than return the cash, Melrose's share price would probably fall by about 47 pence per Ordinary Share (being the amount of cash returned per Ordinary Share) reflecting the value being returned to Shareholders. Therefore, to ensure the share price stays approximately the same immediately before and after the Return of Capital (subject to normal market movements), we intend to reduce the total number of Ordinary Shares owned by all Shareholders. This is known as the "**Share Capital Consolidation**".

As a result of the Share Capital Consolidation, for every 13 Existing Ordinary Shares in Melrose that you own at 6.00 p.m. on 7 February 2014, you will receive 11 New Ordinary Shares in Melrose.

5. What does all this mean to me?

You will continue to own the same proportion of Melrose immediately after the Share Capital Consolidation as you did immediately before the Share Capital Consolidation, subject to fractional entitlements arising on the Share Capital Consolidation.

6. Will either the Return of Capital or the associated Share Capital Consolidation affect the dividends per share that I receive on my Melrose Ordinary Shares in the future?

Neither the Return of Capital nor the associated Share Capital Consolidation will affect Melrose's future dividend policy.

However, for the avoidance of doubt, following the Share Capital Consolidation, any future dividends declared and/or paid in respect of the Melrose Ordinary Shares shall be declared and/or paid in respect of those New Ordinary Shares in issue at the time of the declaration and/or payment (as applicable), and not in respect of the Existing Ordinary Shares which will be replaced as part of the Share Capital Consolidation.

7. Can I continue to trade my Existing Ordinary Shares?

Yes, you are free to buy or sell Existing Ordinary Shares, but you will only hold a B/C Share Entitlement in respect of Existing Ordinary Shares held by you at 5.00 p.m. on 7 February 2014.

8. What if the number of Melrose Ordinary Shares I hold on 7 February 2014 does not divide exactly by 13?

If, immediately before the Share Capital Consolidation, your holding of Melrose Ordinary Shares does not divide exactly by 13, you will be left with a fractional entitlement to a New Ordinary Share. So, for example, a Shareholder with 100 Existing Ordinary Shares in Melrose would, after the Share Capital Consolidation, be entitled to 84 New Ordinary Shares and to a fractional entitlement of $\frac{8}{13}$ of a New Ordinary Share. We will combine all the fractions and arrange to have them sold in the market. You will be sent a cheque for your proportion of the proceeds of the sale of such fractional entitlements, net of commission, on 19 February 2014 (or such other date as the Directors may determine) unless that proportion is less than £1.00, net of commission. If your proportion is less than £1.00, net of commission, it will be donated to charities chosen by the Board.

The total value of your holding of New Ordinary Shares in Melrose immediately following the Share Capital Consolidation, plus 47 pence for every B Share and/or C Share that you hold, plus the value of any fractional entitlements for which you will receive cash (or for which the Company will make a donation to charity depending on the amount in question) should be approximately equal to the value of your original holding immediately before the Share Capital Consolidation (subject to normal market movements).

9. What happens to my current share certificate?

If you currently hold your Existing Ordinary Shares in certificated form, the share certificate that you currently hold will not be valid after the New Ordinary Shares have been admitted to the Official List and to trading on the main market for listed securities of the London Stock Exchange (expected to happen on 10 February 2014). When you receive your New Ordinary Share certificate you should destroy the one that you currently hold as it will be worthless.

If you currently hold Existing Ordinary Shares in uncertificated form, the Existing Ordinary Shares under ISIN GB00B8L59D51 will be disabled by 4.30 p.m. on 7 February 2014 and on, or soon after, 8.00 a.m. on 10 February 2014 your CREST account will be credited with New Ordinary Shares under ISIN GB00BHY3ZD12.

10. When will I get my New Ordinary Share certificate?

If you currently hold your Existing Ordinary Shares in certificated form, your New Ordinary Share certificate will be sent to you on 19 February 2014 (or such other date as the Directors may determine).

11. What if I want to sell my New Ordinary Shares before I have received my New Share Certificate?

If you currently hold your Existing Ordinary Shares in certificated form, even though you won't receive your new share certificate until after 19 February 2014, you will be able to sell your New Ordinary Shares from 10 February 2014. The New Ordinary Shares will be certified against the register held by the Company's registrars, Equiniti. You should call the Shareholder Helpline on 0871 384 2995 (from inside the United Kingdom) or +44 (0)121 415 0142 (from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. (London time), Monday to Friday (excluding public holidays), or speak to your broker for further information on how to do this. Calls to the Shareholder Helpline are charged at 8 pence per minute (excluding VAT) plus network extras. Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The Shareholder Helpline will remain open until 14 March 2014.

12. What choices do I have for my B/C Share Entitlement?

The Return of Capital has been structured with the objective of enabling you, subject to restrictions in respect of US Shareholders and other Restricted Shareholders, to choose the most tax efficient way for you to receive your cash proceeds of 47 pence per Existing Ordinary Share as:

- an immediate income payment (the "Income Option"); or
- an immediate capital payment (the "Immediate Capital Option"); or
- a capital payment deferred until after 6 April 2014 (the "Deferred Capital Option"); or
- any combination of the Income Option, the Immediate Capital Option and/or the Deferred Capital Option.

You can choose to receive all or some of your B/C Share Entitlement in the form of C Shares, which will entitle you to receive a dividend (which it is expected will generally be treated as dividend income for United Kingdom tax purposes) by choosing Alternative 1, known as the "**Income Option**". Unless you are a US Shareholder or another Restricted Shareholder, you can choose to receive all or some of your B/C Share Entitlement in the form of B Shares and to have these B Shares redeemed by Melrose (which it is expected will generally be treated as a capital payment for United Kingdom tax purposes) by choosing either Alternative 2, known as the "**Immediate Capital Option**", or Alternative 3, known as the "**Deferred Capital Option**". These three alternatives are known as the "**Share Alternatives**".

These three Share Alternatives are set out in more detail below. Please note that (with the exception of US Shareholders and other Restricted Shareholders) you can choose to elect all of your B/C Share Entitlement to one of the Share Alternatives, or you can choose to split your election in respect of your B/C Share Entitlement between two or more of the Share Alternatives.

It is important to note that Shareholders who do not make a valid election, and all US Shareholders and other Restricted Shareholders, will be deemed to have chosen the Income Option (Alternative 1) in respect of ALL of their B/C Share Entitlement.

Alternative 1: Income Option

If you choose, or are defaulted into, the Income Option in respect of all or some of your B/C Share Entitlement, you will receive one C Share for each Existing Ordinary Share held by you at the B/C Share Record Date in respect of which this option is chosen or is deemed to be chosen. It is expected that a dividend payment of 47 pence per C Share (known as the "**C Share Dividend**") will be declared on 17 February 2014 and paid on 28 February 2014 in respect of those C Shares. If you choose, or are defaulted into, the Income Option, it is expected that you will be sent a cheque for your C Share Dividend amount or have your bank account credited on 28 February 2014 (or such other date as the Directors may determine) (known as the "**C Share Dividend Date**").

It is expected that the C Share Dividend will be treated as dividend income for United Kingdom tax purposes. Note that the DRIP cannot be used in relation to the C Share Dividend. Any DRIP elections in relation to the C Share Dividend will not be accepted and any standing DRIP mandates will not apply to the C Share Dividend.

Alternative 2: Immediate Capital Option

If you choose the Immediate Capital Option in respect of all or some of your B/C Share Entitlement, you will receive one B Share for each Existing Ordinary Share held by you at the B/C Share Record Date in respect of which this option is chosen. The B Shares for which you have elected under the Immediate Capital Option will be redeemed by Melrose on the Initial Redemption Date (expected to be 17 February 2014) for 47 pence per B Share. If you choose the Immediate Capital Option, it is expected that you will be sent a cheque for the amount of the proceeds on 28 February 2014 (or such other date as the Directors may determine).

It is expected that the redemption of B Shares for which you have elected under the Immediate Capital Option will be treated as a capital payment for United Kingdom tax purposes.

Alternative 3: Deferred Capital Option

If you choose the Deferred Capital Option in respect of all or some of your B/C Share Entitlement, you will receive one B Share for each Existing Ordinary Share held by you at the B/C Share Record Date in respect of which this option is chosen. The B Shares for which you have elected under the Deferred Capital Option will be redeemed by Melrose on the Final Redemption Date for 47 pence per B Share. If you choose the Deferred Capital Option, it is expected that you will be sent a cheque for the amount of proceeds on 7 May 2014 (or such other date as the Directors may determine).

It is expected that the redemption of B Shares for which you have elected under the Deferred Capital Option will be treated as a capital payment for United Kingdom tax purposes.

Default: Alternative 1: Income Option

It is important to note that IF YOU DO NOT fill in your blue Election Form correctly, do not sign it or do not return it to Melrose's registrars to arrive by 4.30 p.m. on 14 February 2014, you will be treated as if you have chosen the Income Option (Alternative 1) for all of your B/C Share Entitlement.

It is also important to note that all US Shareholders and other Restricted Shareholders will be deemed to have chosen the Income Option (Alternative 1) in respect of ALL of their B/C Share Entitlement and will not have the ability to choose either the Immediate Capital Option (Alternative 2) or the Deferred Capital Option (Alternative 3).

13. Example of how this works in practice?

The example below illustrates the number of shares and the cash payment you will receive under the three alternatives if you elect all your B/C Share Entitlement for a single Share Alternative:

<u>Total number of Melrose Existing Ordinary Shares owned on the B/C Share Record Date</u>	<u>Total number of B Shares and/or C Shares you will receive</u>	<u>Total number of New Ordinary Shares you will receive</u>	<u>Fractional entitlement*</u>	<u>Alternative 1 If you elect ALL your B/C Share Entitlement you will be sent on 28 February 2014 (or such other date as the Directors may determine)</u>	<u>Alternative 2 If you elect ALL your B/C Share Entitlement you will be sent on</u>	<u>Alternative 3 If you elect ALL your B/C Share Entitlement you will be sent on 7 May 2014</u>
5	5	4	$\frac{2}{3}$	£2.35	£2.35	£2.35
13	13	11	0	£6.11	£6.11	£6.11
50	50	42	$\frac{2}{3}$	£23.50	£23.50	£23.50
100	100	84	$\frac{2}{3}$	£47.00	£47.00	£47.00
390	390	330	0	£183.30	£183.30	£183.30
1,000	1,000	846	$\frac{2}{3}$	£470.00	£470.00	£470.00

* You will be sent your proportion of the net proceeds of sale of fractional entitlements on 19 February 2014 (or such other date as the Directors may determine) if your proportion is £1.00 or more.

14. How do I make my choice?

Assuming you are not a Restricted Shareholder, if you hold your Existing Ordinary Shares in certificated form, you make your choice by completing and signing the blue Election Form sent to you with this document and sending it back to Melrose's registrars, Equiniti, by hand or by post, at Corporate Actions,

Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so that it is received **not later than 4.30 p.m. on 14 February 2014**. A reply paid envelope has been enclosed for your use.

Assuming you are not a Restricted Shareholder, if you hold your Existing Ordinary Shares in uncertificated form through CREST, you make your choice by submitting a valid TTE Instruction by **not later than 4.30 p.m. on 14 February 2014**. Please refer to paragraph 6 of Part VII for further details.

US Shareholders and other Restricted Shareholders will be deemed to have chosen the Income Option (Alternative 1) in respect of ALL of their B/C Share Entitlement and will not have the ability to choose either the Immediate Capital Option (Alternative 2) or the Deferred Capital Option (Alternative 3).

15. If I choose the Immediate Capital Option or Deferred Capital Option (or a combination of both) in respect of all or some of my B/C Share Entitlement, can I choose to have my B Shares redeemed on a different date?

You may choose to have all or some of your B Shares redeemed either on 17 February 2014 (if you choose the Immediate Capital Option (Alternative 2)) or on 30 April 2014 (if you choose the Deferred Capital Option (Alternative 3)). You may not choose to have your B Shares redeemed on any other date.

16. Will I get a share certificate for my B Shares and/or C Shares?

You will only be sent a share certificate in respect of those B Shares (if any) that you have chosen to have redeemed by the Company on the Final Redemption Date (Alternative 3).

It is a condition of the issue of the C Shares (Alternative 1) and the C Deferred Shares resulting therefrom, and of the B Shares which are to be redeemed by the Company on the Initial Redemption Date (Alternative 2), that no share certificates will be issued with respect to such C Shares, C Deferred Shares or B Shares and no CREST accounts will be credited with such C Shares, C Deferred Shares or B Shares.

If you hold your Existing Ordinary Shares in uncertificated form, in order to facilitate the Share Alternative elections, you will, for the purposes of settlement in CREST only, be credited with one "interim CREST entitlement" under the ISIN GB00BHY3RX59 for each Existing Ordinary Share held at the B/C Share Record Date, from the period from 8.00 a.m. on 10 February 2014 until 4:30 p.m. on 14 February 2014 (being the end of the Election Period). During this period CREST holders will have their accounts credited with "interim CREST entitlements" to allow them to elect electronically through the CREST system. From 8.00 a.m. on 17 February 2014 (or such other date as the Directors may determine), "interim CREST entitlements" in relation to which elections have been made under the Deferred Capital Option (Alternative 3) will, for the purposes of dealings and settlement in CREST, be designated as "B Shares" under the ISIN GB00BHY3ZC05. Accordingly, on 17 February 2014 those CREST holders who have elected to hold B Shares until the Final Redemption Date will have their CREST accounts credited with the "B Shares".

17. What is a "C Deferred Share"?

If you choose the Income Option (Alternative 1) in respect of all or some of your B/C Share Entitlement, you will receive one C Share for each Existing Ordinary Share held by you at the B/C Share Record Date and will be entitled to be paid the C Share Dividend in respect of such C Shares. The C Shares will automatically become C Deferred Shares when this C Share Dividend becomes due and payable on 17 February 2014. You do not need to do anything in relation to any C Deferred Shares that you hold. The C Deferred Shares have very limited rights and will all automatically be redeemed by the Company for the total aggregate price of one penny on 30 April 2014. Further details of the rights attaching to the C Deferred Shares are set out in Part V of this document.

18. Will I get a C Deferred Share certificate?

No. It is a condition of the issue of the C Shares, and the C Deferred Shares resulting therefrom, that no share certificates will be issued in respect of the C Shares or C Deferred Shares.

19. What if I don't get my blue Election Form or TTE Instruction back in time?

If you do not return your blue Election Form by 4.30 p.m. on 14 February 2014, you will be treated as having chosen to accept the Income Option (Alternative 1) in respect of all of your B/C Share Entitlement.

This will also happen if you fail to fill in the form, fill in the form incorrectly, fail to sign the form or are a Restricted Shareholder.

CREST holders who do not return a valid TTE Instruction by 4.30 p.m. on 14 February 2014 will automatically receive the Income Option (Alternative 1) on all of their B/C Share Entitlement.

20. What if I change my mind after I have returned my blue Election Form or TTE Instruction?

You can change or withdraw your election, whether you hold your Existing Ordinary Shares in certificated or uncertificated form, any time before 1.00 p.m. on 14 February 2014 by calling the Shareholder Helpline on 0871 384 2995 (from inside the United Kingdom) or +44 (0)121 415 0142 (from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. (London time), Monday to Friday (excluding public holidays), and following their instructions (which will need to be completed before 4.30 p.m. on 14 February 2014). Calls to these numbers are charged at 8 pence. Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. If you want to change your election you should phone the Shareholder Helpline on one of the numbers above and ask to be sent a “replacement Election Form” or receive instructions on how to re-elect through CREST. If you change your election you must ensure that a written instruction signed by the person(s) who signed the Election Form or, in the case of shares held in uncertificated form, relevant election, is received by Melrose’s registrars no later than 4.30 p.m. on 14 February 2014 in order for the re-election to be valid. If you withdraw your election and do not make another election you will be treated automatically as having chosen the Income Option (Alternative 1) in respect of ALL of your B/C Share Entitlement.

21. What is my tax position?

If you are an individual Shareholder who is resident in the United Kingdom for tax purposes then, depending on your circumstances, if you choose (or, in the case of the Income Option (Alternative 1), are defaulted into):

- ***Alternative 1: Income Option***

the C Share Dividend should generally be treated as dividend income for tax purposes in the tax year ending 5 April 2014; or

- ***Alternative 2: Immediate Capital Option***

the proceeds of redemption of your B Shares on the Initial Redemption Date should generally be treated as a capital disposal for tax purposes in the tax year ending 5 April 2014; or

- ***Alternative 3: Deferred Capital Option***

the proceeds of redemption of your B Shares on the Final Redemption Date should generally be treated as a capital disposal for tax purposes in the tax year ending 5 April 2015.

Income tax

If you choose, or are defaulted into, the Income Option (Alternative 1) and you are a basic rate tax payer, you should have no further income tax to pay as you will receive the dividend net of basic rate tax. If you are a higher rate tax payer, you may have further tax to pay. Generally, you will be a basic rate tax payer if your total income is less than £32,010, after deducting your relevant personal allowances, in the tax year ending on 5 April 2014.

Capital Gains tax

If you choose the Immediate Capital Option (Alternative 2), or you choose the Deferred Capital Option (Alternative 3) involving the redemption of B Shares, you may be subject to capital gains tax.

For the purposes of calculating any capital gain on the redemption of your B Shares under either the Immediate Capital Option (Alternative 2) or the Deferred Capital Option (Alternative 3), the price that you originally paid for your Melrose Existing Ordinary Shares must be apportioned between your New Ordinary Shares and your B Shares to establish the new base cost of each for capital gains tax purposes. The apportionment ratio will be calculated by the Company and published on its website as soon as practicable after the New Ordinary Shares have started trading.

You will be liable to pay capital gains tax if your net capital gains for the relevant tax year exceed £10,900 for the year ending 5 April 2014 or £11,000 for the year ending 5 April 2015. When we say “capital gains” we mean net capital gains for the year including any gain which would arise if you disposed of your B Shares under the Immediate Capital Option (Alternative 2) or the Deferred Capital Option (Alternative 3). If you choose the Deferred Capital Option (Alternative 3), we would expect the capital gain to be treated as arising in the tax year ending 5 April 2015.

If you want to calculate the capital gains made on your B Shares, you can make a cautious estimate by assuming that the redemption proceeds per B Share will all be gain. If that gives you gains of under £10,900 for the current tax year (the year ending 5 April 2014) or £11,000 for the coming tax year (the year ending 5 April 2015) and you have no other gains for this tax year then you should be able to safely assume that you will not be expected to pay capital gains tax on the redemption of your B Shares in that tax year.

The above is only a basic guide. We have set out a general guide to United Kingdom taxation in Part VI of this document and you should read it carefully. If you have a complicated tax position, or are otherwise in any doubt about your tax circumstances, or if you are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser.

22. Dividends on my Melrose Existing Ordinary Shares are paid directly into my bank account. Do I need to change the existing instruction in respect of my New Ordinary Shares?

No, not unless you would like to. Your present instructions, including any DRIP mandates, will automatically be deemed to be valid for any dividends from Melrose in respect of New Ordinary Shares.

23. What if I hold my Melrose Existing Ordinary Shares in an ISA?

If you hold your Existing Ordinary Shares in an ISA, you should be able to hold the New Ordinary Shares which you receive in place of your Existing Ordinary Shares, following the Share Capital Consolidation, in an ISA (subject to the terms and conditions of your ISA). **You should contact your plan manager who will be able to advise you of the procedure for voting on the Return of Capital and associated Share Capital Consolidation at the General Meeting and making an election in respect of the B Shares and/or C Shares that you receive.**

24. What if I am resident outside the United Kingdom?

If you live outside the United Kingdom or are a national or citizen of a country outside the United Kingdom, you should read the additional information set out in paragraph 3 of Part VII of this document.

In particular, Overseas Shareholders should note that, by making a valid election for either the Immediate Capital Option (Alternative 2) or the Deferred Capital Option (Alternative 3), such Shareholders will be deemed to represent, warrant, undertake and/or agree (as applicable) in the terms set out in paragraph 3 of Part VII of this Circular.

US Shareholders and other Restricted Shareholders will be deemed to have chosen the Income Option (Alternative 1) in respect of ALL of their B/C Share Entitlement and will not have the ability to choose either the Immediate Capital Option (Alternative 2) or the Deferred Capital Option (Alternative 3).

25. Should I vote at the General Meeting?

Yes. The Return of Capital and associated Share Capital Consolidation need Shareholder approval before they can take place. The Directors recommend that you vote in favour of the Resolution putting into effect the Return of Capital and associated Share Capital Consolidation. Whether or not you intend to be present at the General Meeting, you should complete and sign your Form of Proxy (the white form sent to you with this document) in accordance with the instructions printed on it and return it to Equiniti who are Melrose’s registrars to arrive as soon as possible. For your convenience, the address of Equiniti is printed on the back of the Form of Proxy and postage is pre-paid from within the United Kingdom. To be valid, the completed Form of Proxy must be sent as soon as possible and in any event to be received by Equiniti by no later than 11.00 a.m. on 5 February 2014.

26. What are the conditions to the Return of Capital and associated Share Capital Consolidation?

The Return of Capital and associated Share Capital Consolidation are conditional upon the approval by Shareholders of the Resolution to be proposed at the General Meeting and upon Admission. If these

conditions are not satisfied by 8.00 a.m. on 10 February 2014 (or such later time and/or date as the Directors may decide), no New Ordinary Shares or B Shares or C Shares will be created and the Return of Capital and associated Share Capital Consolidation will not take effect.

27. Under what circumstances may the Return of Capital and associated Share Capital Consolidation be withdrawn or terminated or the Election Period extended?

The Return of Capital and associated Share Capital Consolidation may be withdrawn or terminated if the Resolution is not passed and Admission does not take place by 8.00 a.m. on 10 February 2014 or such later time and/or date as the Directors may determine. The Directors also have the ability to extend the Election Period to such later time and/or date as they may determine.

28. How will I know if the Election Period is extended or the Return of Capital and associated Share Capital Consolidation are withdrawn or terminated?

If the Election Period is extended, or the Return of Capital and associated Share Capital Consolidation are withdrawn or terminated, a public announcement will be made no later than 9.00 a.m. on the Business Day after the event giving rise to the change occurs.

29. Why have I been sent so much paperwork?

We are required by law to provide all Shareholders with full details of the Return of Capital and associated Share Capital Consolidation. This document contains important information and we recommend that you read it carefully as you have a right to vote on Return of Capital and associated Share Capital Consolidation and make elections in respect of the Share Alternatives.

Whilst the technical aspects of the B/C Share Scheme may appear complicated, in essence, the intention is simple—to return to Shareholders’ 47 pence for each Existing Ordinary Share that they hold at 5.00 p.m. 7 February 2014 and to give Shareholders a choice of receiving the return either as income or as capital.

30. What happens if I do not return my Election Form?

If you do not return your Election Form to Melrose’s registrars, Equiniti, to arrive by 4.30 p.m. on 14 February 2014, you will be treated as if you have chosen the Income Option (Alternative 1) for all of your B/C Share Entitlement.

Regardless of whether you choose to return your Election Form or not, you are still encouraged to vote on the Return of Capital and associated Share Capital Consolidation by completing and returning your white Form of Proxy for the General Meeting in accordance with the instructions printed on it. Please note that no B Shares or C Shares or New Ordinary Shares will be created and the Return of Capital and associated Share Capital Consolidation will not take effect unless the Resolution is passed.

31. Who do I call if I still have questions?

We have set up an Shareholder Helpline on 0871 384 2995 (from inside the United Kingdom) or +44 (0)121 415 0142 (from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. (London time), Monday to Friday (excluding public holidays). Calls to these numbers are charged at 8 pence per minute (excluding VAT) plus network extras. Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The Shareholder Helpline will remain open until 14 March 2014.

This Shareholder Helpline will not be able to give advice on the merits of the Return of Capital and/or the associated Share Capital Consolidation described in this document or to provide legal or financial or taxation advice. For legal, financial or taxation advice, you will need to consult an independent adviser.

PART IV
COMPLETING YOUR ELECTION FORM

Your Election Form is enclosed with this document. Shareholders electing through CREST should not complete an Election Form but instead should refer to paragraph 6 of Part VII of this document.

It is important to note that if you do nothing you will automatically receive the Income Option (Alternative 1) in respect of ALL of your B/C Share Entitlement. Therefore Shareholders (with the exception of US Shareholders and other Restricted Shareholders) wishing to choose the Income Option (Alternative 1) for ALL of their B/C Share Entitlement DO NOT need to complete or return the Election Form. It is expected that the proceeds of the C Share Dividend expected to be paid pursuant to C Shares issued under the Income Option (Alternative 1) will generally be treated as dividend income for United Kingdom tax purposes.

US Shareholders and other Restricted Shareholders should NOT complete or return the Election Form or make an election through CREST. US Shareholders and other Restricted Shareholders will receive the Income Option (Alternative 1) in respect of ALL of their B/C Share Entitlement and will not have the ability to choose either the Immediate Capital Option (Alternative 2) or the Deferred Capital Option (Alternative 3).

The following instructions set out what you should do when completing your Election Form. Any decisions you reach should be based on the information contained in this document.

References to Boxes refer to the boxes indicated on the Election Form.

Name(s) of Shareholder(s):

The Election Form shows the name of the Shareholder, or names of joint Shareholders, of Existing Ordinary Shares for which an election can be made. When the Election Form is completed the Shareholder, or all joint Shareholders, need to sign Part 2 of the Election Form.

Number of shares held:

Box A shows the number of Existing Ordinary Shares held as at close of business on 16 January 2014 (being the latest practicable time prior to the posting of the Election Form) and is for information purposes only. If you do not buy, sell or transfer any Existing Ordinary Shares between that date and the B/C Share Record Date, then this number will also be the number of your B/C Share Entitlement in respect of which you may make an election. If you do buy, sell or transfer any Existing Ordinary Shares after 16 January 2014 (being the latest practicable time prior to the posting of the Election Form) but before the B/C Share Record Date, you should take care to ensure that your election is in respect of the number of Existing Ordinary Shares that will be registered in your name(s) on the B/C Share Record Date.

TO CHOOSE ONE SHARE ALTERNATIVE FOR ALL OF YOUR B/C SHARE ENTITLEMENT:

- To choose the Income Option (Alternative 1) for ALL of your B/C Share Entitlement you DO NOT need to complete or return the Election Form as this is the default option.
- To choose the Immediate Capital Option (Alternative 2) for ALL of your B/C Share Entitlement you should mark an "X" in Box 2.
- To choose the Deferred Capital Option (Alternative 3) for ALL of your B/C Share Entitlement you should mark an "X" in Box 3.

Regardless of the choice you make, you are still encouraged to vote on the Return of Capital and associated Share Capital Consolidation by completing and returning your white Form of Proxy for the General Meeting in accordance with the instructions printed on it. Please note that no B Shares or C Shares or New Ordinary Shares will be created and the Return of Capital and associated Share Capital Consolidation will not take effect unless the Resolution to be considered at the General Meeting is passed.

TO SPLIT YOUR B/C SHARE ENTITLEMENT BETWEEN MORE THAN ONE SHARE ALTERNATIVE:

Enter, in numbers, the number of your B/C Share Entitlement you wish to choose for the Immediate Capital Option (Alternative 2) in Box 2 and the number of your B/C Share Entitlement you wish to choose for the Deferred Capital Option (Alternative 3) in Box 3. You will be deemed to have chosen the Income Option (Alternative 1) for the balance of your B/C Share Entitlement.

The following instructions set out default positions where Election Forms are incorrectly completed:

The Income Option (Alternative 1) will be chosen automatically on all of a Shareholder's B/C Share Entitlement in respect of which the Shareholder has not chosen any other Share Alternatives or where a Shareholder has not signed the Election Form or has signed or filled it in incorrectly.

If you mark more than one box with an "X", the Income Option (Alternative 1) will automatically be chosen for all of your B/C Share Entitlement.

If you leave Box 3 blank and enter a number in Box 2 that is greater than your B/C Share Entitlement at the B/C Share Record Date, your election in respect of the Immediate Capital Option (Alternative 2) will be reduced to your actual B/C Share Entitlement at the B/C Share Record Date.

If you leave Box 2 blank and enter a number in Box 3 that is greater than your B/C Share Entitlement at the B/C Share Record Date, your election in respect of the Deferred Capital Option (Alternative 3) will be reduced to your actual B/C Share Entitlement at the B/C Share Record Date.

If you have chosen to split your election between the Immediate Capital Option (Alternative 2), and the Deferred Capital Option (Alternative 3), and the total number entered in Boxes 2 and 3 is greater than your actual B/C Share Entitlement at the B/C Share Record Date, your election in respect of the Immediate Capital Option (Alternative 2) will be fulfilled first, and, if this does not exceed your actual B/C Share Entitlement, the balance of your B/C Share Entitlement will receive the Deferred Capital Option (Alternative 3). If the total number entered in Boxes 2 and 3 is less than your actual B/C Share Entitlement at the B/C Share Record Date, the balance of your B/C Share Entitlement for which you have made no election will receive the Income Option (Alternative 1).

If you choose the Immediate Capital Option (Alternative 2) for your entire B/C Share Entitlement by marking an "X" in Box 2, any number entered in Box 3 will be disregarded (but if you also mark Box 3 with an "X", the Income Option (Alternative 1) will automatically be chosen for all of your B/C Share Entitlement).

Notwithstanding the instructions set out above, the Company reserves the right, in its sole discretion, to accept completed Election Forms received after the relevant due date for receipt of such form by Equiniti and to accept incomplete or incorrectly completed Election Forms. The Company further reserves the right in its sole discretion to reject any Election Forms if to act on the election would be illegal.

A guide to the general tax position of Shareholders resident in the United Kingdom for tax purposes as at the date of this document is set out in Part VI of this document. You are strongly advised to read that part of this document before completing and returning your Election Form.

Final instruction on completing your Election Form:

Once completed and signed, the Election Form should be returned in the reply-paid envelope provided. No stamps will be needed if posted in the United Kingdom. To be valid, Election Forms must be received by Equiniti by 4.30 p.m. on 14 February 2014. If you do not use the envelope provided, the Election Form should be returned by hand or by post to Equiniti, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

If you need assistance in completing the Election Form or have any queries relating to it, you should telephone the Shareholder Helpline on 0871 384 2995 (from inside the United Kingdom) or +44 (0)121 415 0142 (from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. (London time), Monday to Friday (excluding public holidays). Calls to these numbers are charged at 8 pence per minute (excluding VAT) plus network extras. Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The Shareholder Helpline will remain open until 14 March 2014.

Please note that the Shareholder Helpline will not be able to give advice on the merits of the Return of Capital and/or associated Share Capital Consolidation described in this document or to provide legal or financial or taxation advice. For legal, financial or taxation advice, you will need to consult an independent adviser.

The Company will determine all questions as to the form and validity (including time of receipt) of any Election Form, in its absolute discretion, which determination shall be final and binding. The Company also reserves the absolute right to waive any defect or irregularity in relation to, or the receipt of, an Election Form completed by or on behalf of any Shareholder, and such determination will be binding on such Shareholder. None of the Company, Equiniti or any other person will be under any duty to give notification of any defect or irregularity in any Election Form or incur any liability for failure to give any such notification.

PART V

RIGHTS AND RESTRICTIONS ATTACHED TO THE B SHARES, C SHARES AND C DEFERRED SHARES

The following sets out the amendments which are proposed to be made to the Articles of the Company under the Resolution and sets out the rights and restrictions to which the B Shares, C Shares and C Deferred Shares are subject.

The following new Articles 9A, 9B, 9C and 9D are to be inserted into the Articles of the Company immediately following existing Article 9:

“Article 9A Rights and restrictions attaching to the B Shares, C Shares and C Deferred Shares

Notwithstanding the provisions in these Articles which relate to shares, this Article 9A and the following Articles 9B to and including 9D comprise all the rights and restrictions relating to the redeemable preference shares of the Company of 47 pence nominal value (“**B Shares**”), the non-cumulative redeemable preference shares of the Company of 0.00001 pence nominal value (“**C Shares**”) and the redeemable deferred shares of the Company of 0.00001 pence nominal value (“**C Deferred Shares**”).

Article 9B Rights and restrictions attaching to the B Shares

(A) Income

- (i) The B Shares shall confer no right to participate in the profits of the Company, save for the right to redemption under Article 9B(C) below.

(B) Capital

- (i) Except as provided in Article 9B(E) below, on a return of capital on winding-up (excluding any intra-group reorganisation on a solvent basis) but not otherwise, the holders of the B Shares shall be entitled, in priority to any payment to the holders of ordinary shares of the Company, but *pari passu* with any payment to the holders of C Shares, to 47 pence per B Share (which shall be the nominal capital paid up or credited as paid up on the B Shares) held by them.
- (ii) The holders of the B Shares shall not be entitled to any further right of participation in the assets of the Company in excess of that specified in Article 9B(B)(i) above. If on such a winding-up the amounts available for payment are insufficient to cover in full the amounts payable on the B Shares, the holders of such B Shares will share rateably in the distribution of assets (if any) in proportion to the full preferential amounts to which they are entitled, rounded down to the nearest whole penny.

(C) Redemption

Subject to the Act and to the provisions of these Articles, the B Shares will be redeemed in accordance with the following provisions:

- (i) holders of B Shares who elect, in accordance with the terms of the circular to shareholders of the Company dated 21 January 2014, to have all or some of their B Shares redeemed on 17 February 2014, will have those B Shares redeemed (without the Company providing any notice) at 9.00 a.m. on that date (unless determined otherwise by the directors);
- (ii) holders of B Shares who elect, in accordance with the terms of the circular to shareholders of the Company dated 21 January 2014, to have all or some of their B Shares redeemed on 30 April 2014, will have those B Shares redeemed (without the Company providing any notice) at 9.00 a.m. on that date (unless determined otherwise by the directors);
- (iii) unless redeemed earlier, all B Shares in issue on 30 April 2014 will be redeemed (without the Company providing any notice) at 9.00 a.m. on 30 April 2014 (unless determined otherwise by the directors);
- (iv) on each B Share that is redeemed, there will be paid to the holder thereof a sum equal to the nominal value of that B Share;
- (v) all B Shares which are redeemed will immediately and automatically following such redemption be cancelled and will not be reissued; and

- (vi) payment in respect of B Shares being redeemed may be made by cheque or by the crediting of accounts in a relevant system, (e.g. CREST) (or otherwise as the directors may determine).

(D) Attendance and voting at general meetings

- (i) The holders of the B Shares shall not be entitled, in their capacity as holders of such B Shares, to receive notice of any general meeting of the Company nor to attend, speak or vote at any such general meeting unless the business of the meeting includes the consideration of a resolution for the winding-up (excluding any intra-group reorganisation on a solvent basis) of the Company, in which case the holders of the B Shares shall have the right to attend the general meeting and shall be entitled to speak and vote only on any such resolution.
- (ii) Whenever the holders of the B Shares are entitled to vote at a general meeting of the Company, on a show of hands every holder thereof who (being an individual) is present in person or (being a corporation) by a duly authorised representative not being himself a member shall have one vote, and on a poll every such holder shall have one vote for every B Share which he holds.

(E) Class rights

- (i) The Company may from time to time create, allot and issue further shares, whether ranking *pari passu* with, or in priority to, the B Shares. The creation, allotment or issue of any such further shares (whether or not ranking in any respect in priority to the B Shares) shall be treated as being in accordance with the rights attaching to the B Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of B Shares.
- (ii) A reduction by the Company of the capital paid up or credited as paid up on the B Shares and the cancellation of such shares shall be treated as being in accordance with the rights attaching to the B Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of B Shares.
- (iii) Without prejudice to the generality of the foregoing, the Company is authorised to reduce (or purchase shares in) its capital of any class or classes at any time (subject to the confirmation of the Court in accordance with the Act) and without obtaining the consent of the holders of the B Shares.

(F) Form, transferability and listing

- (i) It is a condition of the issue of the B Shares which are redeemed by the Company on 17 February 2014 that no share certificates or other documents of title shall be issued in relation to any such B Shares. The B Shares are not renounceable and all transfers of B Shares shall be effected in writing in usual or common form or in any other form which the directors may approve. Every transfer of uncertificated B Shares must be carried out using a relevant system (e.g. CREST). For the avoidance of doubt B Shares will be redeemed in accordance with Article 9B(C) above.
- (ii) No application has been, or will be, made to the Financial Conduct Authority (“FCA”) (being the relevant competent authority for the purposes of the official listing of the Company’s securities) or the London Stock Exchange plc (the “**London Stock Exchange**”) for the B Shares to be admitted to the official list maintained by the FCA for the purposes of Part V of the Financial Services and Markets Act 2000 or to trading on the main market for listed securities of the London Stock Exchange.
- (iii) The B Shares may be settled through a relevant system (e.g. CREST).

(G) Deletion of Articles when no B Shares in existence

Articles 9B(A) to and including 9B(G) shall remain in force until there are no longer any B Shares in existence whether by way of conversion into deferred shares, redemption, cancellation or reclassification, whichever is earlier, notwithstanding any provision in these Articles to the contrary. Thereafter Articles 9B(A) to and including 9B(G) shall be deemed to be of no effect and shall be deleted and the separate register for the holders of B Shares shall no longer be required to be maintained by the Company; but the validity of anything done under Articles 9B(A) to 9B(G) before that date shall not otherwise be affected and any actions taken under Articles 9B(A) to 9B(G) before that date shall be conclusive and shall not be open to challenge on any grounds whatsoever.

Article 9C Rights and restrictions attaching to the C Shares

(A) Income

- (i) Out of the profits available for distribution, a single dividend of 47 pence per C Share (the “**C Share Dividend**”) shall be payable (without having to be declared) to holders of C Shares.
- (ii) The C Share Dividend shall become due and payable on 17 February 2014 (or such other date as the directors may determine). Each C Share in respect of which such C Share Dividend becomes due and payable shall, on such date (or such other date as the directors may determine), be automatically converted, without any further action or consent being required from the shareholder, into and reclassified as a deferred share of 0.00001 pence nominal value with the rights and restrictions described in Article 9D (a “**C Deferred Share**”).

(B) Capital

- (i) Except as provided in Article 9C(D) below, on a return of capital on winding-up (excluding any intra-group reorganisation on a solvent basis) but not otherwise, the holders of the C Shares shall be entitled, in priority to any payment to the holders of ordinary shares of the Company, but *pari passu* with any payment to the holders of B Shares, to 47 pence per C Share held by them.
- (ii) The holders of the C Shares shall not be entitled to any further right of participation in the assets of the Company in excess of that specified in Article 9C(B)(i) above. If on such a winding-up the amounts available for payment are insufficient to cover in full the amounts payable on the C Shares, the holders of such C Shares will share rateably in the distribution of assets (if any) in proportion to the full preferential amounts to which they are entitled, rounded down to the nearest whole penny.

(C) Attendance and voting at general meetings

- (i) The holders of the C Shares shall not be entitled, in their capacity as holders of such shares, to receive notice of any general meeting of the Company nor to attend, speak or vote at any such general meeting unless the business of the meeting includes the consideration of a resolution for the winding-up (excluding any intra-group reorganisation on a solvent basis) of the Company, in which case the holders of the C Shares shall have the right to attend the general meeting and shall be entitled to speak and vote only on any such resolution.
- (ii) Whenever the holders of the C Shares are entitled to vote at a general meeting of the Company, on a show of hands every holder thereof who (being an individual) is present in person or (being a corporation) by a duly authorised representative not being himself a member shall have one vote, and on a poll every such holder shall have one vote for every C Share which he holds.

(D) Class rights

- (i) The Company may from time to time create, allot and issue further shares, whether ranking *pari passu* with, or in priority to, the C Shares. The creation, allotment or issue of any such further shares (whether or not ranking in any respect in priority to the C Shares) shall be treated as being in accordance with the rights attaching to the C Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of C Shares.
- (ii) Without prejudice to the generality of the foregoing, the Company is authorised to reduce (or purchase shares in) its capital of any class or classes at any time (subject to the confirmation of the Court in accordance with the Act) and without obtaining the consent of the holders of the C Shares.

(E) Form, transferability and listing

- (i) It is a condition of the issue of the C Shares that no share certificates or other documents of title shall be issued in relation to any such C Shares. The C Shares are not renounceable and all transfers of C Shares shall be effected in writing in usual or common form or in any other form which the directors may approve. Every transfer of uncertificated C Shares must be carried out using a relevant system (e.g. CREST). For the avoidance of doubt C Shares will be converted in accordance with Article 9C(A) above.
- (ii) No application has been, or will be, made to the FCA (being the relevant competent authority for the purposes of the official listing of the Company’s securities) or the London Stock Exchange for the

C Shares to be admitted to the official list maintained by the FCA for the purposes of Part V of the Financial Services and Markets Act 2000 or to trading on the main market for listed securities of the London Stock Exchange.

(iii) The C Shares may be settled through a relevant system (e.g. CREST).

(F) Deletion of Articles when no C Shares in existence

Articles 9C(A) to and including 9C(F) shall remain in force until there are no longer any C Shares in existence whether by way of conversion into C Deferred Shares, redemption, cancellation or reclassification, whichever is earlier, notwithstanding any provision in these Articles to the contrary. Thereafter Articles 9C(A) to and including 9C(F) shall be deemed to be of no effect and shall be deleted and the separate register for the holders of C Shares shall no longer be required to be maintained by the Company; but the validity of anything done under Articles 9C(A) to 9C(F) before that date shall not otherwise be affected and any actions taken under Articles 9C(A) to 9C(F) before that date shall be conclusive and shall not be open to challenge on any grounds whatsoever.

9D Rights and restrictions attaching to the C Deferred Shares

(A) Income

The C Deferred Shares shall confer no right to participate in the profits of the Company.

(B) Capital

On a return of capital on a winding-up (excluding any intra-group re-organisation on a solvent basis) but not otherwise, there shall be paid to the holders of the C Deferred Shares the nominal capital paid up or credited as paid up on such C Deferred Shares after paying to the holders of the Ordinary Shares the nominal capital paid up or credited as paid up on the Ordinary Shares held by them respectively, together with the sum of £100,000 on each Ordinary Share.

(C) Attendance and voting at general meetings

The holders of the C Deferred Shares shall not be entitled, in their capacity as holders of such shares, to receive notice of any general meeting of the Company nor to attend, speak or vote at any such meeting.

(D) Class rights

The Company may from time to time create, allot and issue further shares, whether ranking pari passu with, or in priority to, the C Deferred Shares. The creation, allotment or issue of any such further shares (whether or not ranking in any respect in priority to the C Deferred Shares) shall be treated as being in accordance with the rights attaching to the C Deferred Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the C Deferred Shares.

The reduction by the Company of the capital paid up or credited as paid up on the C Deferred Shares and the cancellation of such shares shall be in accordance with the rights attaching to the C Deferred Shares and shall not involve a variation of such rights for any purpose. The Company will be authorised to reduce its capital at any time (subject to the confirmation of the Court in accordance with the Act) and without obtaining the consent of the holders of the C Deferred Shares.

(E) Form and transferability

The C Deferred Shares will not be listed on any stock exchange nor shall any share certificates be issued in respect of such shares. The C Deferred Shares shall be neither renounceable nor transferable.

(F) Redemption

Subject to the provisions of the Act and to the provisions of these Articles, the Company may, at any time, without notice, redeem all C Deferred Shares then in issue and all such C Deferred Shares shall be automatically redeemed on 30 April 2014 (unless determined otherwise by the Directors) for a total aggregate price of one penny for all such C Deferred Shares redeemed. This payment may be donated, if the directors so determine, to charity.

(G) Deletion of Articles when no C Deferred Shares in existence

Articles 9D(A) to and including 9D(G) shall remain in force until there are no longer any C Deferred Shares in existence, notwithstanding any provision in these Articles to the contrary. Thereafter Articles 9D(A) to and including 9D(G) shall be, and shall be deemed to be, of no effect and shall be deleted and the separate register for the holders of C Deferred Shares shall no longer be required to be maintained by the Company; but the validity of anything done under Articles 9D(A) to 9D(G) before that date shall not otherwise be affected and any actions taken under Articles 9D(A) to 9D(G) before that date shall be conclusive and shall not be open to challenge on any grounds whatsoever.”

PART VI

UNITED KINGDOM TAXATION IN RELATION TO THE RETURN OF CAPITAL AND ASSOCIATED SHARE CAPITAL CONSOLIDATION

The comments below are intended as a general guide only and are based on current United Kingdom tax law and HM Revenue and Customs published practice. The comments below apply only to Shareholders who are resident in the United Kingdom for tax purposes and who hold their Existing Ordinary Shares, and who will hold their New Ordinary Shares and B and/or C Shares, beneficially as investments and not on trading account. The tax consequences may be different for any future disposal and may alter between the date of this document and the implementation of the Return of Capital and associated Share Capital Consolidation.

Shareholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction other than the United Kingdom should consult an appropriate professional adviser without delay.

1. Capital Reorganisation

For the purposes of United Kingdom taxation of capital gains and corporation tax on chargeable gains (“CGT”):

- (i) the receipt of the B Shares and/or C Shares and New Ordinary Shares arising from the Capital Reorganisation will be a reorganisation of the share capital of the Company. Accordingly, the B Shares and/or C Shares and New Ordinary Shares replacing a Shareholder’s holding of Existing Ordinary Shares as a result of the Capital Reorganisation will be treated as the same asset as the Shareholder’s holding of Existing Ordinary Shares, and as having been acquired at the same time as the Shareholder’s holding of Existing Ordinary Shares was acquired. As a result of the Capital Reorganisation, a Shareholder’s original base cost in his Existing Ordinary Shares will be apportioned between the B Shares and/or C Shares and the New Ordinary Shares by reference to the market value of the New Ordinary Shares on the first day on which the market value or price is quoted or published for the New Ordinary Shares. The apportionment ratio between the B Shares and/or C Shares and the New Ordinary Shares will be printed on the Company’s website at the earliest practicable time following a quotation or publication of a price or market valuation in respect of the New Ordinary Shares;
- (ii) on the basis that the B Shares and the C Shares will be treated, for United Kingdom tax purposes, as being paid up for new “consideration” received by the Company, the issue of the B Shares and the C Shares should not give rise to any liability to United Kingdom income tax or corporation tax in a Shareholder’s hands; and
- (iii) in most circumstances, the sale, on behalf of relevant Shareholders, of fractional entitlements to New Ordinary Shares resulting from the Capital Reorganisation should not constitute a part disposal of his pool of Existing Ordinary Shares. Instead the amount of any payment received by the Shareholder should be deducted from the base cost of the B Shares and/or C Shares and any New Ordinary Shares received.

2. Income Option

Income tax

United Kingdom resident individuals are subject to special rates of income tax on dividend receipts, albeit that those rates are dependent upon the general income tax rate band into which such an individual’s income falls to be taxed.

All dividends paid by a United Kingdom resident company to a United Kingdom resident individual have an associated tax credit equal to one ninth of the net dividend payment, so that the net dividend is equal to 90% of the taxable income.

A United Kingdom resident individual Shareholder who is liable to income tax at the basic rate will pay no additional tax on the C Share Dividend paid to them in respect of any C Shares elected from their B/C Share Entitlement unless it takes that Shareholder’s income into the higher rate tax band. The effective 0 per cent. tax rate is the result of the gross dividend received being taxed at 10 per cent., but having the benefit of an equivalent 10 per cent. tax credit attached to it.

A United Kingdom resident individual Shareholder who is liable to income tax at the higher rate (currently the 40 per cent. band) will be liable to pay tax at a rate of 32.5 per cent. on the gross dividend received to the extent that the gross dividend, when treated as the top slice of that Shareholder's income, falls above the threshold for higher rate income tax being £32,010 (after deducting your relevant personal allowances); this is equal to 25 per cent. of the cash dividend received. Individuals liable to income tax at the additional rate (currently the forty-five per cent. band) will be liable to pay tax at a rate of 37.5 per cent. on the gross dividend received; this is equal to 30.6 per cent. of any part of the cash dividend received falling above the additional rate threshold of £150,000.

United Kingdom resident taxpayers who are not liable to United Kingdom tax on dividends, including pension funds and charities, will not be liable to pay tax on the C Share Dividend.

United Kingdom resident corporate Shareholders will generally not be subject to corporation tax on the C Share Dividend, to the extent that the C Share Dividend constitutes and exempt distribution as referred to in Part 9A of the Corporation Tax Act 2009. In rare circumstances, the C Share Dividend may be subject to corporation tax. If a Shareholder is in doubt, they should consult their own tax advisor.

Non-United Kingdom resident Shareholders will not generally be able to claim repayment of any tax credits from HM Revenue and Customs under any double tax treaty in respect of the C Share Dividend.

A Shareholder resident outside the United Kingdom may be subject to taxation on dividend income under local law.

Shareholders who are not resident in the United Kingdom (for tax purposes) should consult their own tax adviser concerning their tax liabilities on dividends received from the Company.

Taxation of chargeable gains

For CGT purposes, the C Share Dividend (and the consequent conversion of the C Shares into C Deferred Shares) will not be treated as giving rise to a disposal or part disposal of the C Shares.

Shareholders who receive the C Share Dividend should note that, as a consequence of the Capital Reorganisation, a proportion of the base cost, for CGT purposes, of their Existing Ordinary Shares will be attributed to the C Shares and this amount will continue to be attributed to those C Shares following their conversion into C Deferred Shares (notwithstanding that the C Deferred Shares have limited rights or value). Correspondingly, only a proportion of the base cost of the original holding of Existing Ordinary Shares will be available on a disposal of New Ordinary Shares.

A redemption of the C Deferred Shares will be treated as described in paragraph 3 below and is likely to result in a Shareholder realising a capital loss. In addition, United Kingdom Shareholders that are liable to corporation tax and own 10 per cent. or more of the C Shares should note that it is possible that sections 176 and 177 of the Taxation of Chargeable Gains Act 1992 could be regarded as being applicable to such a Shareholder on the redemption or disposal of the C Deferred Shares and so it may not be possible for such Shareholders to realise a capital loss in respect of the C Deferred Shares.

3. Immediate Capital Option and Deferred Capital Option

- (i) On redemption of all or any of the B Shares, an individual Shareholder may, depending on his or her individual circumstances, be subject to CGT on the amount of any chargeable gain realised. Any gain will be measured by reference to the excess of the redemption price above the Shareholder's allowable expenditure for the B Shares redeemed. The Shareholder's allowable expenditure in relation to his or her Existing Ordinary Shares will be apportioned between the New Ordinary Shares and the B Shares by reference to the market value of the New Ordinary Shares on the first day on which the market value or price is quoted or published for the New Ordinary Shares.
- (ii) The amount of CGT, if any, payable by an individual Shareholder in relation to the chargeable gain described in paragraph 3(i) above will depend on his or her personal tax position. No tax will be payable on any gain realised on the redemption if the amount of the chargeable gain, when aggregated with other chargeable gains realised by the Shareholder in the year of assessment in question, does not exceed the annual allowance of tax-free gains (£10,900 for the tax year ending 5 April 2014, £11,000 for the tax year ending 5 April 2015). Broadly, any gains in excess of this amount will be taxed at the individual's relevant capital gains tax rate (18 or 28 per cent). The net gain is taxable at 18 per cent. if the individual is only a basic rate income taxpayer. If the gain exceeds the unused part of an individual's basic rate band for income tax the gain will be taxed at 18 per cent. to the extent of the

unused element and 28 per cent. for the excess. If an individual is subject to income tax at a rate in excess of the basic rate then the net gain will be taxable at 28 per cent.

- (iii) A corporate Shareholder is taxable on all of its chargeable gains. Corporate Shareholders are entitled to indexation allowance up to the date the chargeable gain is realised.
- (iv) Generally, the proceeds received by a Shareholder on Initial Redemption and Final Redemption will not be an income distribution in the Shareholder's hands and will not constitute investment income in the hands of a corporate Shareholder.
- (v) On any subsequent disposal otherwise than by way of redemption of the whole or part of a Shareholder's holding of New Ordinary Shares or B Shares, a Shareholder may, depending on his circumstances, be subject to CGT on the amount of any chargeable gain realised. Please refer to paragraph 3(i) above for details of the manner in which a Shareholder's allowable expenditure is allocated between the New Ordinary Shares and the B Shares and to paragraphs 3(ii) and (iii) above for details of how a gain will be taxed.

4. Stamp Duty and Stamp Duty Reserve Tax

Except in relation to depositary receipt arrangements or clearance services to which special rules apply:

- (i) No stamp duty or stamp duty reserve tax ("SDRT") will be payable on the issue of the B Shares and/or C Shares or the New Ordinary Shares.
- (ii) An agreement to sell B Shares and/or C Shares or New Ordinary Shares will normally give rise to liability on the purchaser to SDRT at the rate of 0.5 per cent. of the actual consideration paid. If an instrument of transfer of the B Shares and/or C Shares or New Ordinary Shares is subsequently produced it will generally be subject to stamp duty at the rate of 0.5 per cent. of the actual consideration paid (rounded up to the nearest £5). When such stamp duty is paid, the SDRT charge will be cancelled and any SDRT already paid will be refunded. Stamp duty and SDRT are generally the liability of the purchaser.
- (iii) For the avoidance of doubt, a redemption of B Shares under the Initial Redemption or the Final Redemption will not give rise to any liability to stamp duty or SDRT for the Shareholder.
- (iv) There will be no stamp duty or SDRT charge if the C Shares are converted into C Deferred Shares.

PART VII
ADDITIONAL INFORMATION

1. Company Details

1.1 The Company was incorporated and registered in England and Wales on 8 October 2012 under the Companies Act 2006 with registered number 08243706.

1.2 The registered office of the Company is 11th Floor, Colmore Plaza, 20 Colmore Circus Queensway, Birmingham, West Midlands, B4 6AT. The Company's principal place of business is at Leconfield House, Curzon Street, London W1J 5JA.

2. Directors

The Directors and their principal functions are as follows:

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>
Miles Templeman	<i>(Senior Non-Executive Director)</i>
Perry Crosthwaite	<i>(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>

3. US Shareholders and other Overseas Shareholders

Shareholders who are not resident in the United Kingdom or who are citizens, residents or nationals of other countries should consult their professional advisers to ascertain whether the Return of Capital and associated Share Capital Consolidation (including the receipt of the New Ordinary Shares, the receipt of the C Share Dividend, the receipt of the proceeds of the Initial Redemption or the receipt of the proceeds of the Final Redemption) will be subject to any restrictions or require compliance with any formalities imposed by the laws or regulations of, or any body or authority located in, the jurisdiction in which they are resident or to which they are subject. In particular, it is the responsibility of any Shareholder not resident in the United Kingdom or a citizen, resident or national of another country wishing to receive the C Share Dividend, have B Shares redeemed or otherwise dispose of any shares in the Company to satisfy themselves as to the full observance of the laws of each relevant jurisdiction in connection with the Return of Capital and associated Share Capital Consolidation, or redemption or subsequent disposal of any shares in the Company, including the obtaining of any government, exchange control or other consents which may be required, or the compliance with other necessary formalities needing to be observed and the payment of any issue, transfer or other taxes or duties in such jurisdiction.

The distribution of this document in or into certain jurisdictions may be restricted by law. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Neither this document nor any other document issued or to be issued by or on behalf of the Company in connection with the issue of C Shares, the C Share Dividend, the issue of the C Deferred Shares, the issue of B Shares, the Initial Redemption and/or the Final Redemption constitutes an invitation, offer or other action on the part of the Company in any jurisdiction in which such invitation, offer or other action is unlawful.

Neither the Immediate Capital Option (Alternative 2) nor the Deferred Capital Option (Alternative 3) are being made available to US Shareholders and/or other Restricted Shareholders, and such US Shareholders and/or other Restricted Shareholders may not choose either the Immediate Capital Option (Alternative 2) or the Deferred Capital Option (Alternative 3). Any purported election by a US Shareholder or other Restricted Shareholder for the Immediate Capital Option (Alternative 2) or the Deferred Capital Option (Alternative 3) will be deemed by the Company to be an election for the Income Option (Alternative 1) in respect of ALL of that Shareholder's B/C Share Entitlement and accordingly that Shareholder will receive C Shares in respect of ALL of their B/C Share Entitlement and be entitled to be paid the C Share Dividend in respect of such C Shares.

Each Shareholder who executes an Election Form, or on whose behalf an Election Form is executed or TTE Instruction is given irrevocably represents to, warrants to, undertakes to and agrees with the

Company, Rothschild and Investec that such Shareholder has observed the laws of all relevant territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due from such Shareholder in any territory in connection with any election for any of the Share Alternatives (or any transaction resulting therefrom) and such Shareholder has not taken or omitted to take any action which may result in the Company, Rothschild, Investec or any other person acting in breach of the legal or regulatory requirements of any territory in connection with the Return of Capital or associated Share Capital Consolidation or such Shareholder's election for any of the Share Alternatives (or any transaction resulting therefrom).

Upon execution of an Election Form, or the giving of a TTE Instruction, by or on behalf of a Shareholder which includes an election (or constitutes a deemed election) to participate in the Immediate Capital Option (Alternative 2) and/or the Deferred Capital Option (Alternative 3), the Shareholder represents and warrants that such Shareholder does not have its registered address in a Restricted Territory and is not resident or located in a Restricted Territory.

In the event that the Directors are advised that it would or might be in breach of legal or regulatory requirements in any jurisdiction, or the Company would or might be required to make filings or take any other action in any jurisdiction as a result of its issuing B Shares and/or C Shares to Shareholders who have registered addresses in any overseas jurisdiction or who are citizens, residents or nationals of other countries, it is proposed that the B Shares and/or C Shares to which such Shareholders are entitled may be issued to a nominee and then sold with the net proceeds of sale being remitted to such Shareholders.

The above provisions of this paragraph 3 and/or any other terms of the Return of Capital and associated Share Capital Consolidation, including the C Share Dividend and the redemption of the B Shares, relating to overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company in its absolute discretion.

None of the New Ordinary Shares, the B Shares, the C Shares or the C Deferred Shares will be registered under the US Securities Act or under the securities laws of any state of the United States or under any applicable securities laws of any other Restricted Territory.

4. Summary of the rights and restrictions attaching to the New Ordinary Shares

The rights and restrictions attaching to the New Ordinary Shares are as set out in the Articles of Association of the Company in relation to the Existing Ordinary Shares.

The New Ordinary Shares are not renounceable and will be transferable by an instrument of transfer in usual or common form. The New Ordinary Shares will be in registered form. The Company will apply for the New Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the New Ordinary Shares may take place within the CREST system in respect of general market transactions.

5. CREST

In order to facilitate the Share Alternative elections, for the purposes of settlement in CREST only, each Existing Ordinary Share held in uncertificated form will be credited with one "interim CREST entitlement" under the ISIN GB00BHY3RX59 from the period from 8.00 a.m. on 10 February 2014 until 4.30 p.m. on 14 February 2014 (being the end of the Election Period). During this period CREST holders will have their accounts credited with "interim CREST entitlements" to allow them to elect electronically through the CREST system. From 4.30 p.m. on 14 February 2014 (or such other date as the Directors may determine), "interim CREST entitlements" in relation to which elections have been made under the Deferred Capital Option (Alternative 3) will, for the purposes of dealings and settlement in CREST, be designated as "B Shares" under the ISIN GB00BHY3ZC05. Accordingly, on 17 February 2014 those CREST holders who have elected to hold B Shares until the Final Redemption will have their CREST accounts credited with the "B Shares".

If Existing Ordinary Shares held in certificated form to which any election made on the enclosed Election Form relates are dematerialised into CREST after such an election has been made and before 4.30 p.m. on 14 February 2014 (or such other time and/or date as the Directors may determine), any instruction given by the submission of an Election Form will be ineffective. Such Shareholders who subsequently hold their interim CREST entitlements in CREST will need to submit a valid TTE Instruction in place of the submitted Election Form by 4.30 p.m. on 14 February 2014 (or such other time and/or date as the Directors may determine).

If Existing Ordinary Shares held in CREST are rematerialised into certificated form between 7 February 2014 and 4.30 p.m. on 14 February 2014 (or such other time and/or date as the Directors may determine), holders of such shares will need to submit a valid Election Form bearing details of the new shareholding account by 4.30 p.m. on 14 February 2014 (or such other time and/or date as the Directors may determine). Election Forms can be obtained by telephoning the Shareholder Helpline on 0871 384 2995 (from inside the United Kingdom) or +44 (0)121 415 0142 (from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. (London time), Monday to Friday (excluding public holidays). Calls to the 0871 number are charged at 8 pence per minute (excluding VAT) plus network extras. Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The Shareholder Helpline will remain open until 14 March 2014.

6. Electing in CREST

Electing for Alternative 1: Income Option

Shareholders who hold their Existing Ordinary Shares in uncertificated form and who wish to choose the Income Option (Alternative 1) in respect of all of their B/C Share Entitlement need take no action. Shareholders who do not give a TTE Instruction will automatically receive the Income Option (Alternative 1) in respect of all of their B/C Share Entitlement.

Electing for Alternative 2: Immediate Capital Option

Shareholders who hold their Existing Ordinary Shares in uncertificated form and who wish to choose the Immediate Capital Option (Alternative 2) in respect of all or some of their B/C Share Entitlement should use the following procedure after their CREST accounts have been credited with interim CREST entitlements on 10 February 2014 (or such other date as the Directors may determine). The prescribed form of election is a TTE Instruction. If you are a CREST sponsored member, you should refer to your CREST sponsor before taking any action. Your CREST sponsor will be able to confirm details of your participant ID and the member account ID under which your interim CREST entitlements are held. In addition, only your CREST sponsor will be able to send the TTE Instruction to Euroclear in relation to your interim CREST entitlements.

The TTE Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of interim CREST entitlements to which the election for the Immediate Capital Option (Alternative 2) relates;
- (ii) the participant ID;
- (iii) the member account ID;
- (iv) the participant ID of Equiniti. This is 6RA44;
- (v) MELIMCAP, the member account ID of Equiniti;
- (vi) the ISIN of the interim CREST entitlements. This is GB00BHY3RX59;
- (vii) the Intended Settlement Date. This must be by 4.30 p.m. on 14 February 2014;
- (viii) the corporate action number. This is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST; and
- (ix) input with standard delivery instruction priority of 80.

In order for an uncertificated election to be valid, the TTE Instruction must comply with the requirements as to authentication and contents set out above and must settle by 4.30 p.m. on 14 February 2014 (or such other time and/or date as the Directors may determine).

CREST members and (where applicable) their CREST sponsors should note that the last time at which a TTE Instruction may settle is 4.30 p.m. on 14 February 2014.

Electing for Alternative 3: Deferred Capital Option

Shareholders who hold their Existing Ordinary Shares in uncertificated form and who wish to choose the Deferred Capital Option (Alternative 3) in respect of all or some of their B/C Share Entitlement should use the following procedure after their CREST accounts have been credited with interim CREST entitlements on 10 February 2014 (or such other date as the Directors may determine). The prescribed form of election is a TTE Instruction. If you are a CREST sponsored member, you should refer to your CREST sponsor before taking any action. Your CREST sponsor will be able to confirm details of your participant ID and the member account ID under which your interim CREST entitlements are held. In addition, only your CREST sponsor will be able to send the TTE Instruction to Euroclear in relation to your interim CREST entitlements.

The TTE Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of interim CREST entitlements to which the election for the Deferred Capital Option (Alternative 3) relates;
- (ii) the participant ID;
- (iii) the member account ID ;
- (iv) the participant ID of Equiniti. This is 6RA44;
- (v) MELDFCAP, the member account ID of Equiniti;
- (vi) the ISIN of the interim CREST entitlements. This is GB00BHY3RX59;
- (vii) the Intended Settlement Date. This must be by 4.30 p.m. on 14 February 2014;
- (viii) the corporate action number. This is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST; and
- (ix) input with standard delivery instruction priority of 80.

In order for an uncertificated election to be valid, the TTE Instruction must comply with the requirements as to authentication and contents set out above and must settle by 4.30 p.m. on 14 February 2014 (or such other time and/or date as the Directors may determine).

CREST members and (where applicable) their CREST sponsors should note that the last time at which a TTE Instruction may settle is 4.30 p.m. on 14 February 2014.

7. Consent

Rothschild has given and has not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which they appear.

Investec has given and has not withdrawn its consent to the issue of this document with the references to its name in the form and context in which they appear.

8. Documents Available for Inspection

Copies of the following documents may be physically inspected 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 document up to and including the date of the General Meeting and at the registered office of the Company from the date of this document up to and including the date of the General Meeting and will also be available for inspection for at least 15 minutes before and during the General Meeting:

- (a) the Articles;
- (b) the consent letters referred to in paragraph 7 above;
- (c) the Articles showing the proposed amendments to the Articles as a consequence of the Capital Reorganisation; and
- (d) this document.

Dated: 21 January 2014

PART VIII
DEFINITIONS

In this document, the following expressions have the following meanings, unless the context requires otherwise:

“Act”	the Companies Act 2006 (as amended)
“Admission”	admission of the New Ordinary Shares to the Official List and to trading on the main market for listed securities of the London Stock Exchange becoming effective in accordance with Listing Rules and the rules of the London Stock Exchange respectively
“Articles”	the articles of association of the Company
“B/C Share Entitlement”	the entitlement of Shareholders to receive one B Share or one C Share for each Existing Ordinary Share held at the B/C Share Record Date and, where the context requires, the aggregate entitlement of a shareholder to receive B Shares and/or C Shares
“B/C Share Record Date”	5.00 p.m. on 7 February 2014 (or such other time and/or date as the Directors may determine)
“B/C Share Scheme”	the transaction comprising the Share Alternatives
“B Shares”	the unlisted non-cumulative redeemable shares of 47 pence each in the capital of the Company, the rights and restrictions of which are set out in Part V of this document
“Board”	the board of Directors of the Company at the date of this document
“Business Day”	any day on which banks are generally open in England and Wales for the transaction of normal banking business other than a Saturday or Sunday or public holiday
“Capital Reorganisation”	the reorganisation of the Company’s share capital comprising the issuance of B Shares and/or C Shares and the Share Capital Consolidation
“C Deferred Shares”	the unlisted non-cumulative redeemable deferred shares of 0.00001 pence each in the capital of the Company, the rights and restrictions of which are set out in Part V of this document
“C Share Dividend”	the dividend of 47 pence per C Share
“C Share Dividend Date”	17 February 2014 (or such other date as the Directors may determine)
“C Shares”	the unlisted non-cumulative irredeemable preference shares of 0.00001 pence each in the capital of the Company, the rights and restrictions of which are set out in Part V of this document
“Company”	Melrose Industries PLC
“CREST Manual”	the current version of the CREST Manual which at the date of this document is available on www.euroclear.com
“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
“Deferred Capital Option”	the allotment and issuance of B Shares to be redeemed by the Company on the Final Redemption Date

“Directors”	means the directors of the Company at the date of this document
“DRIP”	the Melrose Dividend Reinvestment Plan
“Election Form”	the blue form enclosed with this document by which an Ordinary Shareholder may choose one or more of the Share Alternatives
“Election Period”	the period from 10 February 2014 until 4.30 p.m. on 14 February 2014, during which time Shareholders (other than US Shareholders and other Restricted Shareholders) may make elections pursuant to the Share Alternatives
“Equiniti”	Equiniti Limited, the registrars of the Company
“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST
“Existing Ordinary Shares”	ordinary shares of 0.10 pence each in the capital of the Company existing prior to the Share Capital Consolidation
“FCA”	the Financial Conduct Authority
“Final Redemption”	the redemption by the Company of B Shares on the Final Redemption Date
“Final Redemption Date”	30 April 2014 (or such other date as the Directors may determine)
“Financial Conduct Authority”	the FCA acting in its capacity as the competent authority for listing under Part V of FSMA and in the exercise of its functions in respect of admission to the Official List
“Form of Proxy”	the white form enclosed with this document for use by Shareholders in connection with the General Meeting
“FSMA”	the Financial Services and Markets Act 2000
“General Meeting”	the general meeting of the Company convened for 11.00 a.m. on 7 February 2014 to vote on the Resolution and any adjournment thereof
“Group”	the Company and its subsidiaries
“Immediate Capital Option”	the allotment and issuance of B Shares to be redeemed by the Company on the Initial Redemption Date
“Income Option”	the allotment and issuance of C Shares in respect of which the C Share Dividend will be paid on the C Share Dividend Date
“Initial Redemption”	the redemption by the Company of B Shares on the Initial Redemption Date
“Initial Redemption Date”	17 February 2014 (or such other date as the Directors may determine)
“Investec”	Investec Bank plc
“ISIN”	International Security Identification Number
“Listing Rules”	the listing rules made by the FCA in exercise of its functions as competent authority pursuant to Part V of FSMA
“London Stock Exchange”	London Stock Exchange plc or its successor
“Melrose”	Melrose Industries PLC
“New Ordinary Shares”	following the Share Capital Consolidation, the new ordinary shares of $\frac{13}{110}$ pence each in the capital of the Company
“Official List”	the official list maintained by the Financial Conduct Authority for the purposes of Part V of FSMA

“Ordinary Shares” or “Melrose Ordinary Shares”	Existing Ordinary Shares or New Ordinary Shares, as the context may require
“Overseas Shareholders”	Shareholders who are not resident in the United Kingdom or who are citizens, residents or nationals of a country other than the United Kingdom or who have a registered address which is not in the United Kingdom. For the avoidance of doubt, Shareholders who are not resident in the United Kingdom include Shareholders who are resident in the Channel Islands or the Isle of Man
“Replacement Election Form”	the election form provided to a Shareholder wishing to re-elect the Share Alternatives following a withdrawal of an election
“Resolution”	the special resolution to approve, among other things, the Return of Capital and associated Share Capital Consolidation to be proposed at the General Meeting (as set out in the notice of General Meeting at the end of this document)
“Restricted Shareholders”	Shareholders with a registered address in a Restricted Territory or who are resident or located in a Restricted Territory
“Restricted Territories”	Australia, Canada, Japan, New Zealand, the Republic of South Africa, United States, and any other territory where the invitation to participate in the B/C Share Scheme and any election for either the Immediate Capital Option (Alternative 2) and/or the Deferred Capital Option (Alternative 3) in respect of all or some of a Shareholder’s B/C Share Entitlement would violate the laws of that jurisdiction or would require the registration of the B Shares, C Shares and/or C Deferred Shares, and “Restricted Territory” means any of them
“Return of Capital”	the transaction comprising the return of approximately £600 million in cash to Shareholders by way of the B/C Share Scheme
“Rothschild”	N M Rothschild & Sons Limited
“Share Alternatives”	the Income Option, the Immediate Capital Option or the Deferred Capital Option, or any of them as the context requires
“Share Capital Consolidation”	the transaction comprising the consolidation of the Existing Ordinary Shares in the manner set out in paragraph (d) of the Resolution in the notice convening the General Meeting set out at the end of this document
“Share Capital Consolidation Record Date”	6.00 p.m. on 7 February 2014 (or such other time and/or date as the Directors may determine)
“Shareholder(s)” or “Ordinary Shareholder(s)”	(a) holder(s) of Ordinary Shares
“Shareholder Helpline”	The telephone helpline established by Equiniti on behalf of the Company for queries from Shareholders in relation to the Election Form, or Form of Proxy, reached by calling 0871 384 2995 (from inside the United Kingdom) or +44 (0)121 415 0142 (from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. (London time), Monday to Friday (excluding public holidays). Calls to these numbers are charged at 8 pence per minute (excluding VAT) plus network extras. Calls to the Shareholder Helpline from outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored

	for security and training purposes The Shareholder Helpline will remain open until 14 March 2014
“subsidiary” and “subsidiary undertaking”	has the meaning given to it in section 1162 of the Act
“TTE Instruction”	a transfer to escrow instruction (as defined in the CREST Manual)
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“US” or “United States”	the United States of America (including the states of the United States and the District of Columbia), its possession and territories and all areas subject to its jurisdiction
“US Securities Act”	United States Securities Act of 1933 (as amended)
“US Shareholder”	a Shareholder with a registered address in the Unites States or who is resident or located in the United States

All times referred to are London times unless otherwise stated.

NOTICE OF GENERAL MEETING

NOTICE IS GIVEN that a General Meeting of Melrose Industries PLC (the “**Company**”) will be held at the offices of Investec at 2 Gresham Street, London EC2V 7QP at 11.00 a.m. on 7 February 2014, for the purpose of considering and, if thought fit, passing the following Resolution, which will be proposed as a special resolution:

THAT, conditional on the admission of the New Ordinary Shares (as defined below) to the Official List of the Financial Conduct Authority and to trading on the main market for listed securities of the London Stock Exchange plc becoming effective by 8.00 a.m. on 10 February 2014 (or such other time and/or date as the Directors of the Company may determine):

- (a) the Articles of Association of the Company be and are amended by the insertion of new articles 9A, 9B, 9C and 9D setting out the rights and restrictions of the B Shares, the C Shares and the C Deferred Shares, in the form set out in Part V of the circular sent by the Company to its shareholders dated 21 January 2014 (“**Circular**”) (the “**New Articles of Association**”);
- (b) the Directors be and are authorised to:
 - (i) capitalise a sum not exceeding £595,314,706.92 standing to the credit of the Company’s merger reserve, and to apply such sum in paying up in full up to the maximum number of redeemable shares of 47 pence each in the capital of the Company carrying the rights and restrictions set out in article 9B of the New Articles of Association (the “**B Shares**”) that may be allotted pursuant to the authority given by sub paragraph (c)(i) below;
 - (ii) capitalise a sum not exceeding £126.66 standing to the credit of the Company’s merger reserve, and to apply such sum in paying up in full up to the maximum number of non-cumulative redeemable shares of 0.00001 pence each in the capital of the Company carrying the rights and restrictions set out in article 9C of the New Articles of Association (the “**C Shares**”) that may be allotted pursuant to the authority given by sub paragraph (c)(ii) below;
- (c) pursuant to section 551 of the Companies Act 2006 (the “**Act**”) the Directors be and are authorised to exercise all powers of the Company to allot and issue credited as fully paid up:
 - (i) B Shares up to an aggregate nominal amount of £595,314,706.92;
 - (ii) C Shares up to an aggregate nominal amount of £126.66,

to the holders of the existing ordinary shares of 0.10 pence each in the capital of the Company (the “**Existing Ordinary Shares**”) on the basis of either one B Share or one C Share for each Existing Ordinary Share held and recorded on the register of members of the Company at 5.00 p.m. on 7 February 2014 (or such other time and/or date as the Directors may determine), in accordance with the terms of the Circular, **PROVIDED THAT** this authority shall expire at the end of the Company’s next Annual General Meeting after this resolution is passed (or, if earlier, at the close of business on 30 June 2014);
- (d) in respect of each holding of Existing Ordinary Shares as shown in the register of members of the Company at 6.00 p.m. on 7 February 2014 (or such other time and/or date as the Directors may determine) each issued Existing Ordinary Share be and is sub-divided into 11 shares of $\frac{1}{110}$ pence each in the capital of the Company and forthwith upon such sub-division every 13 shares of $\frac{1}{110}$ pence each in the capital of the Company resulting from such sub-division be and are consolidated into one new ordinary share of $\frac{13}{110}$ pence in the capital of the Company (the “**New Ordinary Shares**”), **PROVIDED THAT** no member shall be entitled to a fraction of a New Ordinary Share and all fractional entitlements arising out of the consolidation shall be aggregated into New Ordinary Shares and the New Ordinary Shares so arising sold and the net proceeds of sale be paid in due proportion (rounded down to the nearest penny) to those shareholders who would otherwise be entitled to such fractional entitlements save that individual amounts that are less than £1.00 and any such rounding, net of commission, shall be retained by the Company and donated to charities chosen by the Board; and

- (e) the rights and restrictions attaching to the New Ordinary Shares resulting from the sub-division and consolidation provided for in paragraph (d) above shall be as set out in the New Articles of Association of the Company.

Registered office:

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

By order of the Board:

Adam Westley
Company Secretary

21 January 2014

Notes:

1. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend 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, a 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. 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 5 February 2014 (or, in the event of an adjournment, on the date which is two days before the time of the adjourned meeting). 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 20 January 2014 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 1,266,627,036 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 20 January 2014 are 1,266,627,036.
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 11.00 a.m. on 5 February 2014. 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 Proxy Form) 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.

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