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Melrose

Melrose Industries PLC

(Incorporated and registered in England and Wales with Registered No. 09800044)

Proposed Disposal of Nortek Air Management

and

Notice of General Meeting

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

Notice of the General Meeting, to be held at the Company's offices at Leconfield House, Curzon Street, London W1J 5JA at 10:00 a.m. on 6 May 2021, is set out at the end of this Circular.

As a result of the current COVID-19 pandemic and the legislative and associated guidance introduced by the UK Government in response, for the safety of Shareholders, our employees, our advisers and the general public, we are proposing to hold the General Meeting with the minimum number of Director Shareholders in attendance so as to meet the quorum requirement. Other Shareholders are not permitted to attend the meeting in person.

We remind Shareholders that voting is on a poll, and votes may be cast by proxy who may be appointed ahead of the meeting to ensure your vote is counted (as detailed below and in the explanatory notes starting on page 35). We strongly encourage Shareholders to make use of proxies to exercise their voting rights and to submit any questions prior to the meeting using the online service we have set up for these purposes (see details below).

Should Shareholders wish to raise any specific questions on the business of the General Meeting, we are providing the opportunity to submit questions to us using the online form that can be accessed from www.melroseplc.net/investors/shareholder-information/melrose-gm-2021-questions-form/. Questions must be received by no later than 10:00 a.m. on 4 May 2021. We will upload a response to these questions on our website.

Shareholders will find enclosed with this Circular a Form of Proxy for use in connection with the General Meeting. You are asked to complete and sign the enclosed Form of Proxy in accordance with the instructions printed on it and return it to the Company's Registrar, Equiniti of Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA as soon as possible and, in any event, by no later than 10:00 a.m. on 4 May 2021. You may alternatively register your vote online by visiting Equiniti's website at www.sharevote.co.uk. In order to register your vote online, you will need to enter the Voting ID, Task ID and your Shareholder Reference Number which are set out on the enclosed Form of Proxy, and you will need to ensure that your vote is registered online not later than 10:00 a.m. on 4 May 2021.

If you hold your Shares in CREST, and you wish to appoint a proxy or proxies through the CREST electronic proxy appointment service, you may do so by using the procedures described in the CREST Manual (available via www.euroclear.com). In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST Proxy Instruction must be properly authenticated in accordance with Euroclear's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Equiniti, ID RA19, by 10:00 a.m. on 4 May 2021.

Citigroup, a broker-dealer registered with the U.S. Securities and Exchange Commission, is acting as financial adviser for Melrose and for no one else in connection with the matters described in this Circular and will not be responsible to anyone other than Melrose for providing advice in connection with the Disposal, or any other matters referred to in this Circular. Neither Citigroup nor any of its affiliates, directors or employees owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, consequential, whether in contract, in tort, in delict, under statute or otherwise) to any person who is not a client of Citigroup in connection with this Circular, any statement contained herein, the Disposal or otherwise.

Baird, which is authorised and regulated by the U.S. Securities and Exchange Commission, is acting as financial adviser for Melrose and for no one else in connection with the matters described in this Circular and will not be responsible to anyone other than Melrose for providing the protections afforded to clients of Baird nor for providing advice in connection with the Disposal, or any other matters referred to in this Circular. Neither Baird nor any of its affiliates, directors or employees owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, consequential, whether in contract, in tort, in delict, under statute or otherwise) to any person who is not a client of Baird in connection with this Circular, any statement contained herein, the Disposal or otherwise.

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

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

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

A summary of action to be taken by Shareholders is set out on page 9 of this Circular and in the Notice of General Meeting set out at the end of this Circular.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	<u>Time and Date</u>
Announcement of the Disposal	19 April 2021
Publication of and posting of this Circular, the Notice of General Meeting and the Form of Proxy	20 April 2021
Latest time and date for receipt of Forms of Proxy, CREST Proxy Instructions and registration of online votes from Shareholders in respect of the General Meeting	10:00 a.m. on 4 May 2021
General Meeting	10:00 a.m. on 6 May 2021
Expected date of completion of the Disposal (subject to Shareholder approval)	Second or Third Quarter of 2021

Notes:

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

Forward looking statements

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

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

Forward looking statements contained in this document do not in any way seek to qualify the working capital statement contained in Section 12 of Part VI (*Additional Information*) of this document.

No profit forecast

Other than as expressly stated, no statement in this document is intended as a profit forecast or a profit estimate and no statement in this document should be interpreted to mean that earnings per Ordinary Share for the current or future financial years will necessarily match or exceed the historical published earnings per Ordinary Share.

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

DIRECTORS	Justin Dowley (<i>Non-Executive Chairman</i>) Christopher Miller (<i>Executive Vice-Chairman</i>) David Roper (<i>Executive Vice-Chairman</i>) Simon Peckham (<i>Chief Executive</i>) Geoffrey Martin (<i>Group Finance Director</i>) Peter Dilnot (<i>Chief Operating Officer</i>) Liz Hewitt (<i>Senior Independent Director</i>) David Lis (<i>Independent Non-Executive Director</i>) Archie G. Kane (<i>Independent Non-Executive Director</i>) Charlotte Twynning (<i>Independent Non-Executive Director</i>) Funmi Adegoke (<i>Independent Non-Executive Director</i>)
COMPANY SECRETARY	Jonathon Crawford
REGISTERED OFFICE	11 th Floor The Colmore Building 20 Colmore Circus Queensway Birmingham West Midlands B4 6AT
FINANCIAL ADVISER TO MELROSE . .	Citigroup Global Markets Inc. (“Citigroup”) 388 Greenwich Street New York, NY 10013 United States
FINANCIAL ADVISER TO MELROSE . .	Robert W Baird & Co Inc. (“Baird”) 227 West Monroe Street Chicago Illinois United States
SPONSOR	Investec Bank plc (“Investec”) 30 Gresham Street London United Kingdom EC2V 7QP
LEGAL ADVISER TO MELROSE	Simpson Thacher & Bartlett LLP CityPoint One Ropemaker Street London EC2Y 9HU
REGISTRARS TO MELROSE	Equiniti Limited (“Equiniti”) Aspect House Spencer Road Lancing West Sussex BN99 6DA

AUDITORS AND REPORTING

ACCOUNTANTS TO MELROSE Deloitte LLP (“Deloitte”)
Hill House
1 Little New Street
EC4A 3TR

REPORTING ACCOUNTANTS TO

MELROSE Ernst & Young LLP (“Ernst & Young”)
1 More London Place
London
SE1 2AF

PART I
LETTER FROM THE CHAIRMAN OF MELROSE



Incorporated and registered in England and Wales with Registration No. 09800044

Directors:

Justin Dowley (Non-Executive Chairman)
Christopher Miller (Executive Vice-Chairman)
David Roper (Executive Vice-Chairman)
Simon Peckham (Chief Executive)
Geoffrey Martin (Group Finance Director)
Peter Dilnot (Chief Operating Officer)
Liz Hewitt (Senior Independent Director)
David Lis (Independent Non-Executive Director)
Archie G. Kane (Independent Non-Executive Director)
Charlotte Twynning (Independent Non-Executive Director)
Funmi Adegoke (Independent Non-Executive Director)

Registered office:

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

20 April 2021

Dear Shareholder,

**PROPOSED DISPOSAL OF NORTEK AIR MANAGEMENT AND NOTICE OF GENERAL
MEETING OF MELROSE**

1. INTRODUCTION

The Board of Melrose announced on 19 April 2021 that, in line with its “Buy, Improve, Sell” business model, it had entered into a Disposal Agreement to sell its Nortek Air Management business (“Air Management”), comprising the Nortek Global HVAC (“GHVAC”) and Air Quality & Home Solutions (“AQH”) segments, to Madison IAQ LLC (the “Purchaser”), a subsidiary of Madison Industries US Holdings Corporation (“Madison Industries”), for consideration of approximately £2.62 billion (\$3.625 billion), payable in cash on Completion, subject to certain adjustments.

Melrose acquired Air Management in 2016 as part of its purchase of Nortek, Inc. and since then has implemented numerous operational improvement programmes within the business. The remaining Nortek businesses that were acquired as part of the Nortek, Inc. acquisition, namely Ergotron and Nortek Control, will be retained by the Melrose Group.

The transaction is in line with Melrose’s established business model to buy good manufacturing businesses, improve their performance typically over a three to five-year investment horizon, sell a more profitable and a better cash generating asset to a new owner and return cash to Shareholders and other key stakeholders.

Key highlights of the sale are as follows:

- Cash consideration of approximately £2.62 billion (\$3.625 billion), subject to customary adjustments;
- Implied sale multiple of 2.3 times 2020 revenue;
- Implied sale multiple of 12.5 times 2020 Adjusted EBITDA;
- Melrose intends to use part of the net proceeds to reduce debt and contribute approximately £100 million to the GKN UK defined benefit pension schemes, which means that the funding deficit will have reduced from approximately £1 billion to approximately £200 million under Melrose ownership; and
- A portion of the net proceeds will be returned to Shareholders.

Melrose acquired the entire Nortek business through its acquisition of Nortek in August 2016 for an enterprise value of £2.2 billion (\$2.8 billion), at the time representing 10.0x historic EBITDA. Since then, Melrose has implemented numerous operational improvement programmes within the Nortek businesses, including

streamlining operations and developing a greatly improved product portfolio and pipeline, and the businesses have generated approximately \$1 billion in cash.

The Melrose Board is proud that during its ownership, Air Management successfully developed and patented its groundbreaking StatePoint Liquid Cooling (“SPLC”) technology for data centre cooling, already adding over \$300 million in future contracted revenues and positioning the business for exceptional future growth. The Melrose Board believes SPLC is game-changing, patented technology that provides an unmatched value proposition to customers, significantly reducing datacentre power and water consumption. This generates meaningful, highly sustainable cost savings, whilst also substantially reducing environmental strain and creating significantly more sustainable datacentre operations.

Melrose’s focus has always been to unlock the value of underperforming but high quality manufacturing businesses through investment and to generate superior returns for our Shareholders. Since acquiring Nortek, Melrose has transformed Air Management into a streamlined, efficient business with excellent margins. Furthermore, in addition to representing a significant return for Melrose investors, the sale of Air Management allows us to focus on executing our improvement plans within our retained divisions, comprising the Aerospace, Automotive, Powder Metallurgy and Other Industrial segments.

Successful Execution of Melrose’s strategy for Nortek

When acquiring Nortek in 2016, the Melrose Board immediately removed the top layer of cost-intensive central management functions and empowered the operational and executive teams to transform their businesses from top to bottom.

Thereafter, Melrose worked with the operational teams to improve production processes, increase R&D, develop new products and build stronger customer relationships. Having identified substantial opportunities for incremental sales growth as well as the opportunity to materially improve the business’s efficiency and profitability, Melrose then committed significant resources towards improving Air Management.

Melrose has achieved the following in respect of the Air Management business during its ownership:

- In 2016, Melrose seed funded a new technology for the nascent StatePoint business, with an initial \$2 million of start-up funding followed by approximately a further \$75 million of investment;
- The StatePoint Liquid Cooling technology for data centre cooling has since added over \$300 million in fully contracted future revenues with an impressive growth pipeline;
- Almost doubled Air Management’s Adjusted operating margin from approximately 8.6% to 15.3% through the implementation of operational best practices, and increased profits from £91 million to £188 million;
- Implemented significant pricing controls, exited non-profitable businesses and reinvigorated Air Management’s salesforce to improve efficiency and drive growth; and
- Streamlined its product portfolio, funded and accelerated new product development initiatives and realigned the business with key secular trends.

Use of proceeds

The Disposal is expected to generate net cash proceeds of approximately £2.4 billion. Melrose intends to use part of the net proceeds to reduce debt and contribute approximately £100 million to the GKN UK defined benefit pension schemes. A portion of the net proceeds will be returned to Shareholders.

The amounts of the net proceeds used to reduce debt and to be returned to Shareholders will be determined within a short period following Completion.

Financial effects of the Disposal

An unaudited statement of the net assets of the Group has been prepared for illustrative purposes only to show the effect of the Disposal as if it had occurred at 31 December 2020. This statement is set out in Part V (*Unaudited Pro Forma Statement of Net Assets of the Group*) of this Circular. Air Management contributed approximately 13% of the Group Adjusted revenues and 55% of the Group Adjusted operating profit and represented approximately 9% of the Group’s gross assets for the 31 December 2020 year end.

Shareholder approval

Due to its size, the Disposal constitutes a Class 1 transaction for the purposes of the Listing Rules and is therefore conditional upon, amongst other things, the approval of Shareholders. A General Meeting will be held at the offices of the Company at Leconfield House, Curzon Street, London W1J 5JA at 10:00 a.m. on 6 May 2021 for the purpose of seeking such approval. A notice convening the General Meeting, at which the Disposal Resolution will be proposed, is set out at the end of this Circular.

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

2. PRINCIPAL TERMS AND CONDITIONS OF THE DISPOSAL

The Disposal Agreement between the Seller, the Sale Company, the Purchaser and Madison Industries was entered into on 18 April 2021, pursuant to which an indirect subsidiary of Melrose has agreed to sell Air Management.

The consideration for the Disposal is based on an enterprise value of approximately \$3.625 billion and is payable in cash on Completion, subject to limited customary adjustments.

The Disposal is expected to complete in the second or third quarter of 2021. Completion is conditional upon, amongst other things, customary antitrust approvals, there not having been a material adverse effect at the Sale Company, and the approval of the Shareholders at the General Meeting of Melrose.

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

3. INFORMATION ON AIR MANAGEMENT

Air Management is a world leader in providing critical air management, thermal and HVAC solutions across broad commercial, residential and datacentre markets. For the financial year ended 31 December 2020, Air Management generated £1,227 million of Adjusted revenue and £188 million of Adjusted operating profit.

Air Management comprises two operating segments – GHVAC and AQH – representing a range of world class products spanning custom and commercial air solutions for high-performance environments, residential and commercial HVAC and fresh air ventilation systems for homes.

Nortek Global HVAC

The GHVAC segment comprises the custom and commercial business, the residential and light commercial business and the dedicated data centre business of SPLC.

Air Quality & Home Solutions

AQH is a leading manufacturer of ventilation products for the professional building remodelling and replacement market, the residential new construction market, and the consumer DIY market. It supplies to distributors and dealers of electrical and lighting products, kitchen and bathroom dealers, retail home centres and private label customers from its four manufacturing locations around the world. AQH enjoys a leading market share and installed base in US residential ventilation fans and range hoods.

A summary of the trading results of Air Management for the three years ended 31 December 2020 are set out in Part IV (*Financial Information Relating to the Air Management Group*) of this Circular from which the financial information in this Section has been extracted without material adjustment. Shareholders should read the whole of this document and not just rely on the summarised financial information set out in this Part I (*Letter from the Chairman of Melrose*) of this document.

4. INFORMATION ON THE PURCHASER

Madison Industries is one of the largest and most successful privately held companies in the world. Madison Industries builds entrepreneurially driven, branded market leaders that are committed to making the world safer, healthier and more productive by creating innovative solutions that deliver outstanding customer value. The team at Madison Industries is committed to building something truly remarkable that long outlasts them while coaching others to reach their highest potential. Air Management will join Chicago-based Madison IAQ, a subsidiary of Madison Industries.

5. CURRENT TRADING AND FUTURE PROSPECTS

On 4 March 2021, the Group issued Melrose's 2020 audited full year results. The following text has been extracted from that statement:

“2020 was dominated by the impact of the global pandemic as we worked closely with our businesses to overcome the unprecedented challenges that arose. The aerospace sector has been particularly hard hit and a recovery looks some way off while global travel restrictions remain. Nonetheless, GKN Aerospace remains a very good business with a growing Defence division and is taking the improvement steps to ensure it is well positioned for when the recovery does emerge.

Encouragingly, the end markets for our other businesses ended the year with good momentum, providing some optimism for the year ahead. Doubtless, challenges remain, particularly in the management of supply chains in 2021. The Group's strong performance throughout the pandemic has been a validation of the business model. Your Board continues to see significant value creation opportunities in the businesses we hold and believes Melrose is well positioned to seize future opportunities as they present themselves.”

6. RISK FACTORS

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

7. GENERAL MEETING

A notice convening the General Meeting to be held at the offices of the Company at Leconfield House, Curzon Street, London W1J 5JA at 10:00 a.m. on 6 May 2021 for the purpose of seeking Shareholder approval is set out at the end of this Circular.

As a result of the current COVID-19 pandemic and the legislative and associated guidance introduced by the UK Government in response, for the safety of Shareholders, our employees, our advisers and the general public, we intend to hold the General Meeting with the minimum number of Director Shareholders in attendance so as to meet the quorum requirement. Other Shareholders are not permitted to attend the meeting in person.

Shareholders are reminded that voting is on a poll, and votes may be cast by proxy who may be appointed ahead of the meeting to ensure your vote is counted (as detailed in the explanatory notes starting on page 35). We strongly encourage Shareholders to make use of proxies to exercise their voting rights.

Should Shareholders wish to raise any specific questions on the business of the General Meeting, we are providing the opportunity to submit questions to us using the online form that can be accessed from www.melroseplc.net/investors/shareholder-information/melrose-gm-2021-questions-form/. Questions must be received by no later than 10:00 a.m. on 4 May 2021. We will upload a response to these questions on our website.

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

8. ACTION TO BE TAKEN

You will find enclosed with this document a Form of Proxy for use in respect of the Disposal Resolution to be proposed at the General Meeting. In light of the COVID-19 outbreak Melrose Shareholders will not be able to attend the General Meeting in person and it is therefore important that they complete the Form of Proxy as soon as possible. You are requested to complete the Form of Proxy in accordance with the instructions printed on it, and return it as soon as possible, but in any event so as to be received by Equiniti, by hand or by post, at Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, **not later than 10:00 a.m. on 4 May 2021.**

You may alternatively register your vote online by visiting Equiniti's website at www.sharevote.co.uk. In order to register your vote online, you will need to enter the Voting ID, Task ID and your Shareholder Reference Number which are all set out on the enclosed Form of Proxy, and you will need to ensure that your vote is registered online **not later than 10:00 a.m. on 4 May 2021.**

If you hold your Ordinary Shares in CREST, and you wish to appoint a proxy or proxies through the CREST electronic proxy appointment service, you may do so by using the procedures described in the CREST Manual (available via www.euroclear.com). In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST Proxy Instruction must be properly authenticated in accordance with Euroclear's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Equiniti, ID RA19, **not later than 10:00 a.m. on 4 May 2021.**

9. ADDITIONAL INFORMATION

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

10. DIRECTORS' RECOMMENDATION

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

In the Board's opinion the Disposal is in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board unanimously recommends that its Shareholders vote in favour of the Disposal Resolution to be proposed at the General Meeting, as the Directors intend to do in respect of their own aggregate shareholdings of 64,611,422 Ordinary Shares, representing approximately 1.33% of the existing Issued Ordinary Share Capital of the Company.

Yours faithfully,

Justin Dowley
Non-Executive Chairman

PART II

RISK FACTORS RELATING TO THE DISPOSAL

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

You should consider carefully the risks and uncertainties described below, together with all other information contained in this Circular and the information incorporated by reference herein, before deciding whether to vote in favour of the Disposal Resolution.

1. RISKS RELATING TO THE DISPOSAL

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

Following the Disposal, the Continuing Group's business will be less diversified, both commercially and geographically, and it may be more susceptible to adverse developments in the remaining markets in which it operates. In particular, following Completion the Continuing Group will have a greater relative exposure to the aerospace and automotive industries in which its two largest divisions, Aerospace and Automotive, operate. In respect of Aerospace, the impact of COVID-19, and in particular the widespread introduction of global travel restrictions, had a swift and material impact on the business. Along with the rest of the aerospace sector, Aerospace experienced a rapid decline in sales. In respect of Automotive, the global automotive industry experienced a 17% decline in light vehicle production in 2020 compared to 2019, and all Automotive operational facilities globally were forced to close for varying durations throughout the year. The long-term impact of COVID-19 remains uncertain, and prolonged weak performance in these markets, or in those of any other business of the Continuing Group, may have an adverse impact on the financial condition of the Continuing Group.

1.2 Warranties, undertakings and indemnities given by the Seller and the Sale Company

The Disposal Agreement contains warranties, undertakings and indemnities given by the Seller in favour of the Purchaser, which could cause the Continuing Group to incur liabilities and obligations to make payments which would not have arisen had the Disposal Agreement not been entered into or the Air Management Group not been sold.

If the Seller should incur costs under any of these provisions these costs could have an adverse effect on its business, financial condition and results of operations.

Further details of the exposure and limitations on the liability of the Seller pursuant to such provisions are set out in Section 1.5 of Part III (*Principal Terms and Conditions of the Disposal*) of this Circular.

1.3 Warranties, undertakings and indemnities given by the Purchaser

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

2. RISKS RELATING TO THE DISPOSAL NOT PROCEEDING

2.1 The Disposal may not complete

The Disposal Agreement is conditional on certain matters, including the passing of the Disposal Resolution at the General Meeting and relevant antitrust clearances having been obtained from the applicable regulatory authorities (as further set out in Part III (*Principal Terms and Conditions of the Disposal*) of this Circular). In the event that such conditions are not met, the Disposal may not be completed. Should the Disposal fail to complete, Melrose would be obliged to pay out-of-pocket fees incurred in relation to the transaction without being able to set these off against the Disposal proceeds and there would be no return of a portion of the sale proceeds to Melrose Shareholders.

2.2 Potentially disruptive effect on the Group

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

2.3 Loss of Shareholder value

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

PART III PRINCIPAL TERMS AND CONDITIONS OF THE DISPOSAL

The following is a summary of the principal terms of the Disposal Agreement. As set out in Section 15 of Part VI (*Additional Information*), the Disposal Agreement is available for inspection by Shareholders.

1. DISPOSAL AGREEMENT

1.1 Parties and Structure

The Disposal Agreement was entered into on 18 April 2021 between: (i) Nevada UK Holding Limited (as “Seller”) (an indirect, wholly-owned subsidiary of the Company); (ii) Nevada Holdco Corp. (as “Sale Company”); (iii) Madison IAQ (as Purchaser); and (iv) Madison Industries (as guarantor). Under the terms of the Disposal Agreement, the Seller has agreed, subject to the satisfaction of certain conditions, to sell the entire issued share capital of the Sale Company.

1.2 Consideration

The consideration for the Disposal is based on an enterprise value of \$3.625 billion, subject to limited customary adjustments, and is payable in cash on Closing.

1.3 Locked box and pre-Closing undertakings

The Seller has provided certain covenants and undertakings to the Purchaser that, in the period commencing on 31 March 2021 and ending on and including the date of Closing, there has been no transfer of value from the Air Management Group to or for the benefit of the Continuing Group, other than pursuant to certain agreed actions. In the event of any breach of such covenants or undertakings, the Seller has agreed to pay to the Purchaser a sum equal to the amount which would be necessary to put the relevant member of the Air Management Group into the financial position which would have existed had there been no breach.

The Seller has also undertaken to cause the Air Management Group to operate in the ordinary course of business during the period from the date of the Disposal Agreement to Closing, subject to certain agreed-upon exceptions, and has given a number of specific undertakings to the Purchaser regarding the conduct of the business and affairs of the Air Management Group during such period.

1.4 Conditions to Closing

Closing is conditional upon:

- (a) the passing of the Disposal Resolution at the General Meeting;
- (b) the applicable waiting period in respect of the Disposal under the HSR Act and the Canadian Competition Act, R.S.C., 1985, c. C-34 having expired or been terminated;
- (c) no order having been issued by a government authority being in effect prohibiting Closing from occurring;
- (d) there being no breach of certain representations and warranties given under the Disposal Agreement or, in respect of non-fundamental representations and warranties only, no breach constituting a material adverse effect on the financial condition, business, assets, liabilities or results of operations of the Air Management Group, taken as a whole, in each case as though such representations and warranties were made on Closing; and
- (e) the Sale Company having complied with its covenants and agreements under the Disposal Agreement in all material respects.

The Purchaser and the Seller have each agreed to use their reasonable best efforts to consummate the Disposal as promptly as practicable.

1.5 Warranties, indemnities and limitations on liability

The Seller has provided certain warranties to the Purchaser with respect to itself and the Sale Company. These warranties relate to, among other things, title, capacity and authority.

In addition, the Sale Company has provided certain warranties to the Purchaser with respect to the business of the Air Management Group. However, absent fraud, the Purchaser’s sole recourse for any breach under the warranties provided by the Sale Company shall be to the representations and warranties insurance policy taken out by the Purchaser.

Following Completion, subject to limited exceptions, the Seller will have no ongoing liability for any warranties in the Disposal Agreement.

1.6 Termination

The Disposal Agreement may be terminated by:

- (a) mutual written consent of the Seller and the Purchaser;
- (b) the Seller or the Purchaser if the representations and warranties given by the other party in the Disposal Agreement are not true and correct or if the Seller or the Purchaser has failed to perform any of its obligations under the Disposal Agreement such that the conditions to Completion would not be satisfied (subject in each case to a right to cure the breach within a 30-day period);
- (c) the Seller or the Purchaser if the conditions to Closing are not satisfied such that Closing has not occurred on or before 15 October 2021 (subject to a limited extension of up to 18 business days if certain conditions are met), provided that such right of termination shall not be available to a party in material breach of any of the terms of the Disposal Agreement in a matter which is the primary cause of Closing failing to occur; or
- (d) the Seller or the Purchaser if the Closing would violate any non-appealable final order of a government authority.

1.7 Purchaser's guarantor; financing cooperation

In the Disposal Agreement, Madison Industries, the parent company of the Purchaser, has guaranteed certain of the Purchaser's obligations under the Disposal Agreement.

The Purchaser intends that part of the proceeds to pay the purchase price will be raised through a debt issuance by the Purchaser. Pursuant to the Disposal Agreement, the Seller has agreed to provide assistance to the Purchaser in connection with its financing arrangements, which includes providing the Purchaser with a fifteen business day "marketing period" for the Purchaser to market certain unsecured bonds that it currently intends to issue. The completion of the Disposal, however, is not conditioned on the receipt of such financing proceeds.

1.8 Governing law

The Disposal Agreement is governed by the laws of the State of Delaware.

PART IV
FINANCIAL INFORMATION RELATING TO THE AIR MANAGEMENT GROUP

1. NATURE OF FINANCIAL INFORMATION

The financial information table in this Part IV (*Financial Information Relating to the Air Management Group*) presented below relates to the financial information of the Air Management Group for the three years ended 31 December 2020.

The financial information for the years ended 31 December 2018, 31 December 2019 and 31 December 2020 has been prepared consistently, applying the IFRS accounting principles adopted in Melrose's published consolidated financial statements for those years, except that IFRS 16 was applied from 1 January 2019, which Melrose chose to adopt on a "modified retrospective" basis and hence no restatement of the period ended on 31 December 2018.

It is not possible to present a meaningful allocation of finance costs and tax expenses as these items are managed centrally by the Group. Therefore, the financial information presented has only been prepared to an operating profit, before tax and finance costs level.

The financial information contained in this Part IV (*Financial Information Relating to the Air Management Group*) does not constitute statutory accounts within the meaning of Section 434(3) of the Companies Act. The consolidated statutory accounts of Melrose for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020 have been delivered to the Registrar of Companies.

The auditors' reports in respect of Melrose for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020 were unqualified and did not contain statements under Section 498 (2) or (3) of the Companies Act (as applicable).

Deloitte were the auditors for the Group, including the Air Management Group, in respect of the three years ended 31 December 2020.

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

2. INCOME STATEMENTS OF AIR MANAGEMENT GROUP

	Year ended 31 December 2018 ⁽¹⁾	Year ended 31 December 2019 ⁽¹⁾⁽²⁾	Year ended 31 December 2020 ⁽¹⁾⁽²⁾
	<u>£ millions</u>	<u>£ millions</u>	<u>£ millions</u>
External Revenue	1,140	1,178	1,227
Operating costs	<u>(982)</u>	<u>(1,003)</u>	<u>(1,039)</u>
Adjusted operating profit⁽³⁾	158	175	188
Adjusting items ⁽⁴⁾	<u>(49)</u>	<u>(36)</u>	<u>(39)</u>
Operating profit	109	139	149

(1) The income statements above do not include an allocation of interest and tax as it is not possible to provide a meaningful allocation of these costs to Air Management.

(2) The income statement for the years ended 31 December 2019 and 31 December 2020 includes the impact of IFRS 16. The Air Management business transitioned to IFRS 16 on 1 January 2019 and adopted the modified-retrospective approach. Accordingly, the comparative for 2018 has not been restated.

(3) Adjusted operating profit represents operating profit excluding adjusting items.

(4) Adjusting items are items which are significant in size or volatility or by nature are non-trading or non-recurring, any item released to the income statement that was previously a fair value item booked on an acquisition, and primarily include amortisation of acquired intangible assets and restructuring costs. The Board considers the Adjusted results to be an important measure used to monitor how the businesses are performing as this provides a meaningful reflection of how the businesses are managed and measured on a day-to-day basis and achieves consistency and comparability between reporting periods, when all businesses are held for a complete reporting period.

3. BALANCE SHEET OF THE AIR MANAGEMENT GROUP

	31 December 2020 ⁽¹⁾
	<u>£ millions</u>
Non-current assets	
Goodwill and other intangible assets	896
Property, plant and equipment	<u>211</u>
	1,107
Current assets	
Inventories	133
Trade and other receivables	188
Derivative financial assets	5
Current tax assets	3
Cash and cash equivalents	<u>0</u>
	329
Total assets	<u>1,436</u>
Current liabilities	
Trade and other payables	248
Lease obligations	13
Derivative financial liabilities	7
Current tax liabilities	38
Provisions	<u>26</u>
	332
Non-current liabilities	
Lease obligations	77
Derivative financial liabilities	6
Deferred tax liabilities	26
Retirement benefit obligations	21
Provisions	<u>38</u>
	168
Total liabilities	<u>500</u>
Net assets⁽²⁾	<u>936</u>

Notes:

(1) The net asset statement as at 31 December 2020 is presented under IFRS.

(2) The net asset statement above excludes £636 million of intercompany receivables due from other Group companies and £1,450 million of intercompany payables due to other Group companies. These amounts will be settled in advance of Completion.

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

The following unaudited pro forma consolidated statement of net assets of the Continuing Group (the “Pro Forma Financial Information”) has been prepared to illustrate the effect of the Disposal on the net assets of the Group as if the Disposal had occurred on 31 December 2020.

The Pro Forma Financial Information is shown for illustrative purposes only. Due to its nature, it addresses a hypothetical situation and, therefore, does not represent the Continuing Group’s actual financial position or results following the Disposal. The Pro Forma Financial Information is based on the audited financial statements of the Group as at 31 December 2020 and the unaudited historical financial information relating to Air Management Group at 31 December 2020, as set out in Part IV (*Financial Information Relating to the Air Management Group*) of this Circular.

The Pro Forma Financial Information has been prepared pursuant to Listing Rule 13.3.3R and on the basis of the notes set out below.

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

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

Unaudited pro forma statement of net assets of the Group as at 31 December 2020

£'m	Group ⁽¹⁾	Air Management adjustments ⁽²⁾	Disposal adjustments ⁽³⁾	Continuing Group Pro Forma
Non-current assets				
Goodwill and other intangible assets	9,198	(896)	—	8,302
Property, plant and equipment	3,133	(211)	—	2,922
Investments	34	—	—	34
Interests in equity accounted investments	430	—	—	430
Deferred tax assets	180	—	—	180
Derivative financial assets	101	—	—	101
Trade and other receivables	439	—	—	439
	13,515	(1,107)	—	12,408
Current assets				
Inventories	1,126	(133)	—	993
Trade and other receivables	1,658	(188)	—	1,470
Derivative financial assets	47	(5)	—	42
Current tax assets	23	(3)	—	20
Cash and cash equivalents	311	—	2,299	2,610
	3,165	(329)	2,299	5,135
Total assets	16,680	(1,436)	2,299	17,543
Current liabilities				
Trade and other payables	2,456	(248)	—	2,208
Interest-bearing loans and borrowings	165	—	—	165
Lease obligations	81	(13)	—	68
Derivative financial liabilities	58	(7)	—	51
Current tax liabilities	188	(38)	—	150
Provisions	415	(26)	—	389
	3,363	(332)	—	3,031
Non-current liabilities				
Trade and other payables	421	—	—	421
Interest-bearing loans and borrowings	2,926	—	—	2,926
Lease obligations	474	(77)	—	397
Derivative financial liabilities	210	(6)	—	204
Deferred tax liabilities	732	(26)	—	706
Retirement benefit obligations	838	(21)	(121)	696
Provisions	606	(38)	—	568
	6,207	(168)	(121)	5,918
Total liabilities	9,570	(500)	(121)	8,949
Net assets	7,110	(936)	2,420	8,594

(1) The net assets relating to the Group have been extracted without material adjustment from the published audited consolidated financial statements of the Group as at 31 December 2020, which were prepared in accordance with IFRS.

(2) These adjustments remove the assets and liabilities of Air Management, and were sourced without material adjustment from the historical financial information of Air Management as at 31 December 2020 contained in Part IV (*Financial Information Relating to the Air Management Group*) of this Circular.

(3) Disposal adjustments: At Completion, the Company is expected to receive approximately £2.4 billion of net cash proceeds, representing cash consideration of £2.62 billion less transaction costs of £0.1 billion and other customary adjustments. In addition, a pension contribution of approximately £100 million is expected, representing 5% of net proceeds.

(4) No account has been taken of any trading or results of the Group since 31 December 2020.

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



Deloitte LLP
Hill House
1 Little New Street
EC4A 3TR

The Board of Directors
on behalf of Melrose Industries PLC
Leconfield House
Curzon Street
London
W1J 5JA

Investec Bank PLC
30 Gresham Street
London
EC2V 7QP

20 April 2021

Dear Sirs/Mesdames,

Melrose Industries PLC (the “Company”)

We report on the pro forma financial information (the “Pro Forma Financial Information”) set out in Part V of the class 1 circular dated 20 April 2021 (the “Circular”). This report is required by the UK version of the Commission delegated regulation (EU) 2019/980 (the “Prospectus Delegated Regulation”) as applied by Listing Rule 13.3.3R and is given for the purpose of complying with that regulation and for no other purpose.

Opinion

In our opinion:

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

Responsibilities

It is the responsibility of the directors of the Company (the “Directors”) to prepare the Pro Forma Financial Information in accordance with Annex 20 sections 1 and 2 of the Prospectus Delegated Regulation as applied by Listing Rule 13.3.3R.

It is our responsibility to form an opinion, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you in accordance with Annex 20 section 3 of the Prospectus Delegated Regulation as applied by Listing Rule 13.3.3R.

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

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

Basis of preparation

The Pro Forma Financial Information has been prepared on the basis described in the notes, for illustrative purposes only, to provide information about how the disposal of the Air Management business might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 31 December 2020.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. We are independent of the Company in accordance with the Financial Reporting Council's Ethical Standard as applied to Investment Circular Reporting Engagements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors.

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

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

Yours faithfully

Deloitte LLP

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London EC4A 3HQ, United Kingdom. Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients.

**PART VI
ADDITIONAL INFORMATION**

1. RESPONSIBILITY

Melrose and the Melrose Directors, whose names appear on page 4 of this Circular, accept responsibility for the information contained in this Circular. To the best of the knowledge and belief of Melrose and the Melrose Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. INCORPORATION AND REGISTERED OFFICE

The Company is a public company limited by shares operating under the laws of England and Wales, which was incorporated and registered in England and Wales on 29 September 2015 under registered number 09800044.

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

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

3. MAJOR SHAREHOLDERS

As at the Latest Practicable Date, the Company had been notified of the following voting interests of 3% or more in the Issued Ordinary Share Capital:

<u>Name</u>	<u>Number of existing Ordinary Shares</u>	<u>Percentage of the Issued Ordinary Share Capital</u>
The Capital Group Companies, Inc.	615,470,657	12.67%
BlackRock Inc.	357,662,620	7.36%
Select Equity Group Inc.	324,226,915	6.67%
The Vanguard Group, Inc.	181,232,705	3.73%
Ameriprise Financial, Inc.	153,401,342	3.16%
Invesco Ltd	148,362,314	3.05%

4. THE DIRECTORS

The Directors of Melrose are:

Justin Dowley	Non-Executive Chairman
Christopher Miller	Executive Vice-Chairman
David Roper	Executive Vice-Chairman
Simon Peckham	Chief Executive
Geoffrey Martin	Group Finance Director
Peter Dilnot	Chief Operating Officer
Liz Hewitt	Senior Independent Director
David Lis	Independent Non-Executive Director
Archie G. Kane	Independent Non-Executive Director
Charlotte Twyning	Independent Non-Executive Director
Funmi Adegoke	Independent Non-Executive Director

5. DIRECTORS' INTERESTS IN SHARES

5.1 Interests in Ordinary Shares

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

<u>Directors</u>	<u>Number of existing Ordinary Shares</u>	<u>Percentage of the Issued Ordinary Share Capital</u>
Christopher Miller ⁽¹⁾	25,308,510	0.52%
David Roper ⁽²⁾	16,115,302	0.332%
Simon Peckham ⁽³⁾	13,413,217	0.276%
Geoffrey Martin	7,395,256	0.152%
Justin Dowley	1,568,395	0.032%
Liz Hewitt	211,377	0.004%
David Lis ⁽⁴⁾	458,947	0.009%
Archie G. Kane	50,000	0.001%
Charlotte Twynning	70,418	0.0014%
Peter Dilnot ⁽⁵⁾	20,000	0.0004%
Funmi Adegoke	0	0%

- (1) The interests of Christopher Miller include 8,750,000 Shares held by Harris & Sheldon Investments Limited, a company which is connected to Mr. Miller within the meaning of Article 19(3) of the Market Abuse Regulation (2014/596/EU) ("MAR") as it applies in the UK.
- (2) The interests of David Roper include 305,747 ordinary shares held by Lydia Roper, a person closely associated with Mr. Roper within the meaning of MAR.
- (3) The interests of Simon Peckham are held jointly with Geraldine Watson, a person closely associated with Mr. Peckham within the meaning of MAR.
- (4) The interests of David Lis include 26,500 ordinary shares held by Patricia Lis, a person closely associated with Mr. Lis within the meaning of MAR.
- (5) The interests of Peter Dilnot include 20,000 ordinary shares held by Alice Dilnot, a person closely associated with Mr. Dilnot within the meaning of MAR.

5.2 Interests under the 2020 Employee Share Plan

The Directors hold Conditional Awards under the 2020 Employee Share Plan as set out below as at the Latest Practicable Date. Further details in respect of the 2020 Employee Share Plan, which was approved by Shareholders on 21 January 2021, are contained in the 2020 Employee Share Plan Circular.

<u>Directors</u>	<u>% of Total Conditional Awards Pool</u>
Christopher Miller	14%
David Roper	5%
Simon Peckham	16%
Geoffrey Martin	16%
Peter Dilnot	12%

6. SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

<u>Name</u>	<u>Date of Initial Appointment⁽¹⁾</u>	<u>Leave (days)⁽²⁾</u>	<u>Benefits on Termination</u>	<u>Notice Period</u>	<u>Confidentiality Obligations</u>
Christopher Miller . . .	8 October 2012	25	None other than payment in lieu of untaken holiday entitlement	12 months	During and after employment
David Roper	8 October 2012	25	None other than payment in lieu of untaken holiday entitlement	12 months	During and after employment
Simon Peckham	8 October 2012	25	None other than payment in lieu of untaken holiday entitlement	12 months	During and after employment
Geoffrey Martin	8 October 2012	25	None other than payment in lieu of untaken holiday entitlement	12 months	During and after employment
Peter Dilnot	1 January 2021	25	None other than payment in lieu of untaken holiday entitlement	12 months	During and after employment

(1) Each of the executive directors (with the exception of Peter Dilnot who was appointed as chief operating officer in April 2019 and was subsequently appointed as an executive director with effect from 1 January 2021) was re-elected at the Company's 2020 annual general meeting on 7 May 2020 and will stand for re-election at the Company's 2021 annual general meeting.

(2) In addition to bank and public holidays.

The details of the terms of appointment of each Non-Executive Director of Melrose is set out below:

<u>Name</u>	<u>Date of Initial Appointment⁽¹⁾</u>	<u>Expenses</u>	<u>Confidentiality Obligations</u>	<u>Termination Provisions</u>
Justin Dowley	1 September 2011	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	Without notice and/or compensation if removed from office by Shareholders in a general meeting or not re-appointed by Shareholders at an annual general meeting of the Company.
Liz Hewitt	8 October 2013	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	Without notice and/or compensation if removed from office by Shareholders in a general meeting or not re-appointed by Shareholders at an annual general meeting of the Company.
David Lis	12 May 2016	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	Without notice and/or compensation if removed from office by Shareholders in a general meeting or not re-appointed by Shareholders at an annual general meeting of the Company.
Archie G. Kane	5 July 2017	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	Without notice and/or compensation if removed from office by Shareholders in a general meeting or not re-appointed by Shareholders at an annual general meeting of the Company.
Charlotte Twynning	1 October 2018	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	Without notice and/or compensation if removed from office by Shareholders in a general meeting or not re-appointed by Shareholders at an annual general meeting of the Company.
Funmi Adegoke	1 October 2019	Reimbursement of travel, hotel and other incidental expenses incurred in the course of duties	Confidentiality undertaking without limitation in time	Without notice and/or compensation if removed from office by Shareholders in a general meeting or not re-appointed by Shareholders at an annual general meeting of the Company.

(1) Each of the Non-Executive Directors will stand for re-election at the Company's 2021 annual general meeting.

(2) Justin Dowley served as a Non-Executive Director from 1 September 2011 until 10 May 2017, as a Senior Independent Director from 11 May 2017 until 31 December 2018 and was appointed as Non-Executive Chairman on 1 January 2019.

(3) Liz Hewitt has been a Non-Executive Director of the Company since 2013 and was appointed as a Senior Independent Director on 1 January 2019.

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

For the financial year ended 31 December 2020, the amount of remuneration paid (including any contingent or deferred compensation) and benefits in kind granted to each of the Melrose Directors by the Group for services in all capacities to the Group were as follows:

<u>Name⁽¹⁾</u>	<u>Total salary and fees (£000)</u>	<u>Taxable benefits (£000)</u>	<u>Bonus (£000)</u>	<u>Pension related benefits⁽²⁾ (£000)</u>	<u>Total (£000)⁽³⁾</u>
Justin Dowley	330	n/a	n/a	n/a	330
Christopher Miller	490	2	n/a	80	572
David Roper	490	3	n/a	80	574
Simon Peckham	490	3	107	80	680
Geoffrey Martin	395	10	86	65	556
Elizabeth Hewitt	116	n/a	n/a	n/a	116
David Lis	91	n/a	n/a	n/a	91
Archibald G. Kane	81	n/a	n/a	n/a	81
Charlotte Twynning	71	n/a	n/a	n/a	71
Funmi Adegoke	71	n/a	n/a	n/a	71

(1) Peter Dilnot is not included in the above remuneration table as he was appointed as a Melrose Director with effect from 1 January 2021.

(2) All amounts attributable to pension contributions were paid as a supplement to base salary in lieu of pension arrangements.

(3) The “Total” figures in the above table may not add up to the sum of the component parts due to rounding.

7. DETAILS OF KEY INDIVIDUALS IMPORTANT TO THE AIR MANAGEMENT BUSINESS

<u>Name of key individual</u>	<u>Position</u>
Bruno Biasiotta	Chief Executive Officer (GHVAC)
Michael Marceley	Chief Financial Officer (GHVAC)
Frank Carroll	Chief Executive Officer (AQH)
Ryan Haines	Chief Financial Officer (AQH)

8. LITIGATION

8.1 The Continuing Group

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

8.2 Air Management Group

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

9. MATERIAL CONTRACTS

9.1 The Continuing Group

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

Existing Facilities Agreement

On 17 January 2018, Melrose PLC entered into the Existing Facilities Agreement.

The Existing Facilities Agreement provides for term facilities and revolving credit facilities in an aggregate principal amount of up to £2,600,000,000, \$2,000,000,000 and €500,000,000, under which certain members of the Melrose Group may borrow upon the satisfaction of certain conditions (the “Facilities”). The proceeds of borrowings under the Facilities were used to finance the GKN Acquisition, to refinance indebtedness under the

Former Facilities Agreement and existing indebtedness of the GKN Group, to pay fees and expenses relating to the GKN Acquisition and the refinancing of indebtedness and for general corporate purposes. The loans under the Facilities were made available on a customary “certain funds” basis for the purposes of the GKN Acquisition.

Subsequent to 17 January 2018, the group cancelled and redenominated part of the Facilities, resulting in facilities in an aggregate principal amount of £1,200,000,000, \$2,960,000,000 and €500,000,000.

Interest rates and fees

Loans under the Facilities bear interest at a rate of LIBOR or EURIBOR, as appropriate, plus a margin ranging from 0.75% to 2.25%. The margin for each loan will be subject to adjustment based on Group leverage. A commitment fee is payable at a rate of 35% per annum of the applicable margin on the undrawn amount of a lender’s available commitments under the Facilities from (and including) the date of first borrowing under the Existing Facilities Agreement until the end of the relevant availability period.

Maturity

The maturity of the Facilities ranges from, in respect of the revolving credit facility, 17 January 2023, and in respect of the term facility, 30 April 2024. In February 2021, the Company exercised its option to extend the term loan for a further three years to 30 April 2024.

Prepayments

The Facilities may be voluntarily prepaid or cancelled by the Melrose Group without penalty or premium. The Existing Facilities Agreement permits each lender to require the mandatory prepayment of all amounts owing to that lender upon a change of control of Melrose.

Guarantees

Loans under the Existing Facilities Agreement are guaranteed on a senior basis by Melrose PLC and certain of its subsidiaries. In addition, under the Existing Facilities Agreement, it was required that certain material members of the GKN Group provide guarantees in favour of the lenders following completion of the GKN Acquisition, subject to certain limitations (including in respect of financial assistance laws), and that members of the Group provide guarantees so that both the aggregate guarantor earnings coverage and the aggregate gross assets coverage is 70% or above. The Facilities are unsecured.

Certain covenants and events of default

The Existing Facilities Agreement contains certain operating covenants which restricts the ability of the Melrose Group and the GKN Group to, among other things:

- create security over assets;
- sell or transfer assets;
- make acquisitions;
- make loans;
- give guarantees;
- merge or consolidate; and
- incur additional indebtedness.

The Existing Facilities Agreement contains a net debt to adjusted EBITDA (calculated on a consolidated basis with customary adjustments) covenant and an interest cover covenant, both of which are tested half yearly, each June and December. The leverage covenant as at 30 June 2021 is waived. The 31 December 2021 covenant is set at a maximum of 5.25x leverage for the period ending 31 December 2021 decreasing to 4.75x, 4.00x and 3.50x in each respective consecutive semi-annual period following that date (and remaining at 3.50x until maturity), provided that if the Air Management business is disposed of, then the covenant will instead be set at 4.25x for period ending 31 December 2021 decreasing to 4.00x, 3.75x and 3.50x in each respective consecutive semi-annual period following that date (and remaining at 3.50x until maturity). The interest cover covenant is set at 3.00x for the relevant period ending 30 June 2021 and 3.00x, 3.25x and 4.00x for each respective consecutive semi-annual period following that date (and remaining at 4.00x until maturity). The Existing

Facilities Agreement also contains certain customary representations and warranties, affirmative covenants and events of default.

Notes issued under the Euro Medium Term Notes Programme

GKN Holdings, an indirect subsidiary of the Company, has issued the following Notes: (a) £450 million 5.375% Notes due 2022 under its Euro Medium Term Note Programme established in 2012 (the “2022 Notes”); and (b) £300 million 3.375% Notes due 2032 under its Euro Medium Term Notes Programme established in 2017 (the “2032 Notes”, and together with the 2022 Notes, the “Notes”). The Notes were issued prior to the acquisition of GKN (the parent company of GKN Holdings) by the Company.

Interest rates, maturity and redemption

The aggregate principal amount outstanding under the 2022 Notes is £450.00 million and they mature on 19 September 2022. A fixed rate of interest of 5.375% per annum is payable on the 2022 Notes. The aggregate principal amount outstanding under the 2032 Notes is £299.90 million and they mature on 12 May 2032. A fixed rate of interest of 3.375% per annum is payable on the 2032 Notes, which increased by 1.25% per annum following the downgrade of the rating of the 2032 Notes below the stated threshold. This increase in the interest rate would cease to apply if the rating of the 2032 Notes is subsequently upgraded. The Notes are listed on the Professional Securities Market of the London Stock Exchange.

The Notes may be redeemed prior to their maturity dates pursuant to the certain customary redemption events, such as the exercise of a call option by GKN Holdings and the payment of a “make-whole” redemption price to the noteholders (in the case of the 2032 Notes only) or the exercise of a put option by the noteholders in the event of a change of control of GKN Holdings triggering a rating downgrade of the Notes.

Guarantees

The Notes are guaranteed by the Company and certain of its subsidiaries which also guarantee the Existing Facilities Agreement. These guarantees are joint and several, and other than exceptions under applicable law, are at all times required to rank at least equally with all other unsecured obligations (other than subordinated obligations) of the guarantors. The guarantees are also limited by certain customary guarantee limitation principles. These limitations generally relate to legal limitations in the jurisdiction where the guarantor is incorporated, which limit the ability of the guarantors to provide the guarantees.

Key covenants and events of default

In relation to the Notes, GKN Holdings has provided a negative pledge, whereby subject to certain exceptions, GKN Holdings and its material subsidiaries are restricted from creating a security interest on their assets in respect of any other listed debt instrument or notes without also equally securing the Notes. Material subsidiaries are such subsidiaries of GKN Holdings which contribute 10% or more of the profit before tax or net assets of the Company as per the latest financial statements. In addition, GKN Holdings and the guarantors are also subject to certain other customary covenants and restrictions, including periodic and other reporting requirements.

The Notes also contain customary events of default, including cross default provisions linked to acceleration or no-payment of debt by GKN Holdings and/or its material subsidiaries above a certain threshold. Upon the occurrence of an event of default, the Notes become immediately due and payable at par if the trustee of the Notes issues a notice to this effect.

Disposal Agreement

On 18 April 2021, the Seller, the Sale Company, the Purchaser and Madison Industries entered into the Disposal Agreement. The terms of the Disposal Agreement are set out in Part III (*Principal Terms and Conditions of the Disposal*) of this Circular.

9.2 Air Management Group

Other than the Disposal Agreement, no contracts have been entered into (other than contracts entered into in the ordinary course of business) by any member of the Air Management Group either (i) within the period of two years immediately preceding the date of this Circular which are or may be material to the Air Management Group; or (ii) which contain any provisions under which any member of the Air Management Group has any

obligation or entitlement which is, or may be, material to the Air Management Group as at the date of this Circular.

10. RELATED PARTY TRANSACTIONS

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

- (a) during the year ended 31 December 2018 are disclosed in accordance with the respective standard adopted according to Regulation (EC) No 1606/2002 in note 8 on page 192 of Melrose’s 2018 Annual Report and Accounts;
- (b) during the year ended 31 December 2019 are disclosed in accordance with the respective standard adopted according to Regulation (EC) No 1606/2002 in note 8 on page 190 of Melrose’s 2019 Annual Report and Accounts; and
- (c) during the year ended 31 December 2020 are disclosed in accordance with the respective standard adopted according to Regulation (EC) No 1606/2002 in note 8 on page 203 of Melrose’s 2020 Annual Report and Accounts.

11. PENSIONS

It has been agreed that the Eaton Williams UK scheme and Air Management’s US and European schemes will transfer to the Purchaser with the Air Management business. The pension related assets and liabilities under these plans as at 31 December 2020 were as follows:

	<u>Eaton Williams UK scheme £ millions</u>	<u>US schemes £ millions</u>	<u>European schemes £ millions</u>	<u>Total £ millions</u>
Assets	22	79	1	102
Liabilities	(35)	(86)	(2)	(123)
Net pension liabilities	(13)	(7)	(1)	(21)

12. WORKING CAPITAL STATEMENT

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

13. SIGNIFICANT CHANGE

13.1 The Continuing Group

There has been no significant change in the financial position or financial performance of the Continuing Group since 31 December 2020, being the date to which the last published audited financial statements for the Group have been prepared.

13.2 Air Management Group

There has been no significant change in the financial position or financial performance of the Air Management Group since 31 December 2020, being the date to which the financial information in Part IV (*Financial Information Relating to the Air Management Group*) of this Circular has been prepared.

14. CONSENTS

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

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

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

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

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) at the offices of Simpson Thacher & Bartlett LLP, CityPoint, One Ropemaker Street, London EC2Y 9HU, and (ii) at the registered office of the Company, in each case upon request during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) and (with the exception of the Disposal Agreement) on the Company’s website at www.melroseplc.net, from the date of this Circular up to and including the date of the General Meeting, and at the place of the General Meeting from 15 minutes prior to its commencement until its conclusion:

- (a) the Articles;
- (b) Melrose’s 2018 Annual Report and Accounts;
- (c) Melrose’s 2019 Annual Report and Accounts;
- (d) Melrose’s 2020 Annual Report and Accounts;
- (e) the Report on the Unaudited Pro Forma Financial Information of the Group from Deloitte as set out in Part V (*Unaudited Pro Forma Statement of Net Assets of the Group*) of this Circular;
- (f) 2020 Employee Share Plan Circular;
- (g) the consent letters referred to in Section 14 above;
- (h) the Disposal Agreement; and
- (i) this Circular and the Form of Proxy.

Inspection of these documents may only take place in accordance with measures imposed by the UK Government in connection with the COVID-19 pandemic. Please contact Secretary@melroseplc.net to request to physically inspect any of the above listed documents.

16. INFORMATION INCORPORATED BY REFERENCE

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

<u>Documents containing information incorporated by reference</u>	<u>Section of this Circular which refers to the document containing information incorporated by reference</u>	<u>Where the information can be accessed by Shareholders</u>
Melrose’s 2018 Annual Report and Accounts	Part VI (<i>Additional Information</i>), Section 10	https://www.melroseplc.net/investors/annual-interim-reports/
Melrose’s 2019 Annual Report and Accounts	Part VI (<i>Additional Information</i>), Section 10	https://www.melroseplc.net/investors/annual-interim-reports/
Melrose’s 2020 Annual Report and Accounts	Part VI (<i>Additional Information</i>), Section 10	https://www.melroseplc.net/investors/annual-interim-reports/
2020 Employee Share Plan Circular	Part VI (<i>Additional Information</i>), Section 5.2	https://www.melroseplc.net/investors/shareholder-information/shareholder-meetings/

A copy of each of the documents listed above is available for inspection in accordance with terms of Section 15 of this Part VI (*Additional Information*).

Dated: 20 April 2021

**PART VII
DEFINITIONS**

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

2020 Employee Share Plan	the incentivisation plan of Melrose approved by an ordinary resolution of Shareholders at a general meeting of Melrose on 21 January 2021
2020 Employee Share Plan Circular	the circular distributed to Shareholders giving notice of a general meeting of Melrose held on 21 January 2021 at which the 2020 Employee Share Plan was approved
2022 Notes	the £450 million 5.375% Notes due 2022 under GKN Holdings' Euro Medium Term Note Programme established in 2012
2032 Notes	the £300 million 3.375% Notes due 2032 under GKN Holdings' Euro Medium Term Notes Programme established in 2017
Adjusted	means adjusted to exclude adjusting items, being items which are significant in size or volatility or by nature are non-trading or non-recurring, and primarily includes amortisation of acquired intangible assets and restructuring costs
Air Management or Air Management Group	as set out in Section 1 of Part I (<i>Letter from the Chairman of Melrose</i>) of this Circular
AQH	as set out in Section 1 of Part I (<i>Letter from the Chairman of Melrose</i>) of this Circular
Articles	the articles of association of Melrose as amended from time to time
Board or Melrose Board	the board of directors of Melrose
Business Day	a day (other than a Saturday or Sunday or public holiday) on which banks are open for business in London
Circular or this document	this Shareholder circular dated 20 April 2021
Companies Act	the Companies Act 2006, as amended from time to time
Company or Melrose	Melrose Industries PLC, a public limited company incorporated under the laws of England and Wales with its registered office at 11 th Floor, The Colmore Building, 20 Colmore Circus, Queensway, Birmingham, West Midlands B4 6AT
Completion or Closing	the completion of the Disposal in accordance with the terms, and subject to the conditions, of the Disposal Agreement
Conditional Awards	the conditional awards issued to participants in the 2020 Employee Share Plan having the terms set out in the 2020 Employee Share Plan Circular
Continuing Group	the Group, with effect from Completion
COVID-19	SARS-CoV-2 or COVID-19, and any evolutions or mutations thereof or associated epidemics, pandemics or disease outbreaks
CREST	the electronic transfer and settlement system for the paperless settlement of trades in listed securities operated by Euroclear

CREST Manual	the manual, as amended from time to time, produced by Euroclear describing the CREST system and supplied by Euroclear to users and participants thereof
CREST Proxy Instruction	the instruction whereby CREST members send a CREST message appointing a proxy for the General Meeting and instructing the proxy how to vote and containing the information set out in the CREST Manual
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), as amended
Deloitte	Deloitte LLP, auditors to Melrose and reporting accountants
Disclosure Guidance and Transparency Rules	the Disclosure Guidance and Transparency Rules as published by the FCA
Disposal	the proposed disposal of the Air Management Group by the Seller pursuant to the terms of the Disposal Agreement
Disposal Agreement	the sale and purchase agreement dated 18 April 2021 between the Seller, the Sale Company, the Purchaser and Madison Industries, further details of which are set out in Part III (<i>Principal Terms and Conditions of the Disposal</i>) of this Circular
Disposal Resolution	the ordinary resolution to be proposed and considered at the General Meeting to approve the Disposal, as set out in the Notice of General Meeting forming part of this Circular
EBITDA	earnings before interest, tax, depreciation and amortisation
EU	the economic and political confederation of European nations which share a common foreign and security policy and co-operate on justice and home affairs known as the European Union
Euroclear	Euroclear UK & Ireland Limited, the operator of CREST (as defined in the CREST Regulations)
Existing Facilities Agreement	the multicurrency senior term and revolving credit facilities agreement entered into on 17 January 2018 (as amended pursuant to the consent request letter dated 24 July 2018, the amendment letter dated 31 December 2019, the resignation and replacement of agent agreement dated 4 March 2020, the waiver letter dated 30 March 2020, the amendment letter dated 16 April 2020 and the consent letter dated 4 August 2020) between, among others, Melrose, certain of its subsidiaries as original borrowers and/or original guarantors, Lloyds Bank plc and Royal Bank of Canada as original lenders, Lloyds Bank plc and Royal Bank of Canada as mandated lead arrangers and bookrunners and HSBC Bank Plc (replacing Lloyds Bank plc) as agent
Facilities	as set out in Section 9.1 of Part VI (<i>Additional Information</i>)
Financial Conduct Authority or FCA	the United Kingdom Financial Conduct Authority
Form of Proxy	the form of proxy for use at the General Meeting which accompanies this Circular
Former Facilities Agreement	the \$1,250 million senior term and revolving credit facilities agreement dated 6 July 2016 entered into between Melrose, among others, as initial borrower, the parties named therein as original lenders and Lloyds Bank plc as agent

FSMA	the Financial Services and Markets Act 2000, as amended from time to time
General Meeting	the general meeting of Melrose to be held at the Company's offices at Leconfield House, Curzon Street, London W1J 5JA at 10:00 a.m. on 6 May 2021 to consider and, if thought fit, pass the Disposal Resolution
GHVAC	as set out in Section 1 of Part 1 (<i>Letter from the Chairman of Melrose</i>) of this Circular
GKN	GKN Limited, a private limited company incorporated in England and Wales, with registered number 04191106
GKN Acquisition	the acquisition of the entire issued and to be issued share capital of GKN by Melrose
GKN Group	GKN and its subsidiaries and subsidiary undertakings from time to time and a "member of the GKN Group" shall be construed accordingly
GKN Holdings	GKN Holdings Limited, a private limited company incorporated in England and Wales, with registered number 00066549
Group or Melrose Group	Melrose, its subsidiaries and subsidiary undertakings from time to time
HSR Act	the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended
HVAC	heating, ventilation and air conditioning
IFRS	International Financial Reporting Standards, as issued by the International Accounting Standards Board and endorsed by the EU
Issued Ordinary Share Capital	the issued Ordinary Shares of the Company
Latest Practicable Date	19 April 2021, being the latest practicable date prior to the publication of this Circular
Listing Rules	the listing rules made by the FCA under Section 73A of FSMA
London Stock Exchange	London Stock Exchange plc
Madison Industries	as set out in Section 1 of Part 1 (<i>Letter from the Chairman of Melrose</i>) of this Circular
Melrose Directors or Directors	the directors of Melrose
Melrose PLC	Melrose PLC, a public limited company incorporated in England and Wales, with registered number 04763064
Melrose's 2018 Annual Report and Accounts	the annual report and accounts prepared by Melrose for the financial year ended 31 December 2018 and published by Melrose on 5 April 2019
Melrose's 2019 Annual Report and Accounts	the annual report and accounts prepared by Melrose for the financial year ended 31 December 2019 and published by Melrose on 3 April 2020
Melrose's 2020 Annual Report and Accounts	the annual report and accounts prepared by Melrose for the financial year ended 31 December 2020 and published by Melrose on 31 March 2021
Nortek	Nortek Inc., a corporation organised under the laws of the State of Delaware

Notes	the 2022 Notes and the 2032 Notes
Notice of General Meeting	the notice of General Meeting contained in this Circular
pence, £ and pounds sterling	the lawful currency of the United Kingdom
Pro Forma Financial Information	has the meaning given to such term in Part V (<i>Unaudited Pro Forma Statement of Net Assets of the Group</i>) of this Circular
Professional Securities Market	a trading platform operated and regulated by the London Stock Exchange
Prospectus Regulation Rules	the Prospectus Regulation rules made by the FCA under Part 6 of FSMA
Purchaser or Madison IAQ	as set out in Section 1 of Part I (<i>Letter from the Chairman of Melrose</i>) of this Circular
Registrar or Equiniti	Equiniti Limited, or any other registrar appointed by the Company from time to time
Regulatory Information Service	one of the regulatory information services authorised by the FCA to receive, process, and disseminate regulatory information from listed companies
Seller	as set out in Part III (<i>Principal Terms and Conditions of the Disposal</i>) of this Circular
Sale Company	as set out in Part III (<i>Principal Terms and Conditions of the Disposal</i>) of this Circular
Share(s) or Ordinary Shares	the ordinary shares of 48/7 pence each in the share capital of Melrose
Shareholders	holders of Shares
SPLC	as set out in Section 1 of Part 1 (<i>Letter from the Chairman of Melrose</i>)
UK or United Kingdom	United Kingdom of Great Britain and Northern Ireland
US or United States	United States of America

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

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

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

NOTICE OF GENERAL MEETING

MELROSE INDUSTRIES PLC

(incorporated and registered in England and Wales under the Companies Act 2006 with registered number 09800044)

NOTICE OF GENERAL MEETING

NOTICE IS GIVEN that a General Meeting of Melrose Industries PLC (the “**Company**”) will be held at the offices of the Company at 10.00 a.m. on 6 May 2021 to consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution:

ORDINARY RESOLUTION

THAT the disposal of the Air Management Group on the terms, and subject to the conditions, of the Disposal Agreement between: (i) Nevada UK Holding Limited; (ii) Nevada Holdco Corp.; (iii) Madison IAQ LLC; and (iv) Madison Industries US Holdings Corporation, dated 18 April 2021 and all agreements entered into pursuant to or in connection with such disposal (the “**Disposal**”), as summarised in the circular to Shareholders dated 20 April 2021 of which this Notice forms part (the “**Circular**”), with such modifications (if any) as may be made in the manner specified below, be and is approved and the Directors of the Company be and are authorised to complete the Disposal in accordance with such terms and conditions and to agree such modifications to and such variations, waivers and extensions of any of the terms and conditions of the Disposal as they may deem necessary, expedient or appropriate, provided that any such modifications to, or variations, waivers and extensions of, the terms and conditions of the Disposal are not material.

20 April 2021

Registered office:

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

By order of the Board

Jonathon Crawford
Company Secretary

NOTES

Notes:

1. In view of the current restrictions introduced by the UK Government in response to the COVID-19 pandemic, the Company has made arrangements for the General Meeting to be held with the minimum number of attendees to satisfy the requirements for a quorate meeting. Shareholders are asked not to attend the meeting and, in the interests of safety, any attempted entry to the meeting will be refused. Instead, Shareholders are encouraged to vote by proxy.
2. Shareholders are entitled to appoint a proxy to vote on their behalf at the General Meeting. The appointment of a person other than the Chairman of the General Meeting as your proxy will not be valid, as that person will also not be permitted to attend the meeting in person in order to vote on your behalf. Accordingly, in order to ensure your votes are counted, the Board encourages Shareholders to appoint the Chairman of the General Meeting as your proxy with our voting instructions. A Form of Proxy is enclosed with this notice. To be effective, the Form of Proxy must be completed and returned, together with any power of attorney or authority under which it is completed or a certified copy of such power or authority, so that it is received by the Company's registrars at the address specified on the Form of Proxy not less than 48 hours (excluding any part of a day that is not a working day) before the time for holding the meeting (or, in the event of an adjournment, not less than 48 hours before the stated time of the adjourned meeting (excluding any part of a day that is not a working day)).
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. In view of the restrictions in relation to the attendance at the General Meeting, Shareholders are urged to appoint the Chairman of the General Meeting as their proxy and provide voting instructions to the proxy in advance of the General Meeting.
4. To be entitled to 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 6.30 p.m. on 4 May 2021 (or, in the event of an adjournment, not less than 48 hours before the stated time of the adjourned meeting (excluding any part of a day that is not a working day)). Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. As at 19 April 2021 (being the last Business Day prior to the publication of this notice) the Company's Issued Ordinary Share Capital consists of 4,858,254,963 ordinary shares of 48/7 pence each, carrying one vote each. Therefore, the total voting rights in the Company as at 19 April 2021 are 4,858,254,963.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent ID RA19 by 10.00 a.m. on 4 May 2021. 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. The Company will offer an opportunity for Shareholders to engage in advance of the meeting through a Facility to submit questions. If Shareholders have any questions for the Board in relation to the business being dealt with at the General Meeting, these can be submitted using the online service that can be accessed from www.melroseplc.net/investors/shareholderinformation/melrose-gm-2021-questions-form/. The Board will endeavour to answer the key themes of these questions as soon as practicable. The Company must answer any such questions relating to the business being dealt with at the meeting but no such answer need be given if: (i) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer has already been given on a website in the form of an answer to a question; and/or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
12. Voting at the General Meeting will be by poll. All valid proxy votes, whether submitted electronically or in hard copy form, will be included in the poll to be taken at the meeting. In addition, the Chairman of the General Meeting will cast the votes for which he has been appointed as proxy. Once the results have been verified by the Company's Registrar, Equiniti, they will be notified to the Financial Conduct Authority, announced through a Regulatory Information Service and will be available to view on the Company's website.
13. A copy of this notice, and other information required by Section 311A of the Act, can be found at www.melroseplc.net.
14. 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.
15. 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. Alternatively, Shareholders who have already registered with Equiniti's online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk and click on the link to vote. The on-screen instructions give details on how to complete the appointment process. A proxy appointment made electronically will not be valid if sent to any address other than those provided or if received after 10.00 a.m. on 4 May 2021.