
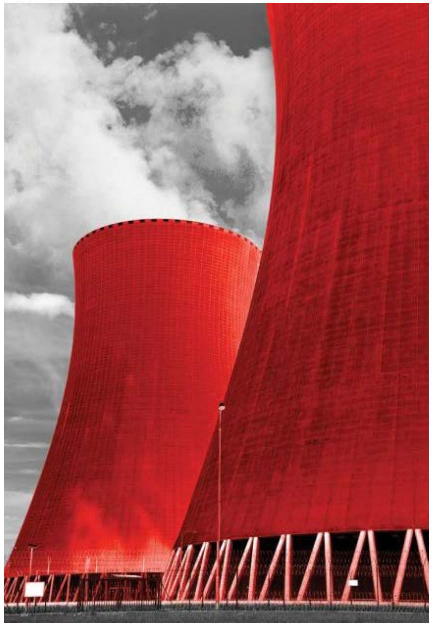

2014 Full-year results

24 February 2015

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Highlights

Stephen Young - Chief Executive

Financial highlights
Return to growth in H2

- » Organic order intake up 9%; organic revenue flat
- » Second half organic revenue growth of 3%
  - Civil OE +4%
  - Civil aftermarket +7%
  - Military -1%
  - Energy -4%
- » Underlying EPS of 32.4p
- » Free cash flow of £147m
- » Increased capital returns to shareholders
  - » Proposed increase in full-year dividend of 8% to 13.75p
  - » Share buyback launched in November 2014

Strategic & operational highlights
Focus on execution

- Research and development expenditure up 10% to £148m
- Investment in new product introduction
  - Over 1,800 new part numbers being industrialised
  - NPI running at three times the historical average
- Great progress on MPS implementation
  - Programme now launched at 29 primary sites; balance in 2015
  - 16 sites working towards yellow completion, and 1 site working towards green completion
  - 84% improvement in quality; 10% improvement in on-time delivery
- Optimisation of manufacturing estate
  - Multi-year plan to streamline operations across fewer core sites

Financial Review

Doug Webb – Chief Financial Officer

Income statement

Underlying* (£m)	2014	2013	Growth Reported	Growth Organic**
Orders	1,610.0	1,551.7	+4%	+9%
Revenue	1,553.7	1,637.3	-5%	0%
Operating profit	346.0	397.2	-13%	-11%
Finance costs	(17.3)	(19.4)		
Profit before tax	328.7	377.8	-13%	-11%
Tax	(68.5)	(80.9)		
Tax rate	*21%*	*21%*		
Profit after tax	260.2	296.9	-12%	-11%
EPS	32.4p	37.5p	-14%	
Dividend	13.75p	12.75p	+8%	

Organic book to bill of 1.03, stronger in civil aftermarket and military

Reported revenue growth held back by FX headwinds and disposal of non-core businesses

Solid margin progression: H1 – 21.1%
H2 – 23.3%

Includes one-time refinancing charge of £1.8m

Tax rate benefits from mix of profit delivery – guidance remains 22%

EPS decline exaggerated by scrip dividend, now superseded by a DRIP scheme

* A full reconciliation from underlying to statutory figures is given in notes 3 and 9 of today's full-year announcement.

** Organic figures exclude the impact of acquisitions, disposals and foreign exchange.

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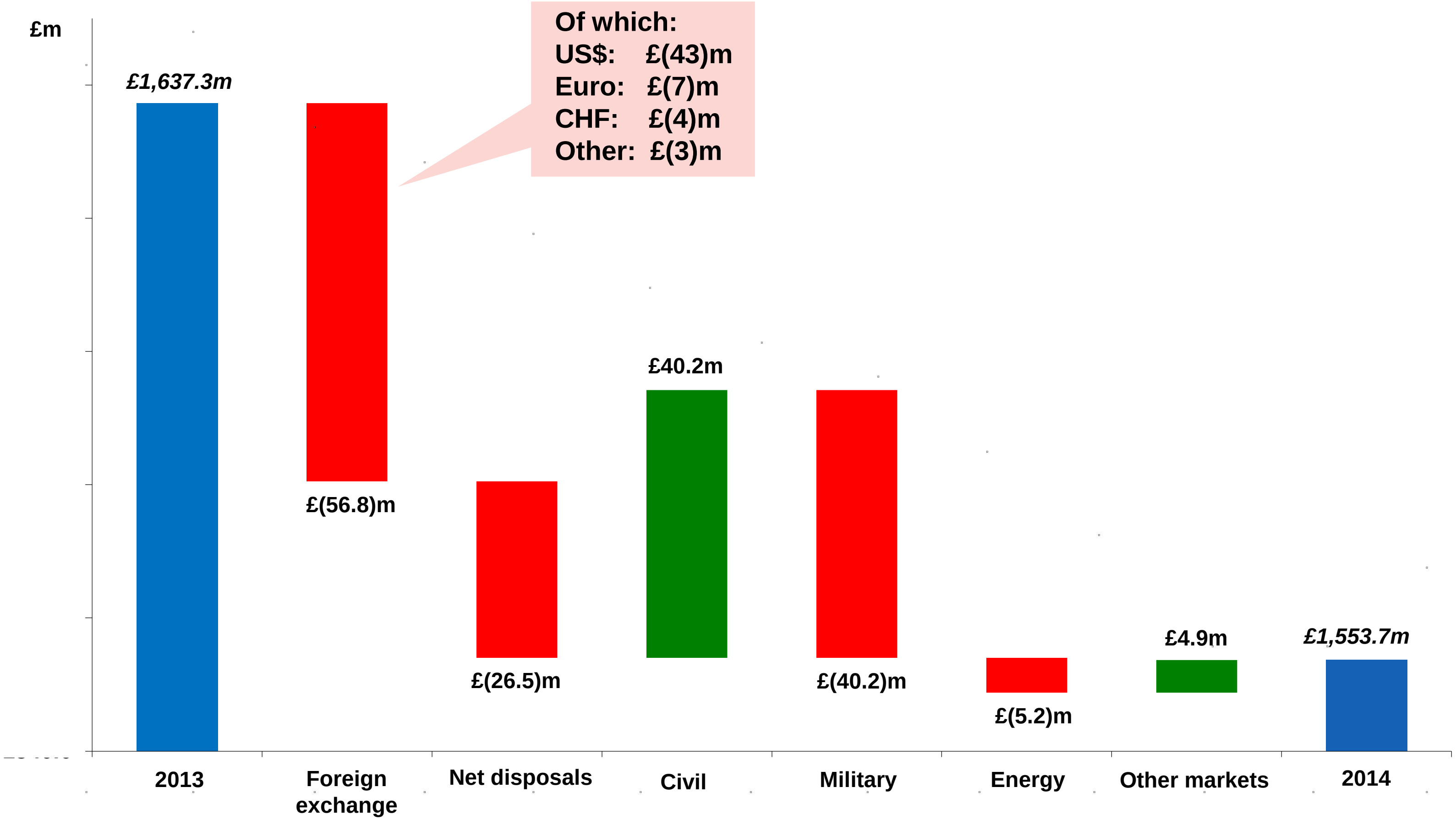
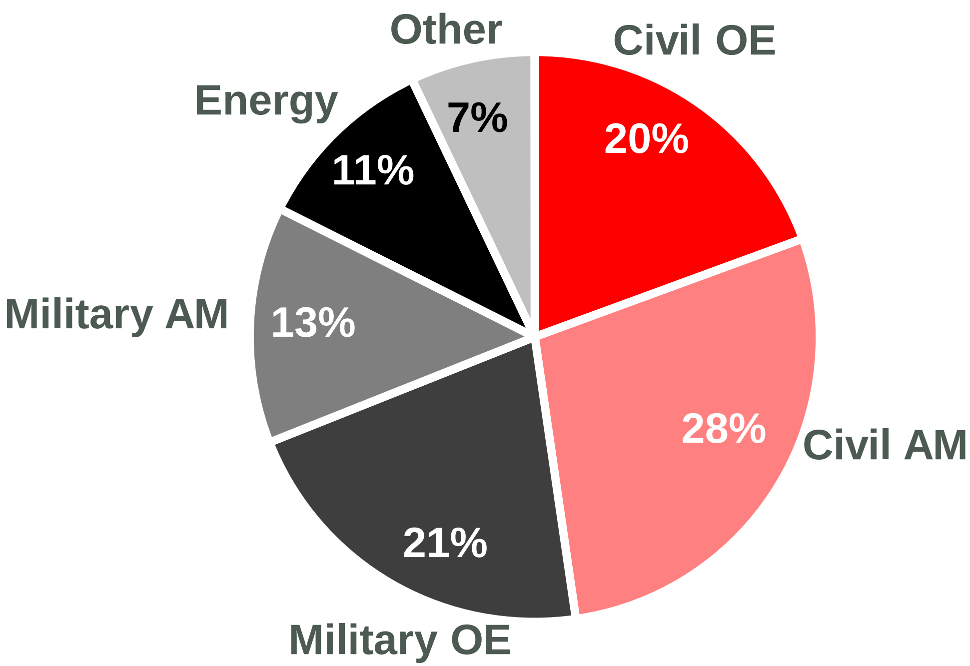
Revenue bridge



Revenue by market
A well balanced portfolio



	2014 organic growth		
	Orders	Revenue	
	FY	H2	FY
Civil OE	-3%	+4%	+6%
Civil AM	+13%	+7%	+5%
Total Civil	+7%	+6%	+6%
Total Military	+9%	-1%	-7%
Energy	+25%	-4%	-3%
Other	+2%	+12%	+5%
Total Group	**+9%**	**+3%**	**0%**

OE: 56%, aftermarket: 44%

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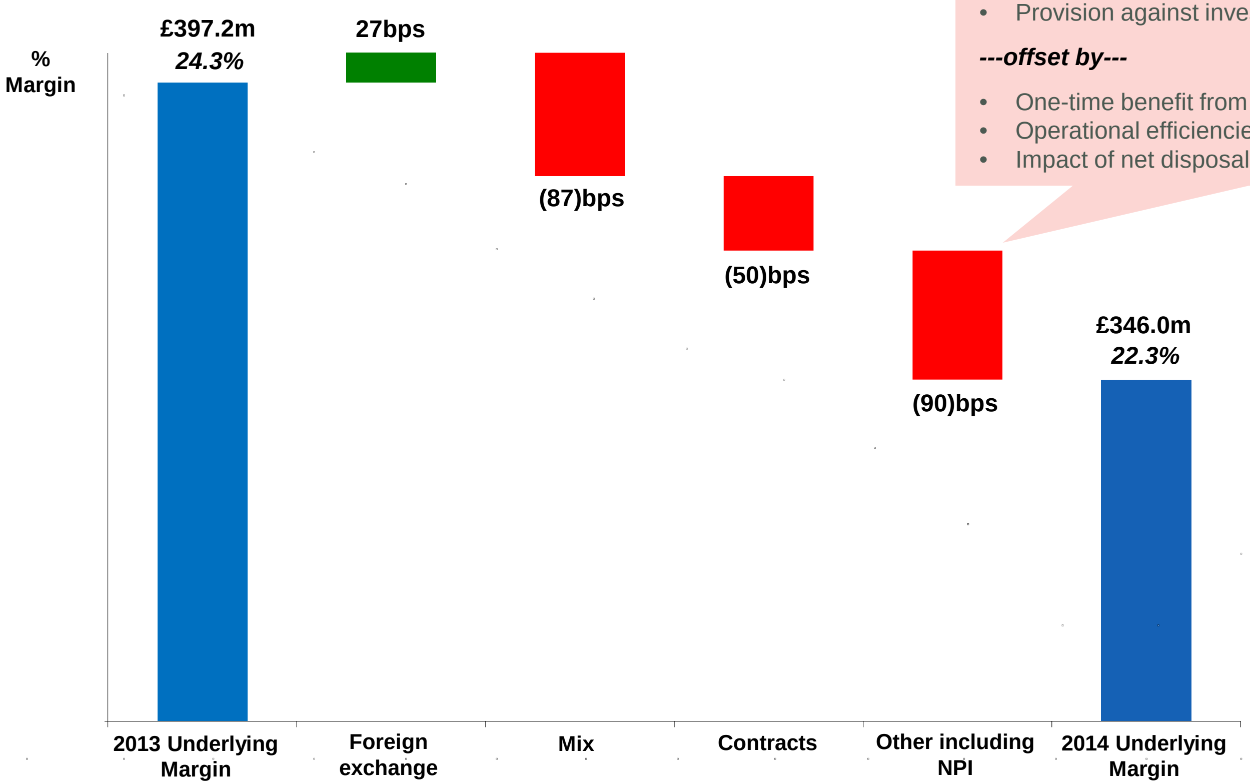
Operating margin bridge



Other includes:

- Elevated expenditure on new product introduction
- Higher expensed R&D
- Provision against investment on Learjet 85 development

---offset by---

- One-time benefit from US retiree healthcare arrangement
- Operational efficiencies
- Impact of net disposals

Divisional financials

	Revenue		Underlying Operating Profit		Margin
		Organic Growth		*Organic Growth*	
	£m	*%*	£m	*%*	%
Aircraft Braking Systems	327.0	*+3*	127.5	*+6*	39.0
Control Systems	348.7	*+1*	91.8	*-12*	26.3
Polymers & Composites	162.3	*-7*	20.2	*-33*	12.4
Sensing Systems	398.2	*+4*	58.4	*-11*	14.7
Equipment Group	317.5	*-3*	48.1	*-29*	15.1
Total	**1,553.7**	*0*	**346.0**	*-11*	**22.3**

Growing regional and bizjet aftermarket and strong military partially offset by decline in large jet

Margin held back by unfavourable mix in military and Learjet 85 write-down

Revenue decline reflects completion of retrofit contracts, with NPI costs impacting margin

Margin impacted by mix and NPI costs – revenue growth reflects lower arrears

Margin impacted by contract profitability and Learjet 85 write-down

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Cash flow
Strong improvement in free cash performance

£m	2014	2013
Underlying EBITDA	**429.6**	**479.3**
Working capital movement	-36.3	-90.0
Capex	-42.2	-66.9
Capitalised R&D and PPCs	-123.7	-105.9
Underlying operating cash flow	**227.4**	**216.5**
Pension deficit payments	-29.3	-27.4
Operating exceptionals	-16.6	-15.3
Interest and tax	-34.7	-63.4
Free cash flow	**146.8**	**110.4**
Dividends paid (net of scrip) & issue of share capital	-62.9	-73.1
Share buyback	-33.7	-
M&A	-29.1	25.9
Net cash flow	21.1	63.2
Free cash flow per share (pence)	18.3	14.0

60% improvement despite customer pressures

Deferral of energy growth capex and some IT projects

£15m increase in PPCs, including Gulfstream 280/650

Carry-forward of surplus tax payments on account, and lower interest rate

Good progress on share buyback programme, with 6.8m shares purchased

Acquisition of PECC – now part of MCS

31% improvement in free cash flow per share

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Financing and covenants
Strong balance sheet

£m	At 31 Dec 2013 at $1.66	FX	Other	At 31 Dec 2014 at $1.56
Total assets (excluding cash)	3,667.6	139.4	30.9	3,837.9
Retirement benefit obligations	(238.1)	(7.7)	(72.0)	(317.8)
Other liabilities	(788.5)	(29.9)	14.6	(803.8)
Capital employed	2,641.0	101.8	(26.5)	2,716.3
Net debt	(564.6)	(24.7)	13.8	(575.5)
Net assets	2,076.4	77.1	(12.7)	2,140.8

Covenant ratios*		
Net debt/EBITDA (≤3.5x)	1.2x	1.2x
Interest cover (≥3.0x)	22.0x	20.8x

* As defined in financing agreements

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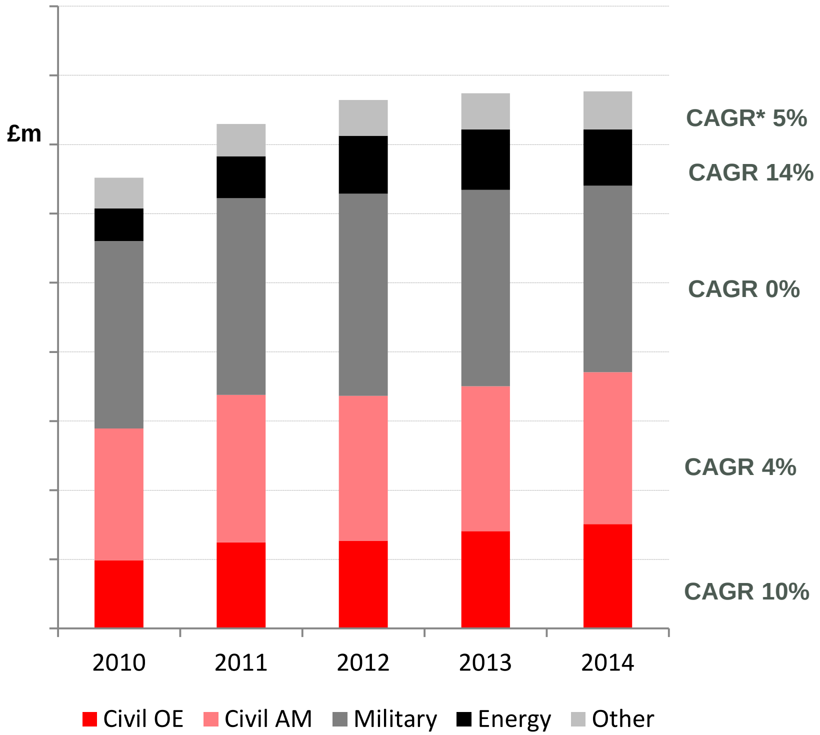
End market overview

Organic revenue progression



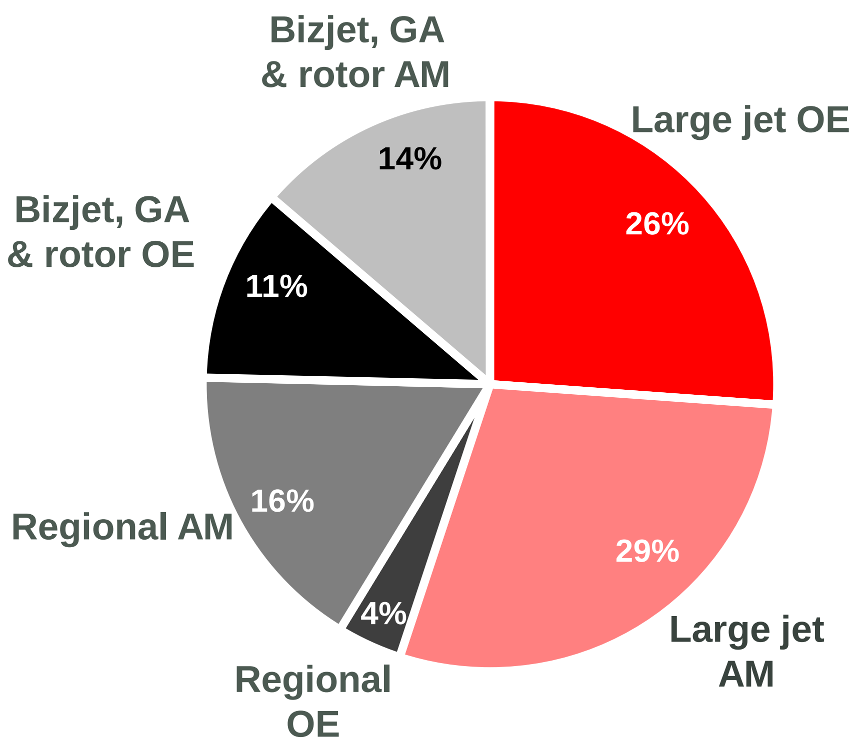
*CAGR – Organic compound annual growth rate

Key drivers of organic growth:

- Aircraft delivery growth – OE revenues up 48% in 4 years
- Aftermarket growth hampered by destocking and high retirement rate
- Military flat despite challenging budgetary environment
- Energy revenue up 68% driven by strong FLNG demand and market share gains in energy condition monitoring

Civil aerospace
48% of total revenue

2014 revenue £741.2m



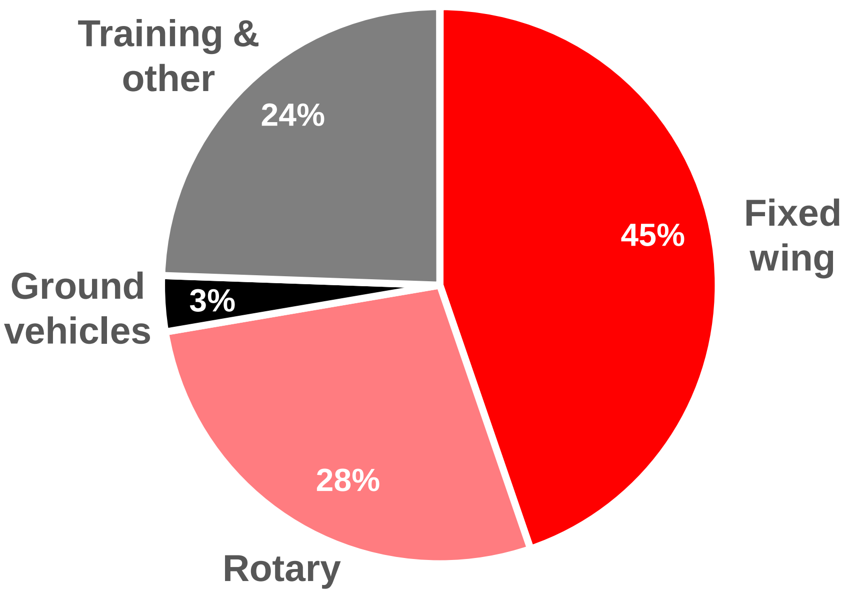
OE: 41%, aftermarket: 59%

Performance Overview:
- Organic growth of 6% in OE
- Good aftermarket recovery, particularly in Q4
- Recovery in RJ utilisation continuing
- Business jet operations up strongly
- Mix negatively impacted by OE growth and strong recovery in lower margin power products

Commercial Highlights:
- Wheels and brakes wins on Gulfstream 500 & 600 and Dassault Falcon 8X
- Contract to provide fire protection and avionics on the MA700 aircraft
- MSS to provide cabin surveillance equipment on all Embraer E2 aircraft
- MPC secured new multi-year seals contracts on 737, 777 and 787 aircraft
- Successful entry into service for A350XWB

Military revenue
34% of total revenue

2014 revenue £539.4m



Performance Overview:

- Completion of Bradley and KC135 retrofit programmes in H1 2013
- Afghan drawdown particularly affected aftermarket and mix
- Revenues stabilised in H2 despite ongoing budgetary challenges
- Organic order intake up 9%, book to bill of 1.08

Commercial Highlights:

- $57m contract to provide HVAC systems to GD for the Light Armoured Vehicle III programme
- Over $160m of new training contracts for US military customers
- Contract to provide fuel system for the Bell V-280 Valor

OE: 61%, aftermarket: 39%

US: 59%; Europe 26%, RoW 15%

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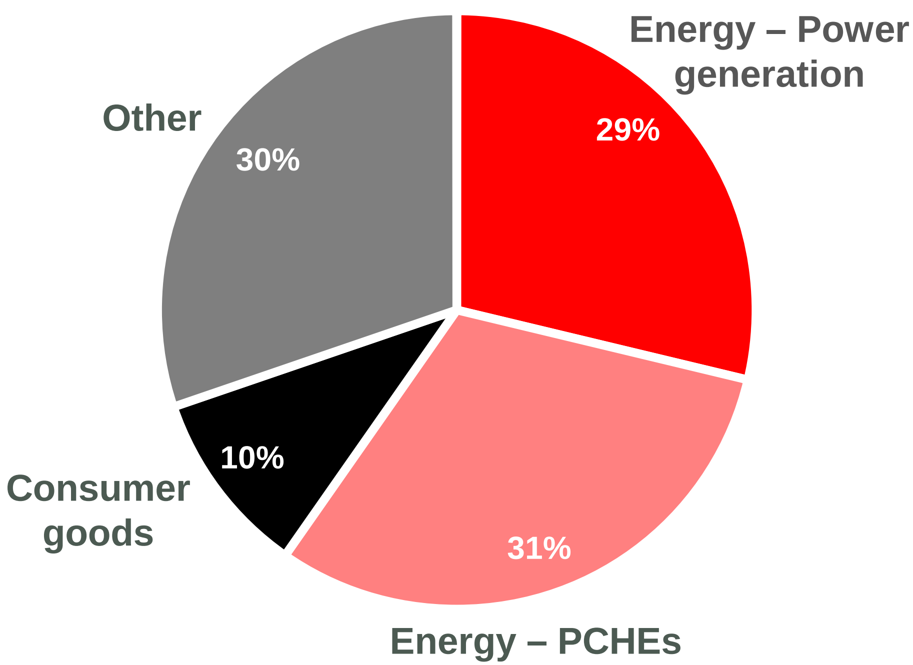
Energy & other markets
18% of total revenue

2014 revenue £273.1m



Performance Overview:

- » Heatric revenue growth impacted by financial difficulties at Brazilian local content provider
- » Recovery from tourmaline shortage commenced in 2nd half
- » Good market traction for new Vibrosight product, becoming the preferred solution for a global energy player

Commercial Highlights:

- » Heatric awarded 2nd Petronas FLNG vessel
- » Good market acceptance of tourmaline replacement technology
- » Contract for equipment on 50MW supercritical CO_2 development plant
- » $44m acquisition of PECC completed in December

Operational Review & Strategy

Stephen Young – Chief Executive

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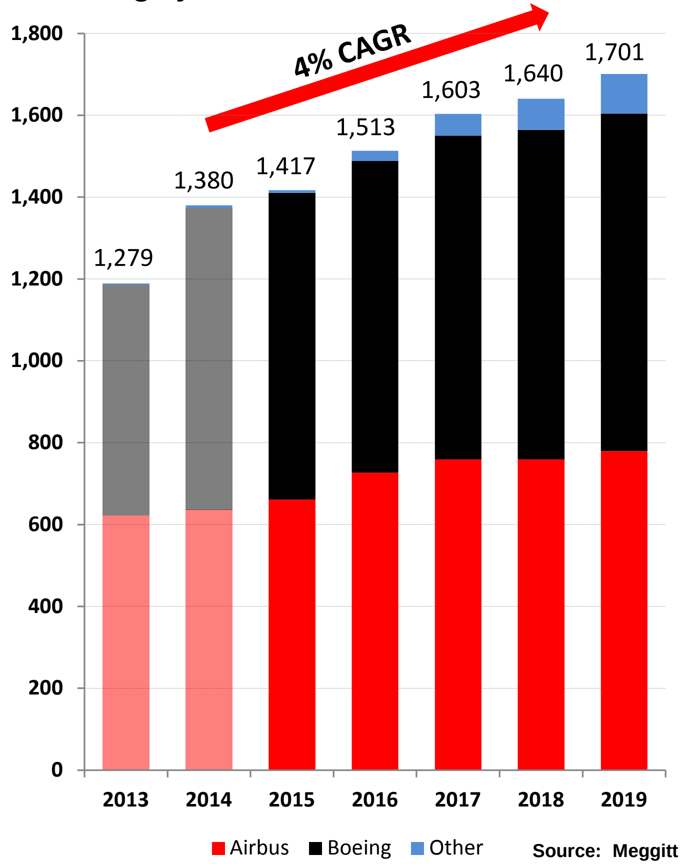
Aircraft OE deliveries
Strong order backlogs for large jets

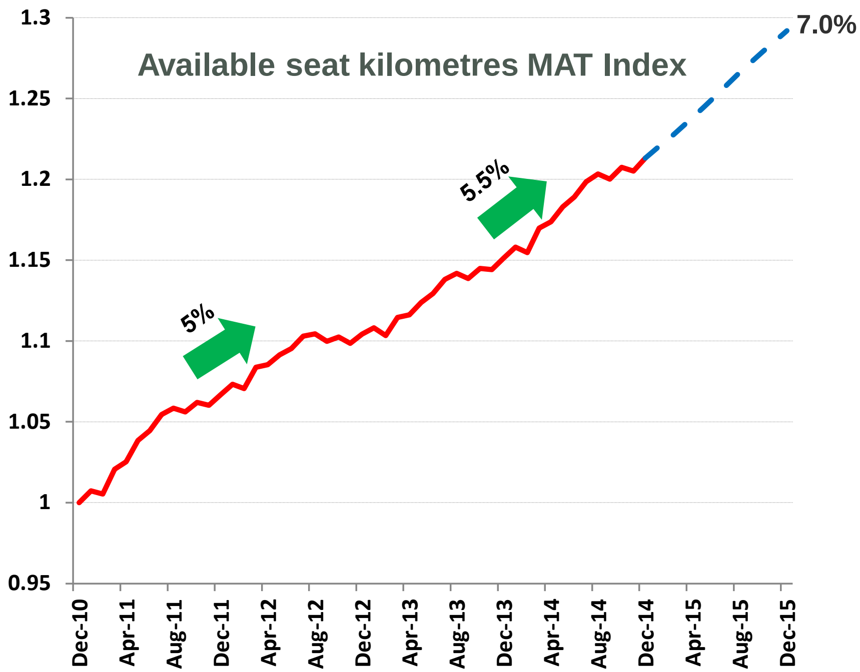
Large jet - 26% of civil revenue



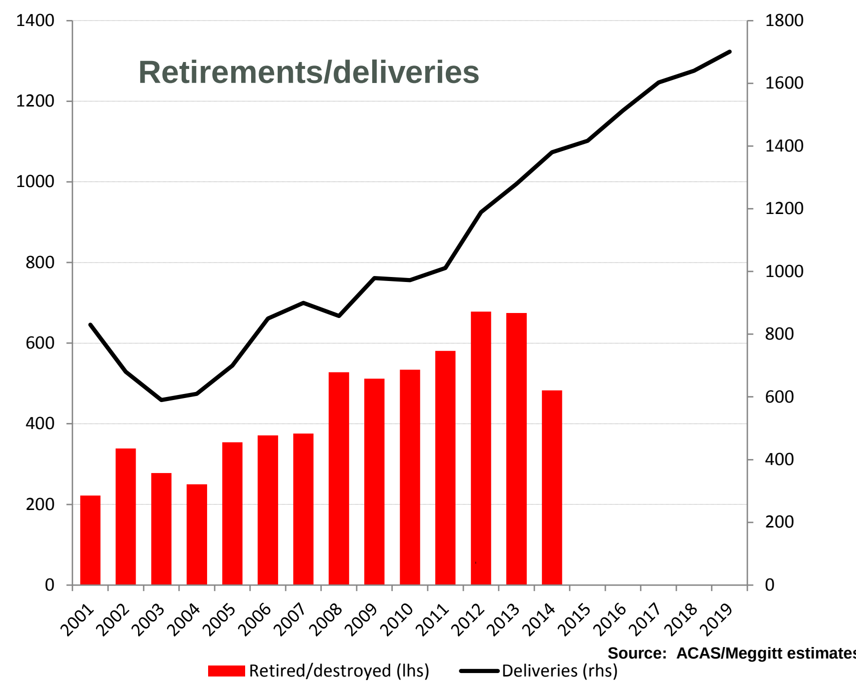
Source: Meggitt estimates

- Forecasts reflect narrowbody increases and expected impact of new aircraft types entering into service
- Lower oil price likely to have negligible impact on near-term deliveries
- Rate of growth slowing
- Continued production increases forecast for regional aircraft and business jets – details in the Appendix

Civil aerospace aftermarket
Large jets & regionals – 45% of civil revenue



Source: IATA/Meggitt estimates



Source: ACAS/Meggitt estimates

- 2010-2013: ASKs up 5%pa; large jet deliveries up 8%pa
- 2014: ASKs up 5.5%; large jet deliveries up 8%
- 2015: ASKs up 7%; large jet deliveries up 3%

- Increased retirements driving surplus parts
- Significant reduction in retirements in 2014
- Oil price decrease likely to boost traffic

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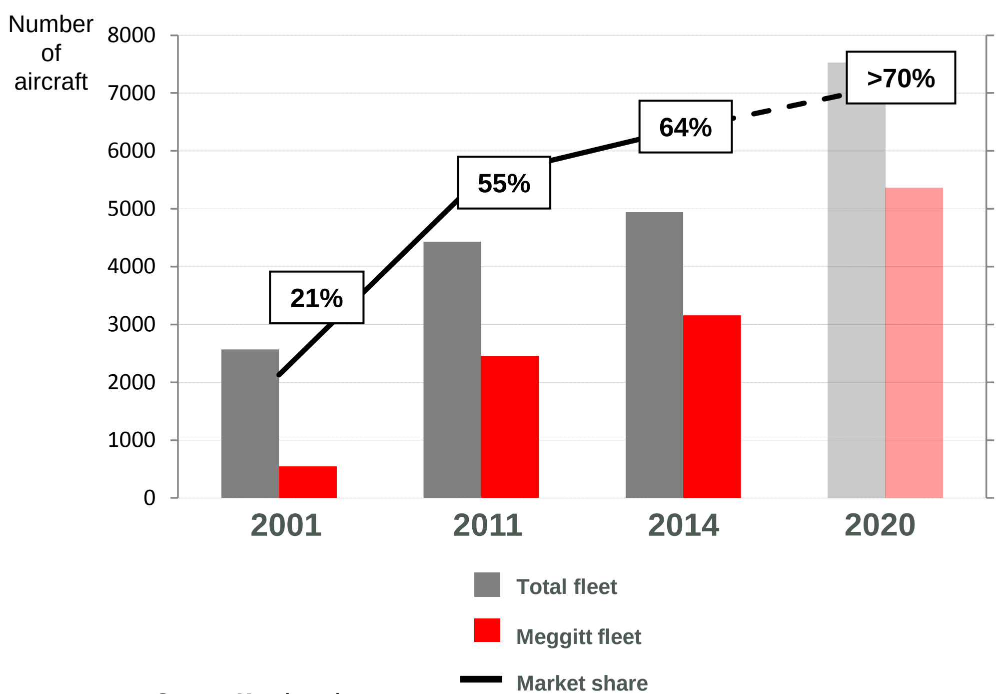
Civil aerospace aftermarket
Business jets – 14% of civil revenue

Meggitt share of super-midsize & large business jet wheels & brakes market



Source: Meggitt estimates

Strong win rate in MABS - super-mid and large business jet programmes over last 10 years

Bombardier	Global 7000/8000	✓
	Challenger 890	✓
	Challenger 350	✗
Cessna	Longitude	✗
	Citation X	✗
Dassault	Falcon 5X	✓
	Falcon 7X	✓
	Falcon 8X	✓
	Falcon 900LX	✓
	Falcon 2000LX	✗
	Falcon 2000S	✗
Embraer	Lineage 1000	✓
	Legacy 450/500	✓
	Legacy 650	✗
Gulfstream	G280	✓
	G450	✓
	G500	✓
	G600	✓
	G650	✓

✓ **: Meggitt win**

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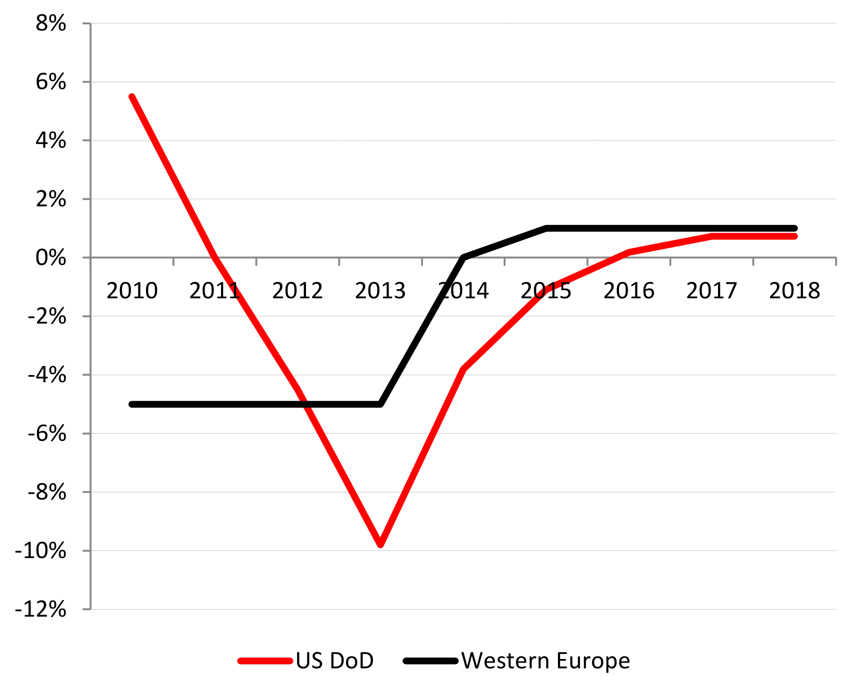
Military
Market analysis

- Likely moving into a more benign defence expenditure environment
- Increasing opportunity for retrofit and reset
- Broad product and platform exposure
  - 48% of 2014 military revenue derived from top 20 platforms
  - Remaining 52% from more than one hundred platforms and training installations worldwide

Military budget growth rates (Industry/analyst consensus)



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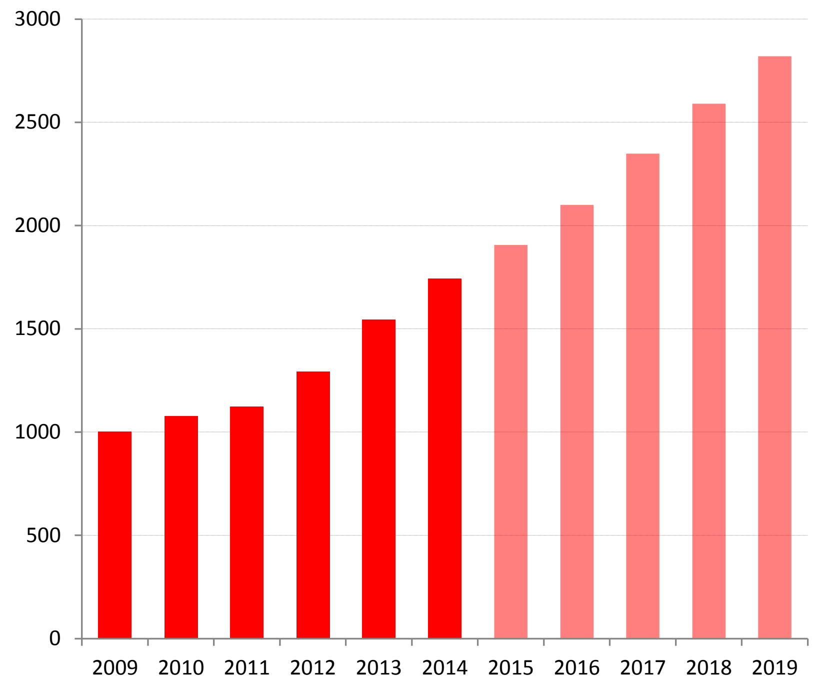
Energy markets
Short term headwinds

- Strong record of revenue growth since 2009
  - Condition monitoring +25%
  - Energy control valves +30%
  - Heatric +300%
- Heatric will be impacted by low oil prices
  - Customers increasing focus on short-term cashflow dynamics
  - Some significant programmes have already been deferred by up to a year
- Visible Heatric project pipeline valued at £600m but greater uncertainty about project timing in current environment
- Heatric wins first power generation order
- Growth in condition monitoring/valves
- PECC acquisition will boost reported revenue

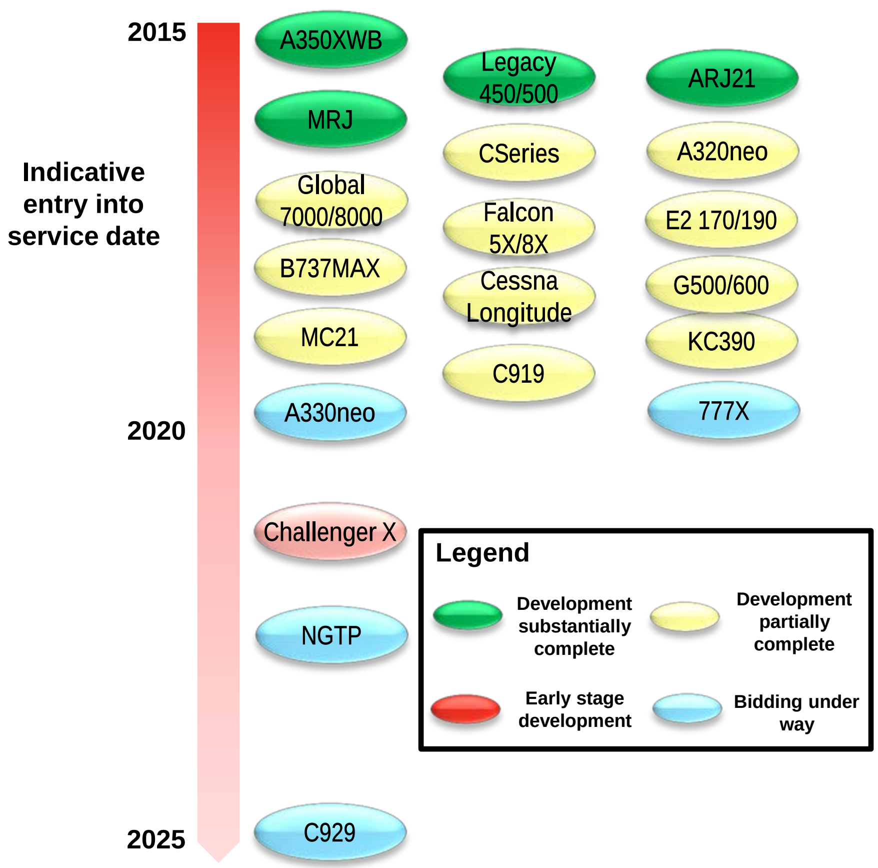
Heatric installed base (units)

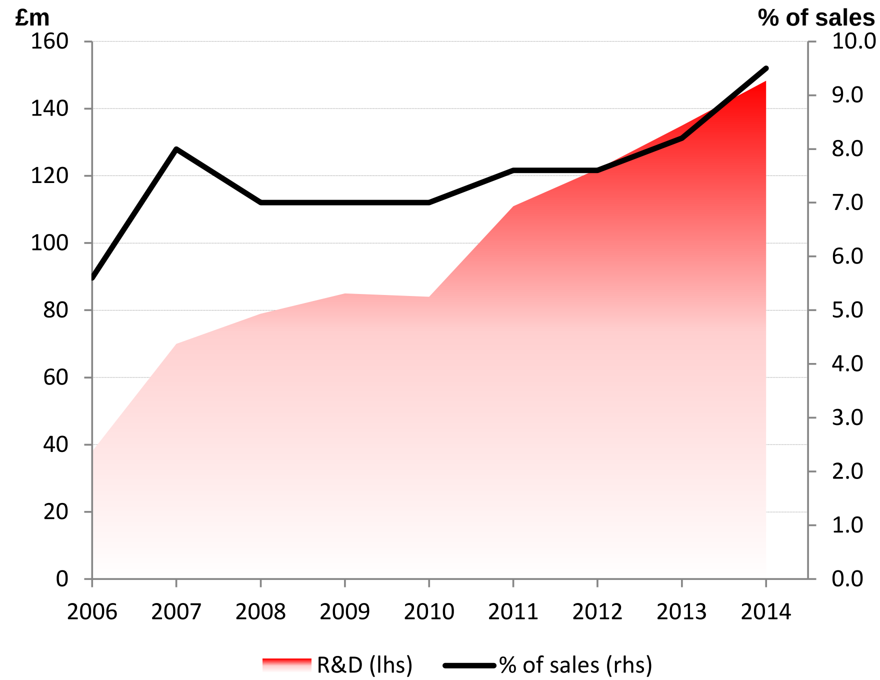
- Installed base +70% since 2009 - set to almost double again by 2019



Source: Meggitt estimates

Research & development
Securing future revenue





- >15 new platforms to enter service over next 5 years
- Historical average – 1.5 platforms per year
- R&D and NPI as percentage of revenue will reduce over next few years

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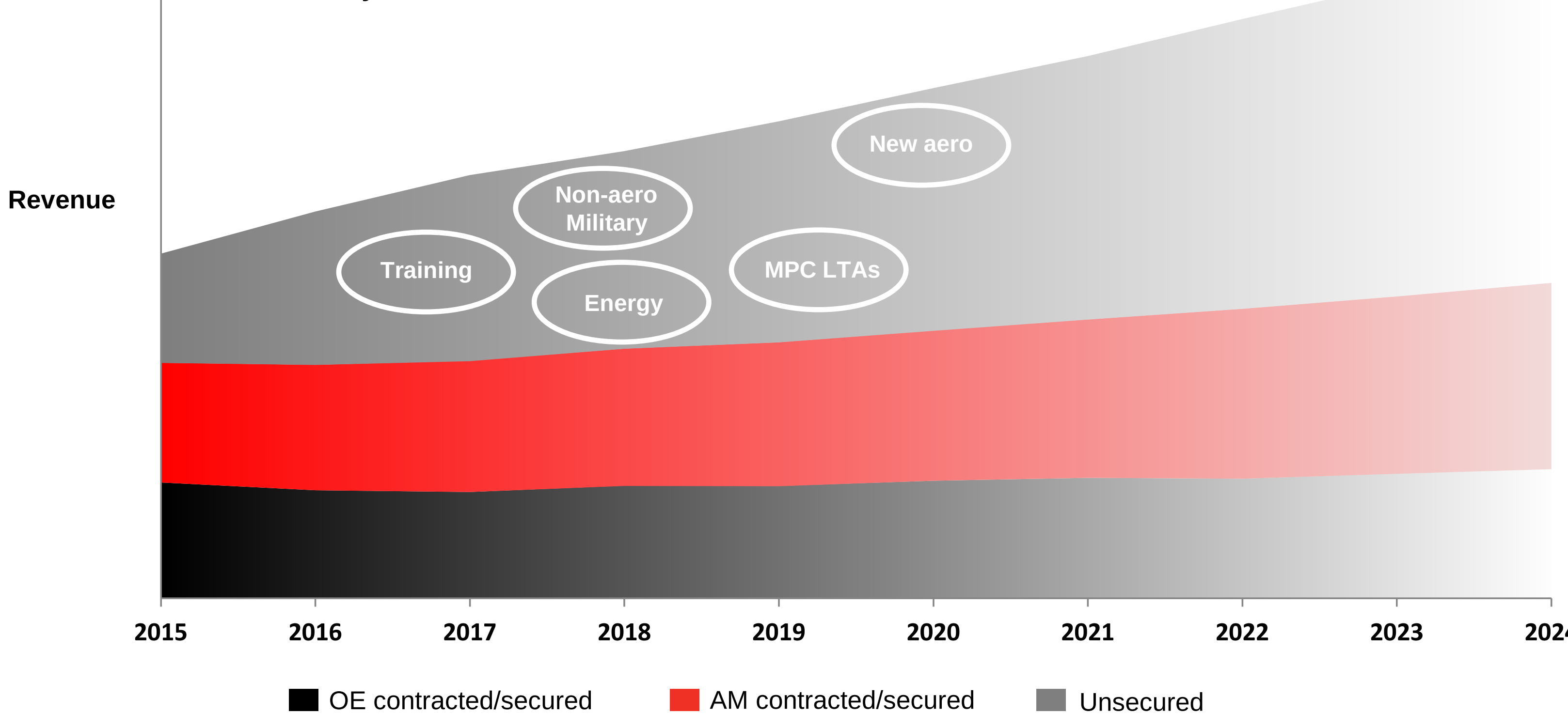
Revenue security
Illustrative – subject to market conditions

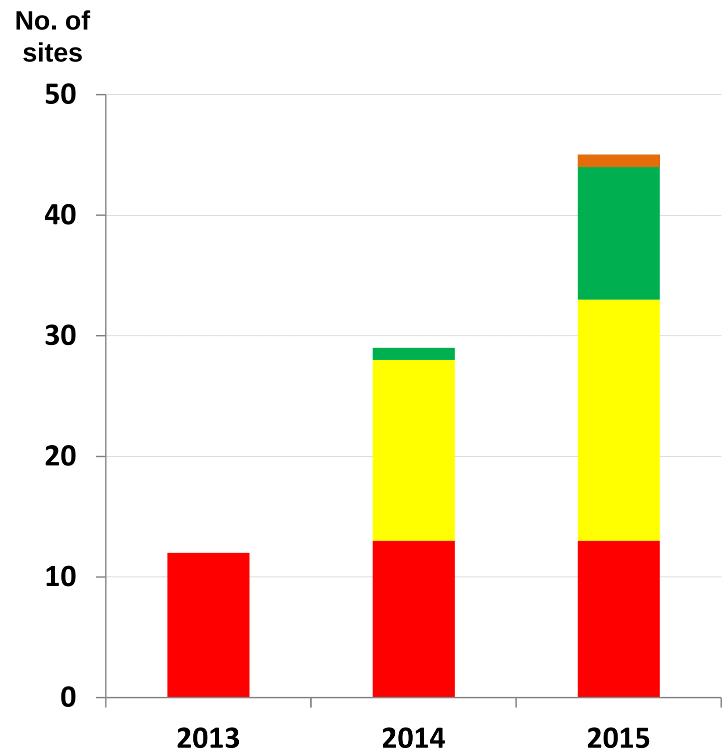
- Recent R&D investment drives future growth
- High concentration of sole-source positions gives security of revenue



Meggitt Production System
Driving cultural change

- Excellent progress
  - 6 stage programme
  - 3-5 year journey per site
  - Launched at 29 primary sites. Remainder to be launched in 2015
  - 10% on-time delivery improvement
  - 84% reduction in quality defects leaving the factory gates
- Priorities
  - 2015:
    - Complete site launch programme
    - Continue deployment in supply chain
  - Medium term:
    - Expand from operations to functions
    - Drive organic growth
    - Reduce cost of poor quality
    - Reduce inventory

Site launch timeline



Meggitt Production System
Case study: Meggitt Avionics

» Background
- MPS launched in Q2 2013
- 2 sites and 240 employees

» Achievements
- Exited red stage in Q1 2014; exited yellow in Q4 2014
- 1 site and 226 employees

» Impact
- On-time delivery improved from 80% to 99%
- Turn-around time for maintenance, repair & overhaul work improved by up to 18 days
- Customer arrears down from £1.5m to £0.1m
- Inventory holding reduced by 9 days
- 3,500 sq ft of manufacturing space freed up by efficiency initiatives

» Avionics is 1% of our total manufacturing capacity. If these results can be achieved across the estate, the potential is tremendous

2014 summary

- Flat organic revenues; stronger H2
- Good orders
- Continuing to invest in future growth: R&D, NPI and MPS
- Strong balance sheet – net debt to EBITDA 1.2x
- Proposed full year dividend up 8%
- Buyback launched

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Outlook

- Civil aircraft deliveries continue to increase
- Civil aerospace aftermarket - variability remains but trend positive
- Military – return to growth in 2015 – headwinds in MABS
- Energy – oil price contributing to near-term headwinds – longer term thesis intact
- Low to mid single digit organic revenue growth for 2015, consistent with IMS
- Group average 6-7% organic revenue CAGR reaffirmed over the medium term
- Buyback programme, PECC acquisition and FX translation will benefit EPS

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Appendix

Currency PBT Impact

	2013 Act	2014 Act	H1 2015* Est	H2 2015* Est	FY 2015* Est
$/£ rate					
Translation rate (unhedged)	1.57	1.63	1.54	1.54	1.54
Transaction rate (hedged)	1.62	1.54	1.57	1.57	1.57
Euro rate					
€/£ Translation rate (unhedged)	1.18	1.24	1.36	1.36	1.36
$/€ Transaction rate (hedged)	1.29	1.30	1.36	1.36	1.36
CHF rate					
CHF/£ Translation rate (unhedged)	1.45	1.51	1.47	1.47	1.47
$/CHF Transaction rate (hedged)	1.06	1.08	1.08	1.08	1.08
PBT impact £m					
Year-on-year translation			8.2	5.2	13.4
Year-on-year transaction			(1.5)	(1.6)	(3.1)
Year-on-year currency benefit/(headwind)			6.7	3.6	10.3

Currency sensitivity: ± 10 US$ cents = ± £55m Revenue; ± £12m PBT
± 10 Euro cents = ± £10m Revenue; ± £1m PBT

* At exchange rates on 20 February 2015

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Operating exceptionals

£m	2014 FY Act at $1.63	2015 FY Est at $1.54
P&L charge		
Site consolidation	8	3-4
Loss on closure of businesses	3	-
Acquisition/integration costs	2	1
Other	0	3-4
Total	13	7-9
Cash out		
Site consolidation	8	3-4
Non-conforming vendor supply issue	5	7-9
Acquisition/integration costs	4	1
Other	-	3-4
Total	17	14-18

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Investment accounts

£m	2014 Act at $1.63	FY 2015 est at $1.54	FY 2016 est at $1.54
1. R&D			
Total expenditure	148	160-175	160-175
Less: customer funded	(29)	(30-35)	(25-30)
Company spend	119	130-140	135-145
Capitalised	(78)	(80-90)	(90-100)
Amortised	17	11-14	15-20
Income statement	58	61-66	62-75
2. Programme participation costs	46	44-48	53-63
Amortised	25	27-30	30-33
3. Fixed assets	47	70-85	90-105
Depreciation/amortisation	42	46-50	54-58
4. Retirement benefit deficit reduction payments	29	28	28 *

* Subject to outcome of UK triennial valuation

Shares in issue

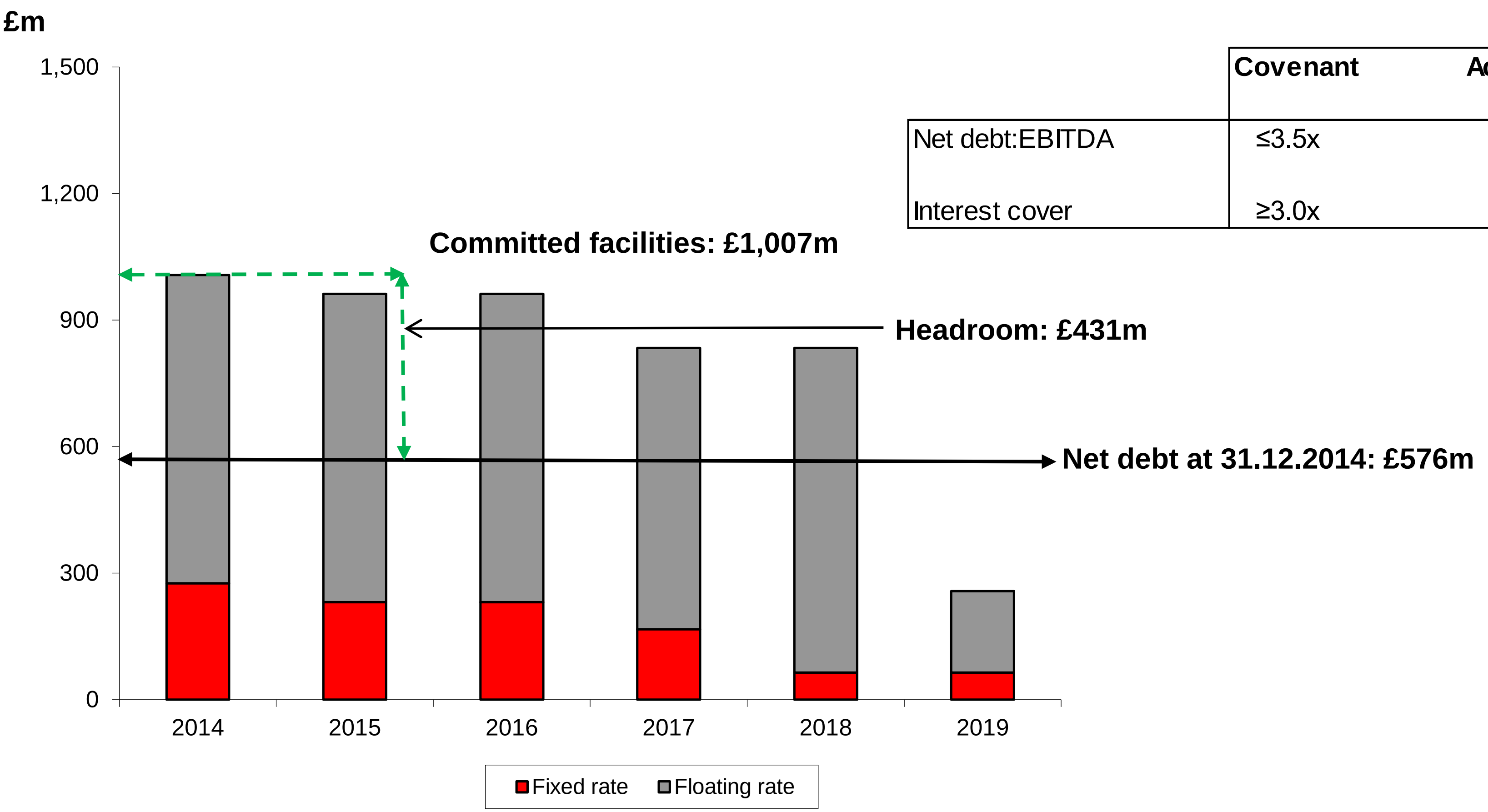
Shares in millions

	2013	2014
Opening	785.0	797.1
Buyback		(6.8)
Scrip/share schemes*	12.1	12.0
Closing	797.1	802.3
Average	791.1	804.1

* The scrip dividend will be replaced by a dividend reinvestment plan for future dividend payments. Shares are now being purchased in the market to satisfy compensation plans.

Credit maturity profile

	Covenant	Actual
Net debt:EBITDA	≤3.5x	1.2x
Interest cover	≥3.0x	20.8x



Pension information

£m

	2013	**2014**
Opening deficit	(299.7)	(238.1)
Net deficit payments	27.4	29.3
Actuarial movements - assets	25.5	30.9
Actuarial movements - liabilities	21.3	(128.6)
	46.8	(97.7)
Other movements	(12.6)	(11.3)
Closing deficit	(238.1)	(317.8)
UK discount rate	4.60%	3.60%
US discount rate	4.55%	3.85%

Capital allocation
Investing for growth

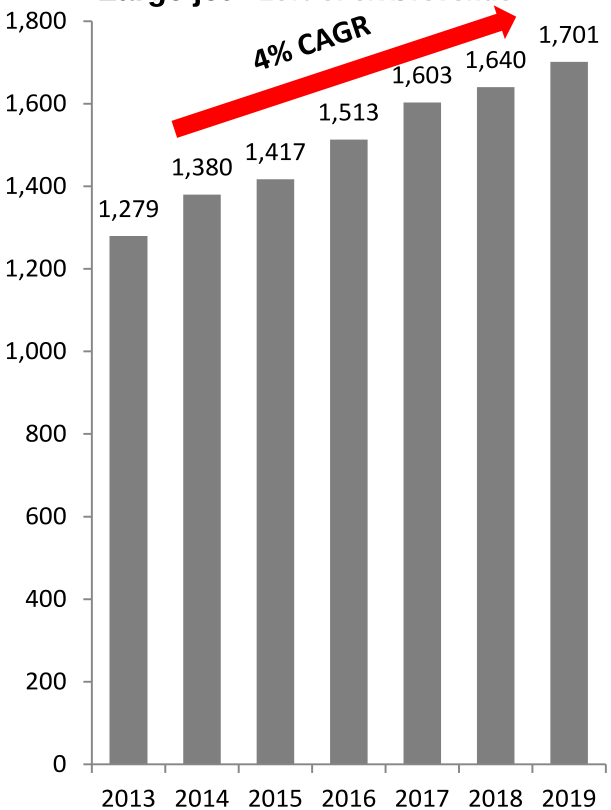
- Context:
  - Cash generative business model
  - Nearing the peak of a major development cycle
  - Normal operating range of net debt:EBITDA is ~1.5x to 2.5x
  - Comfortable to move above and below this range in certain circumstances

- Within this context, our priorities are:
  1. Funding organic growth and driving operational efficiency
  2. Growing dividends in line with earnings through the cycle
  3. Targeted, value-accretive acquisitions in our core markets
  4. Maintain efficient balance sheet

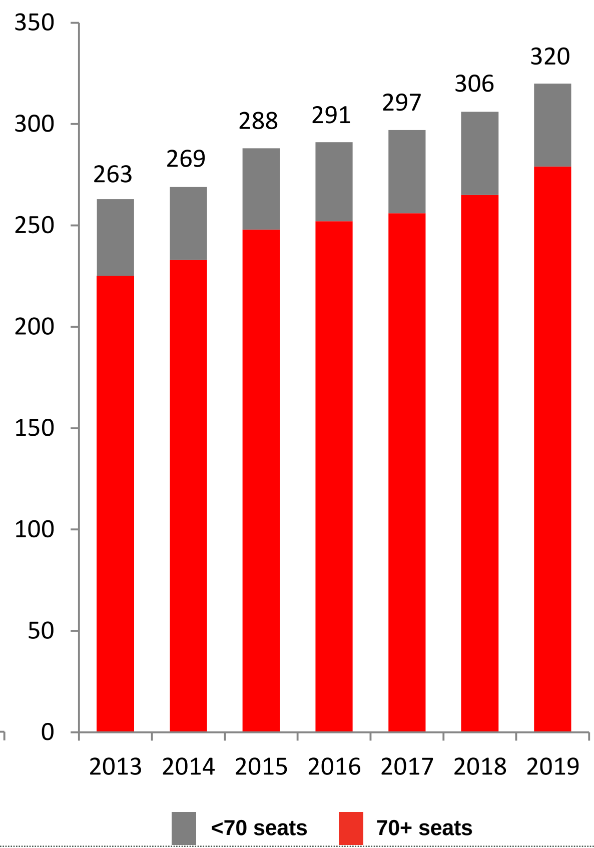
- Buyback programme ongoing
  - Targeting net debt:EBITDA of ≥1.5x by end 2015

Aircraft OE deliveries
Strong outlook for large jets

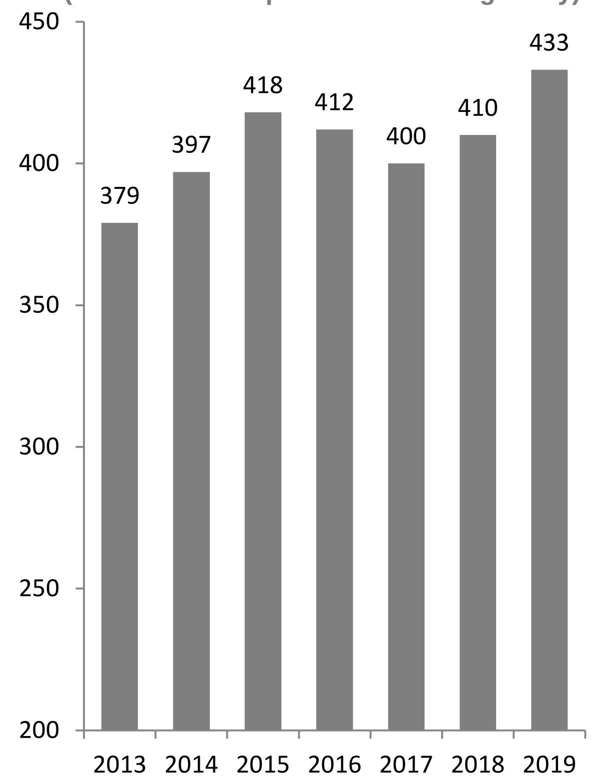
Large jet - 26% of civil revenue



Regional aircraft - 4% of civil revenue

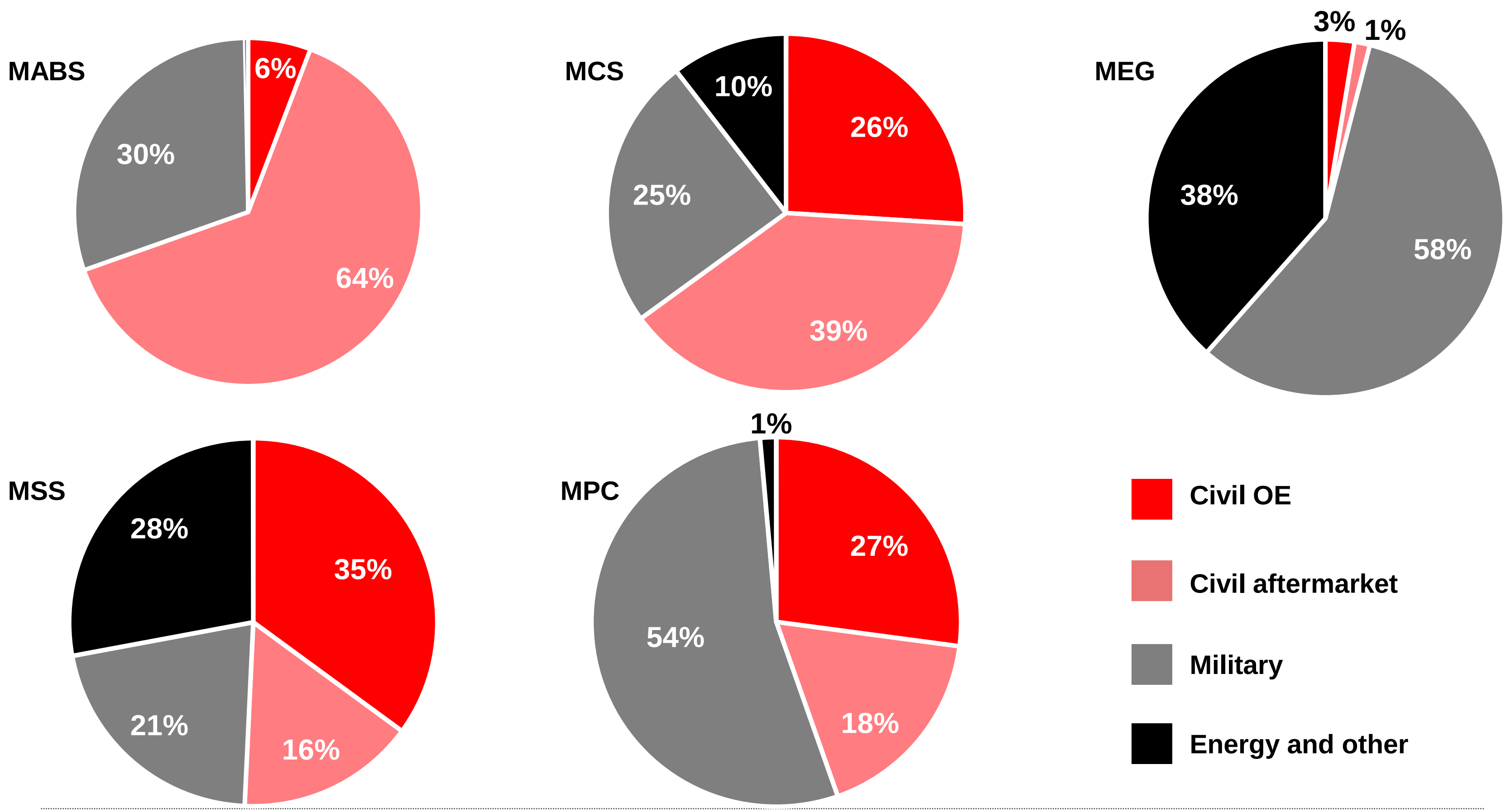


Business jet - 11% of civil revenue
(chart shows super-midsize & large only)



Source: Meggitt estimates

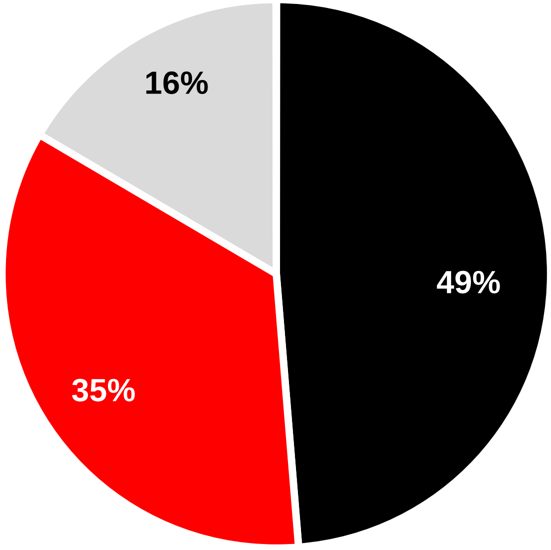
Divisional end market exposures
FY 2014



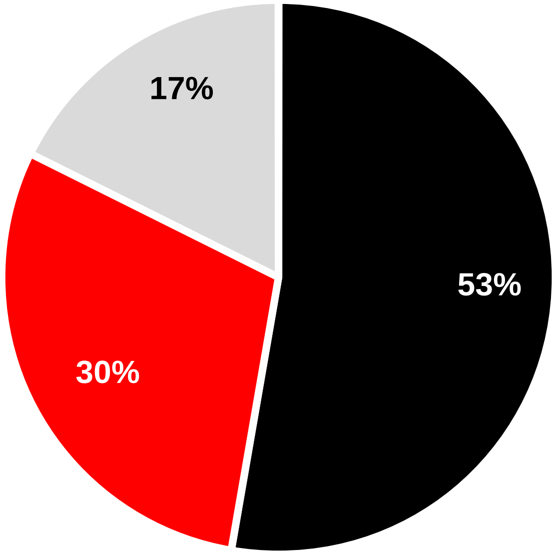
Attractive aftermarket fleet profile

Fleet age profile

Meggitt civil fleet by age at 31st December 2014

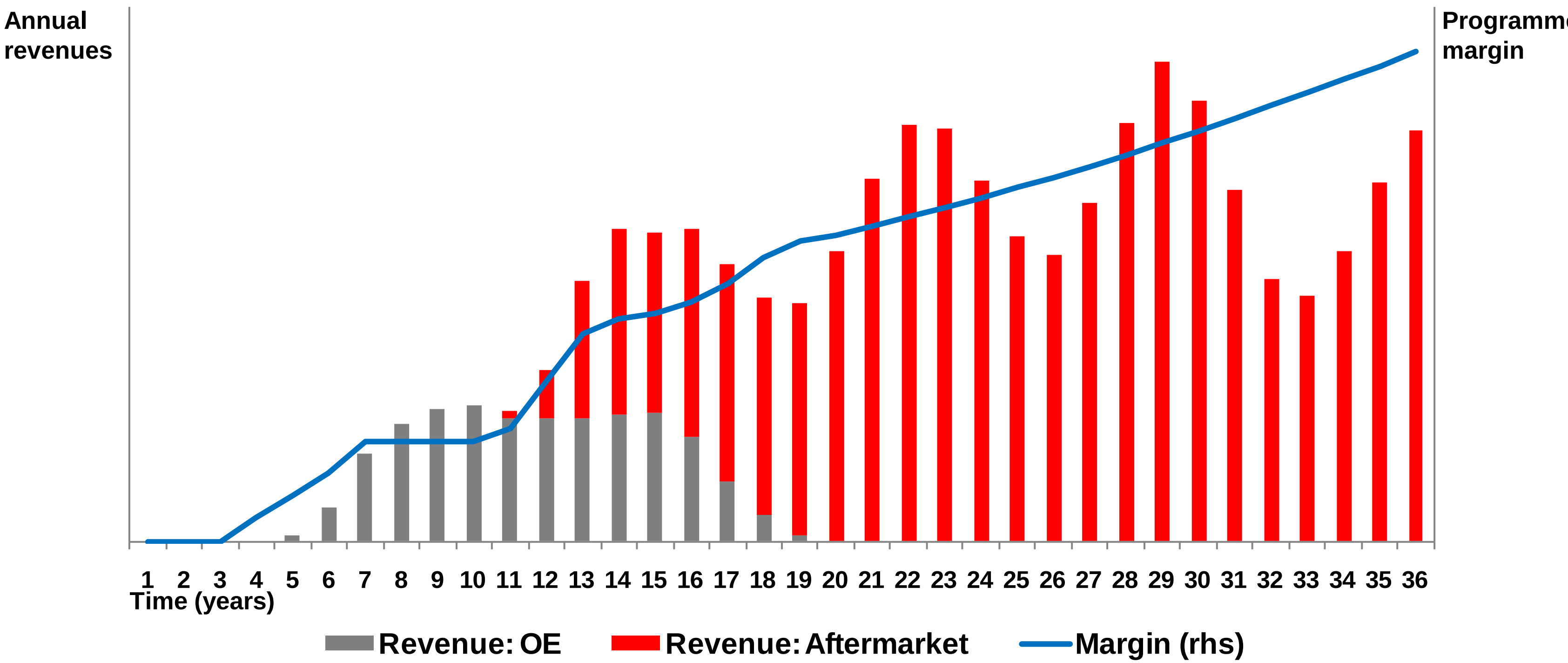


Meggitt civil aftermarket revenues by fleet age in 2014



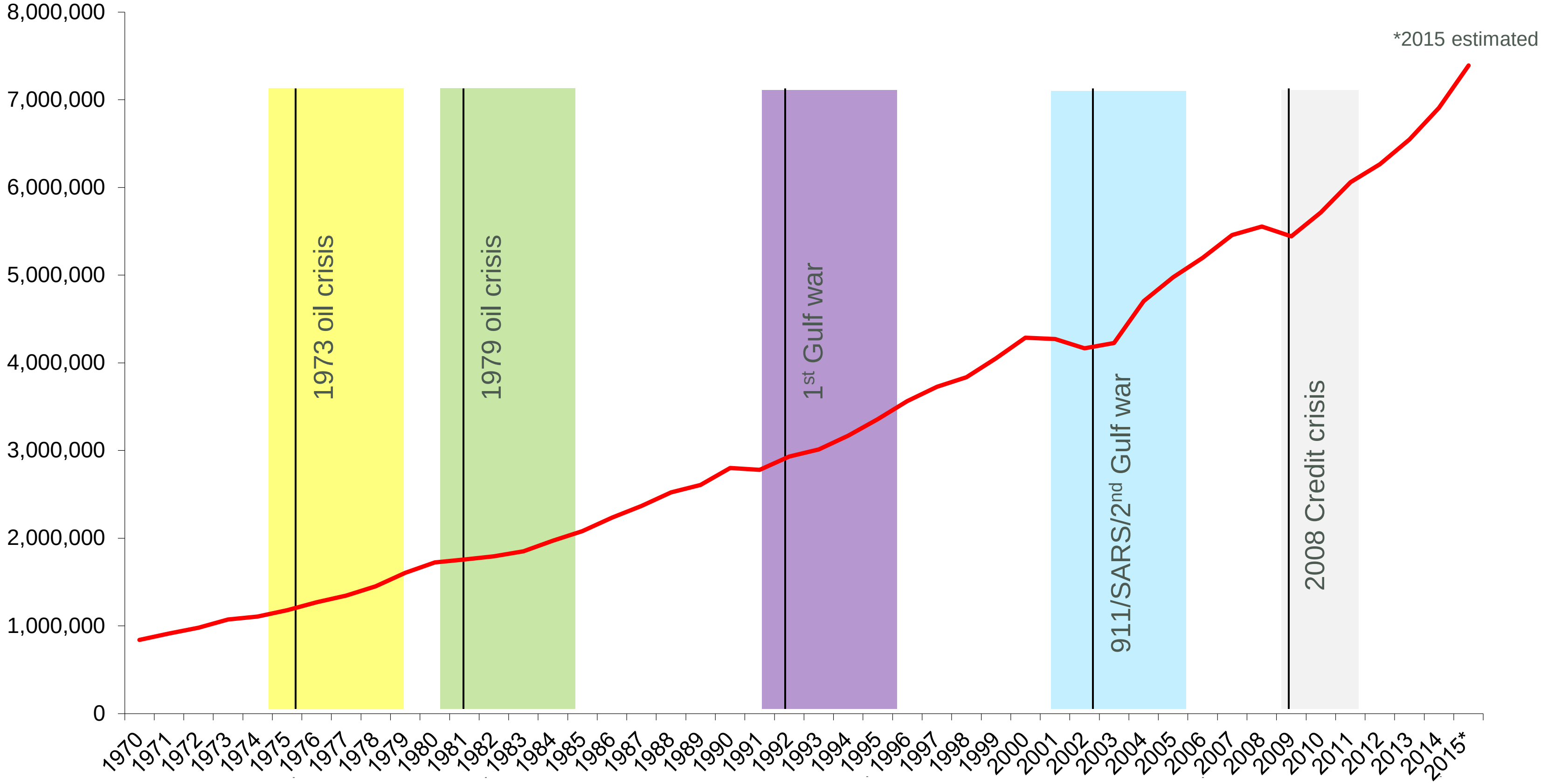
0 – 10 years
10 - 20 years
>20 years

Civil aerospace
Typical MCS programme life cycle



- Aftermarket revenues more than 6 times greater than OE revenues
- Margin progression through the lifecycle

Air traffic history and forecast

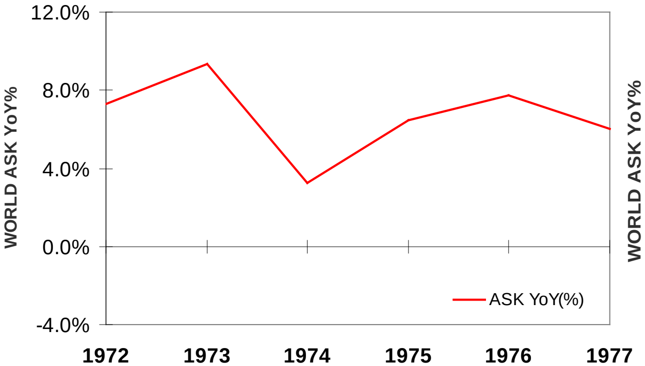


TOTAL WORLD ASKs 1970-2015*

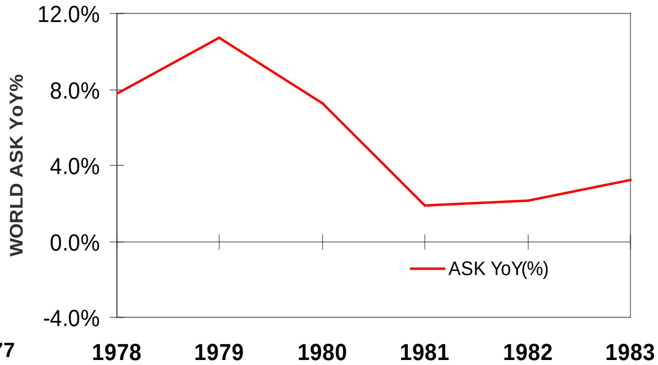
Source ICAO – worldwide traffic, international & domestic

Impact of ‘shock’ events on traffic growth

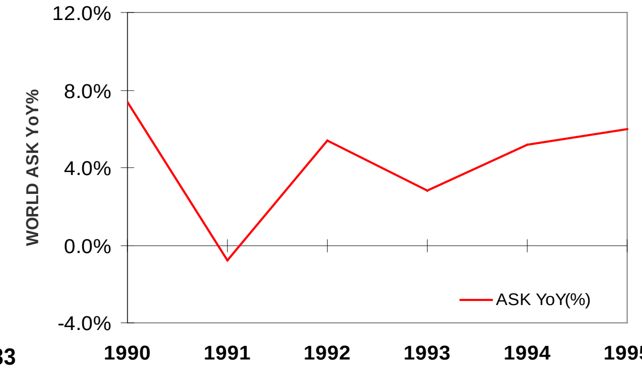
1973 Oil Crisis



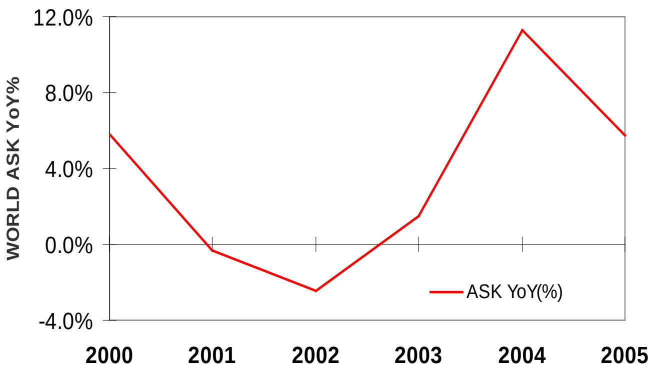
1979 Oil Crisis



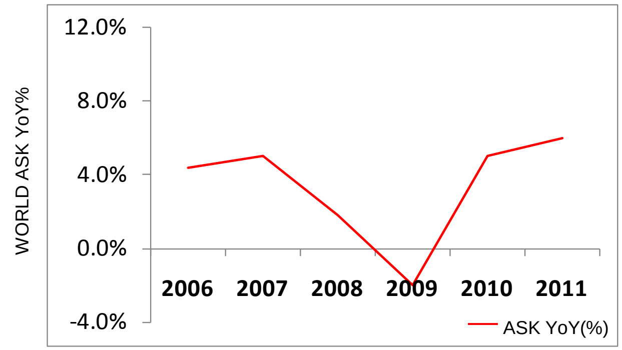
1991 First Gulf War



2001 9/11, SARS and Second Gulf War



2008 Credit crisis



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