2012 Interim results

7 August 2012

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Highlights

Terry Twigger - Chief Executive

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2012 – Highlights
Continuing to deliver

- Revenues up 19%
- Continued growth in all end markets
  - Military and Energy stronger than expected
  - Civil aftermarket softer than anticipated
- Order intake up 19%
  - Heatric order worth in excess of $100m
  - Good content awards on re-engined narrowbodies
- Underlying profit before tax up 15%
- Underlying EPS up 14%
- Integration of PacSci well under way - synergies and trading in line
- Interim dividend up 12.5% to 3.60p

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Financial Review

Stephen Young - Group Finance Director

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Underlying income statement
Strong growth continues

Underlying* (£m)	Actual 2012	Actual 2011	Growth	*Proforma** 2011*	*Proforma** Growth*
Revenue	776.0	649.8	+19%	*717.8*	*+8%*
Operating profit	185.4	164.0	+13%	*171.8*	*+8%*
Finance costs : Pension	(2.6)	(2.2)			
Interest	(14.3)	(15.6)			
	(16.9)	(17.8)			
Profit before tax	168.5	146.2	+15%		
Tax	(40.5)	(36.5)			
Tax rate	*24.0%*	*25.0%*			
Profit for the period	128.0	109.7	+17%		
EPS	16.4p	14.4p	+14%		
Dividend	3.60p	3.20p	+12.5%		
Avge no of shares	779.8	761.9			

* A full reconciliation from underlying to statutory figures is given in notes 4 and 10 of today's interim announcement.
** Ownership of PacSci assumed since 1/1/11 (versus actual completion 21/04/11)

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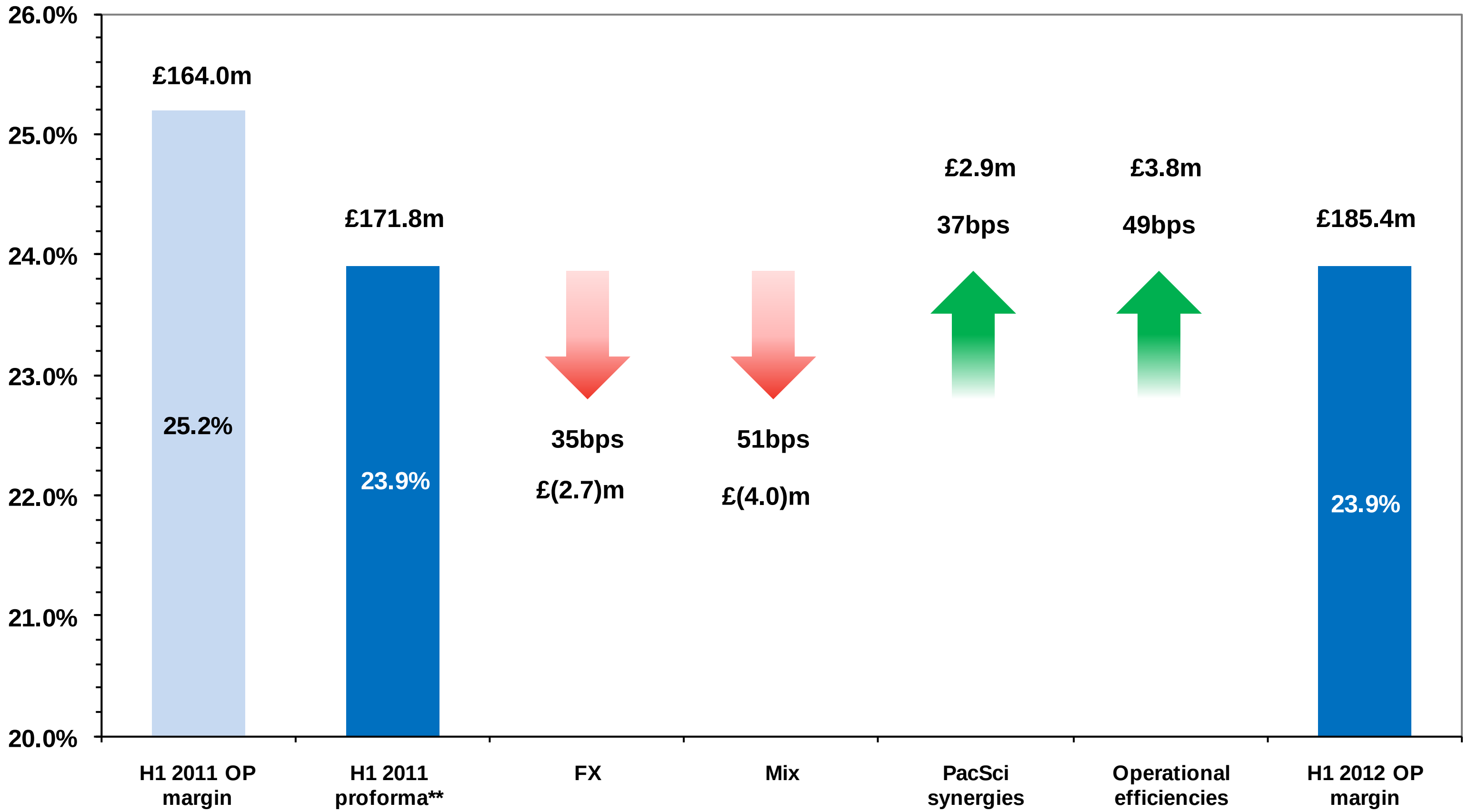
Divisional financials

Revenue 2012 £m	Revenue 2011 £m			Underlying Operating Profit 2012 £m	Underlying Operating Profit 2011 £m		Return on Sales 2012	Return on Sales 2011
145.1	147.0	*-1%*	Aircraft Braking Systems	54.0	53.0	*+2%*	37.2%	36.1%
104.6	93.9	*+11%*	Control Systems	26.7	24.3	*+10%*	25.5%	25.9%
91.4	79.8	*+15%*	Polymers & Composites	17.7	14.8	*+20%*	19.4%	18.5%
118.0	112.0	*+5%*	Sensing Systems	24.1	20.4	*+18%*	20.4%	18.2%
305.5	217.1	*+41%*	Equipment Group	65.6	51.5	*+27%*	21.5%	23.7%
11.4			*FX**	*(2.7)*				
776.0	**649.8**	*+19%*	**Total**	**185.4**	**164.0**	*+13%*	**23.9%**	**25.2%**
307.8	*285.1*	*+8%*	*Equipment Group Proforma***	*65.8*	*59.3*	*+11%*	*21.4%*	*20.8%*

*Adjusts divisional results from constant 2011 currency to H1 2012 actual rates
**Ownership of PacSci assumed since 1/1/11 (versus actual completion 21/04/11)

Underlying operating margin bridge
Driving continuous improvement



** Ownership of PacSci assumed since 1/1/11 (versus actual completion 21/04/11)

Cash flow
Reconciliation from underlying EBITDA

£m	2012	2011	Change
Underlying EBITDA	**221.3**	196.7	**+13%**
Working capital movement	(49.5)	(12.0)	
Capex	(32.2)	(19.2)	
Capitalised R&D and PPCs	(41.8)	(32.5)	
Underlying operating cash flow	**97.8**	133.0	**-26%**
Pension deficit payments	(11.0)	(9.9)	
Operating exceptionals	(7.7)	(8.5)	
Interest and tax	(40.8)	(39.9)	
Free cash flow	**38.3**	74.7	**-49%**
Dividends paid (net of scrip) & issue of share capital	(46.0)	(22.8)	
Mergers and acquisitions	2.5	(171.4)	
Net cash flow	(5.2)	(119.5)	

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Financing and covenants
Balance sheet strengthened further

£m	At 1 Jan 2012 at $1.55	FX	Other	At 30 Jun 2012 at $1.57
Total assets (excluding cash)	3,891.5	(34.0)	32.3	3,889.8
Retirement benefit obligations	(319.9)	1.3	1.6	(317.0)
Other liabilities	(989.9)	9.9	40.4	(939.6)
Capital employed	2,581.7	(22.8)	74.3	2,633.2
Net debt	(788.4)	14.1	(18.6)	(792.9)
Net assets	1,793.3	(8.7)	55.7	1,840.3
Covenant ratios				
Net debt/EBITDA (≤3.5x)	1.7x			1.6x
Interest cover (≥3.0x)	12.4x			13.4x

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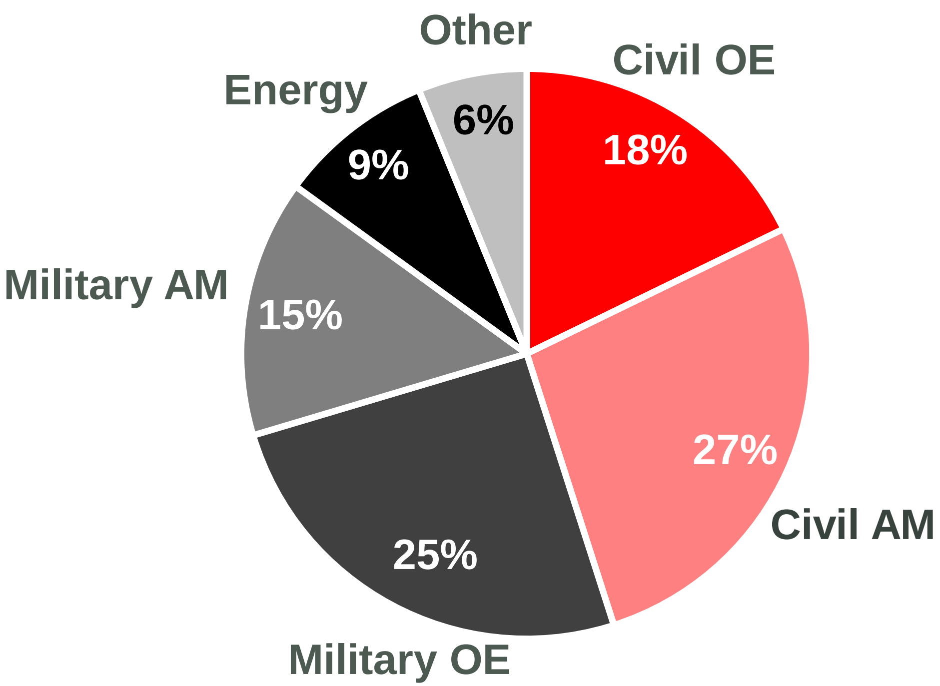
Group revenue by market
A diversified and well balanced portfolio

H1 2012 revenue £776.0m



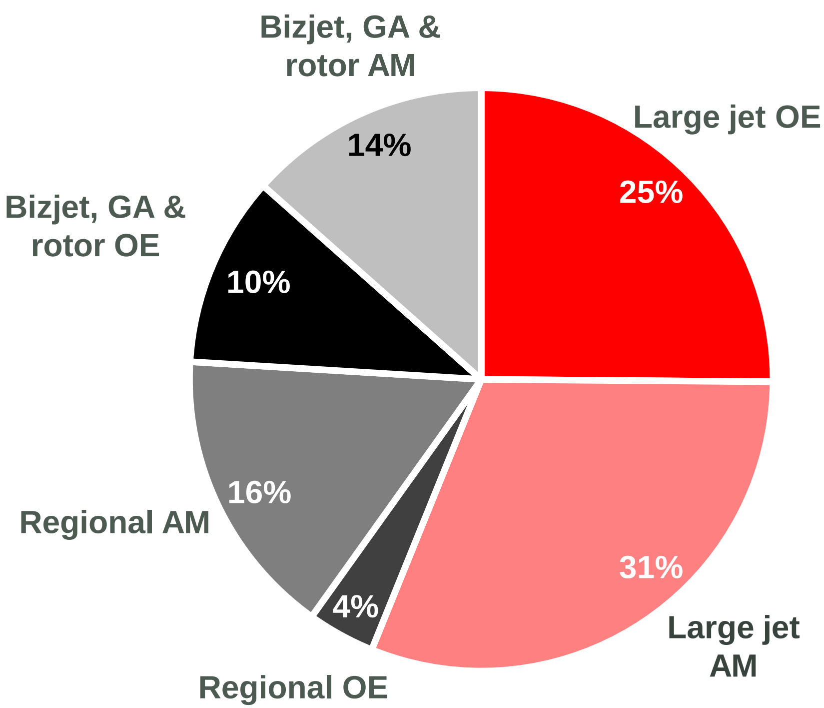
OE: 57%, aftermarket: 43%

	H1 2012 Growth (proforma**)
Civil OE	9%
Civil AM	1%
Total Civil	4%
Total Military	10%
Energy	30%
Other	2%
Total Group	8%

** Ownership of PacSci assumed since 1/1/11 (versus actual completion 21/04/11)

Civil aerospace
45% of total revenue

H1 2012 revenue £349.7m



OE: 39%, aftermarket: 61%

Future growth in civil underpinned by:

- Strong positions on in-production aircraft.
  - A380, 787, regionals, bizjets
- Good content on new platforms
  - Re-engined narrowbodies
  - A350
  - Bizjets
- Continued growth in ASKs
- Technology developments for future aircraft

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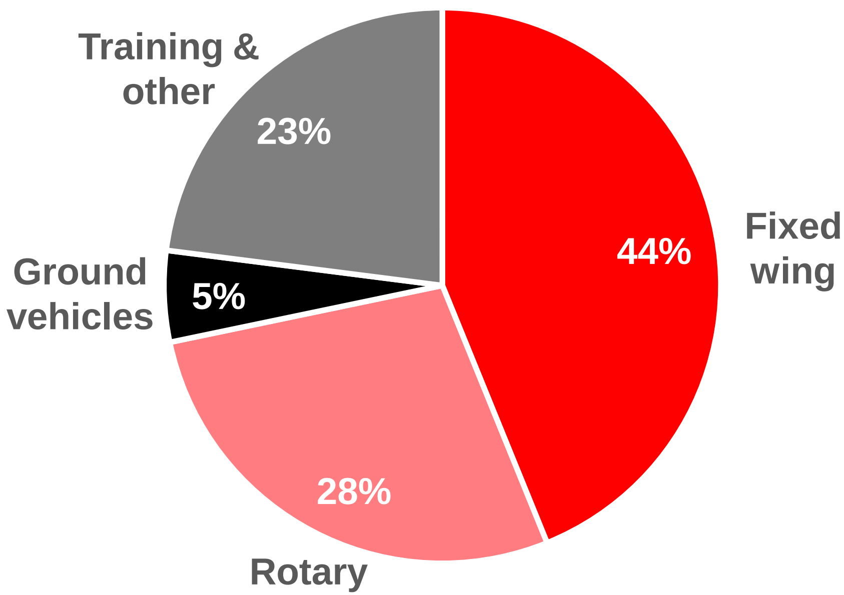
Military revenue
40% of total revenue

H1 2012 revenue £309.9m



OE: 63%, aftermarket: 37%

Military highlights:

- New multi-year contract with Sikorsky
  - Original Equipment outsourced by primes
  - Revenues to start in 2013
- Continued good progress fitting blastproof fuel tanks onto the Bradley fleet
  - Retrofit programme
  - One third of the fleet completed
- Growing content on the KC390 tanker programme
  - ATA26 fire protection system
  - Engine sensor package

US: 64%; Europe 24%, RoW 12%

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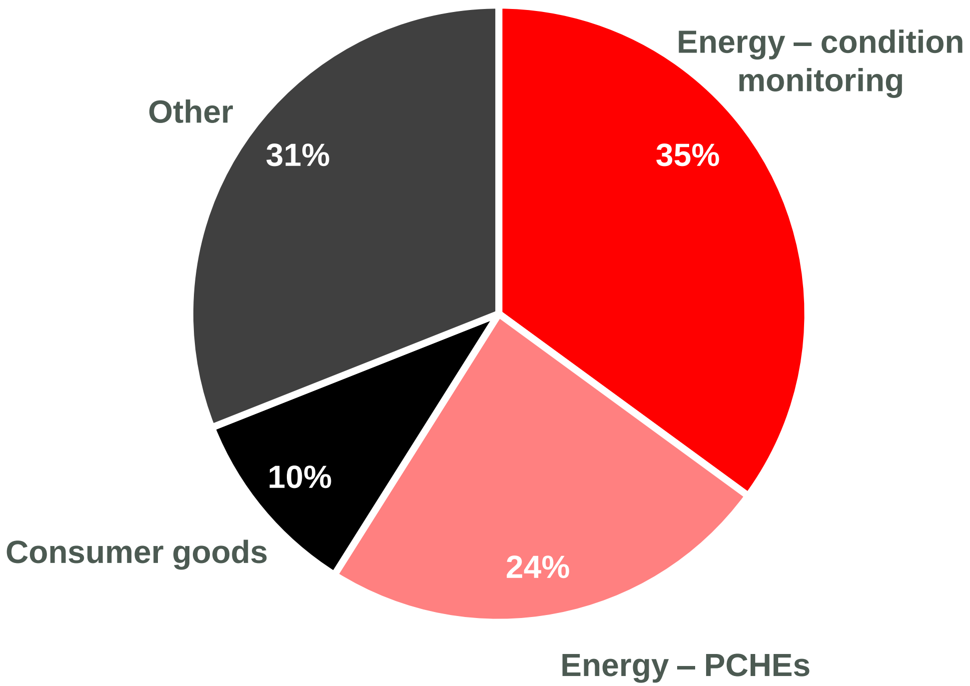
Energy & other markets
15% of total revenue

H1 2012 revenue £116.4m



Energy/other highlights:

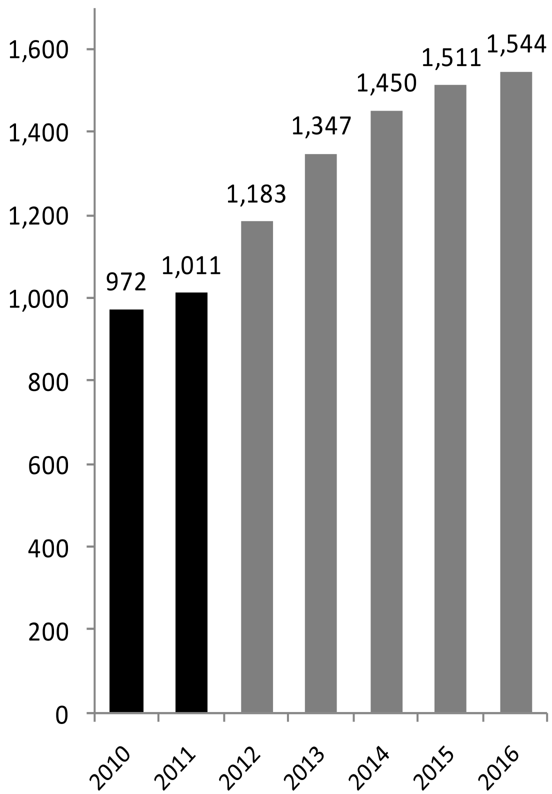
- Heatric order worth in excess of $100m for Petrobras Pre-Salt field off Brazil
- Heatric site expansion progressing on time and to cost
- Continued good growth in the provision of condition monitoring equipment
  - Original Equipment
  - Retrofit
- Revenue synergy – providing electrical actuation on large-frame turbine using equipment from MCS and PacSci

End market analysis & operational review

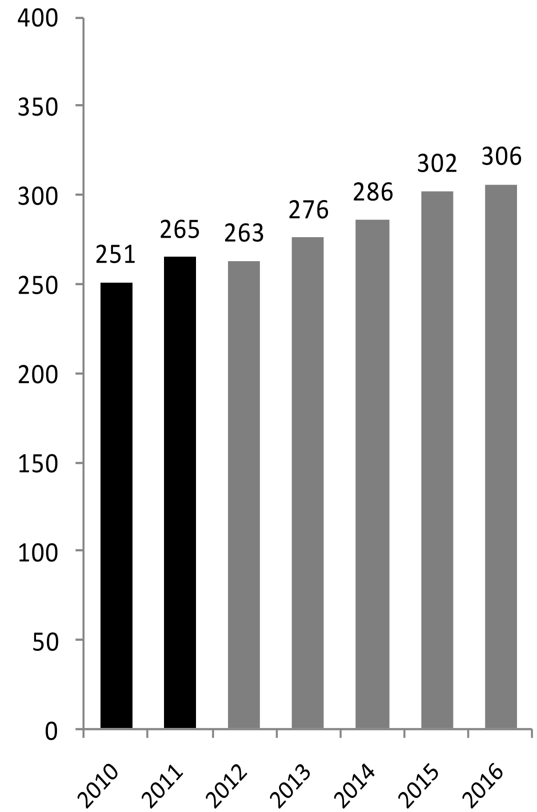
Terry Twigger – Chief Executive

Aircraft OE deliveries
Continued growth in all platform categories

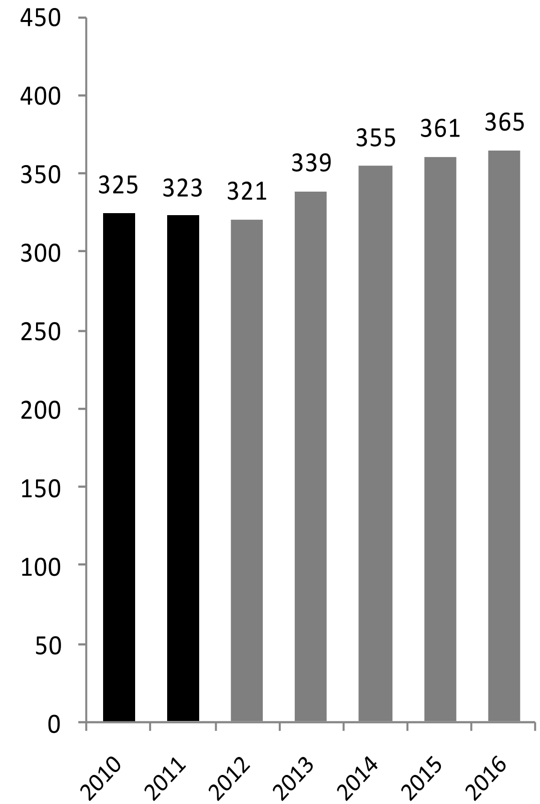
Large jet - 25% of civil revenues



Regional jet - 4% of civil revenues



Business jet - 10% of civil revenues (chart shows super-midsize & large only)



Source: Meggitt estimates

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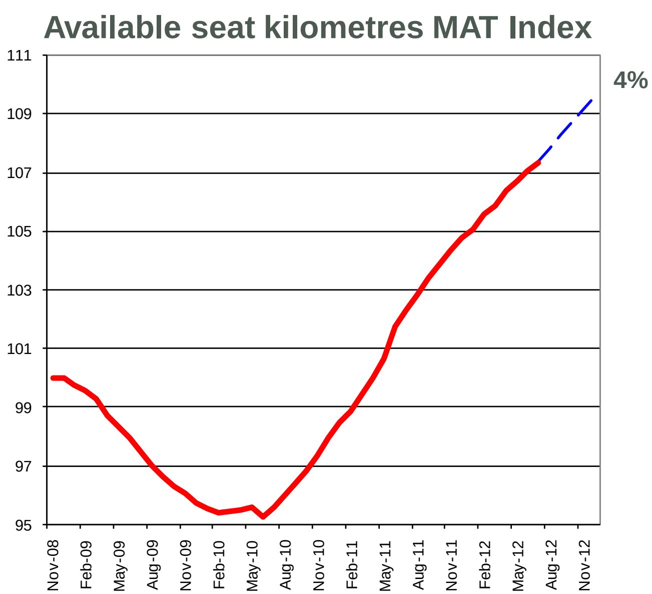
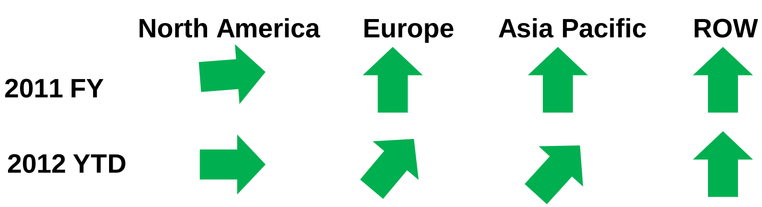
Civil aerospace aftermarket
Large jets, regionals and bizjets

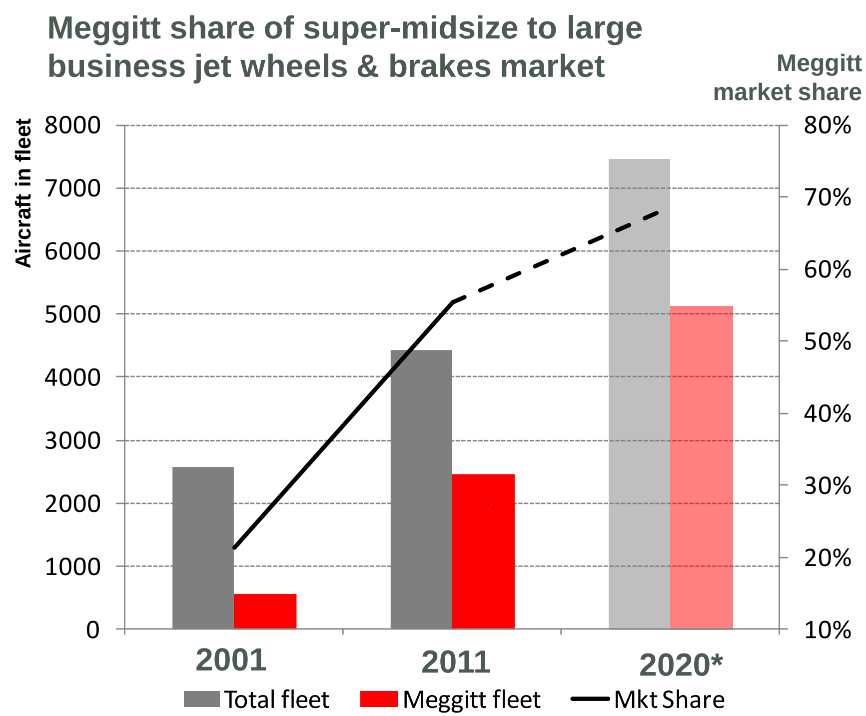
Large jet and regional aircraft aftermarket
47% of civil revenues





Source: Meggitt estimates

Business jet aftermarket
14% of civil revenues



Source: Meggitt estimates

*Meggitt estimate

Military
Resilience in uncertain times

Reasons for continued confidence

Strong production outlook and growing fleet	Growth in FY13 budget request	Retrofit opportunities	Outsourcing opportunities
» Eurofighter » P8-Poseidon » F35 JSF » KC390 » Rafale	» Apache – Request up 19% vs 2012 » P8-Poseidon – Request up 22% vs 2012 » F35 JSF – Request up 24% vs 2012	» Bradley Fighting Vehicle – Blastproof fuel tanks » M1 Abrams – Environmental cooling systems » Warrior – Ammunition handling	» Blackhawk – Shipset value up 30% » V-22 – Shipset value up 300% » Good potential on other rotary wing applications

- Impact of drawdown from Iraq & Afghanistan included in growth projections
- Substantial export potential not included
- Sequestration excluded from forecasts

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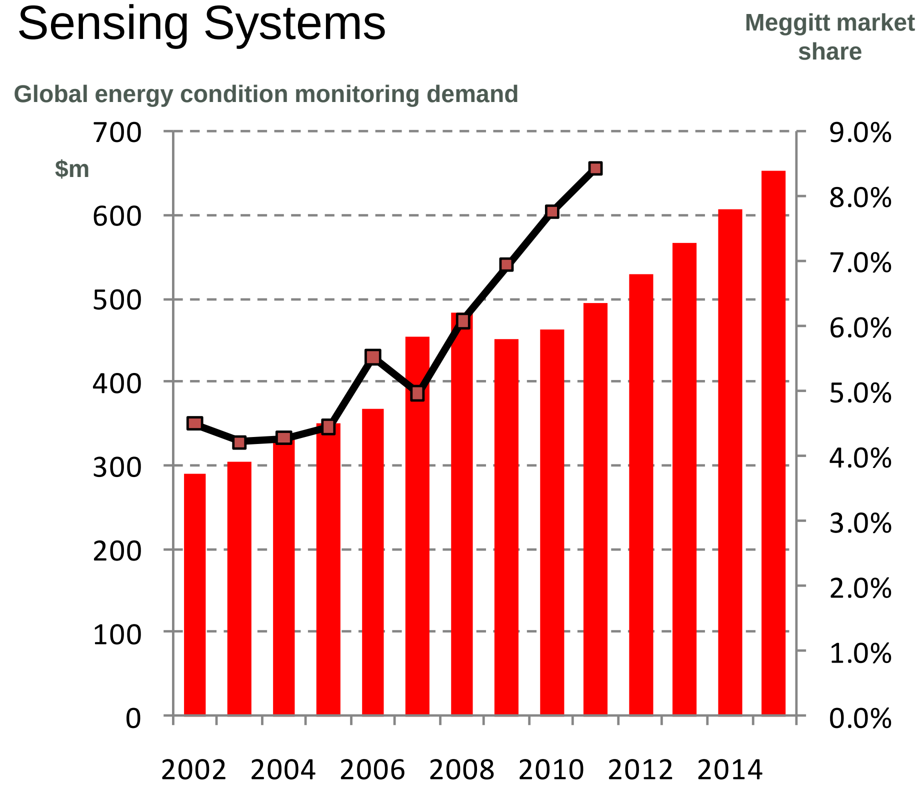
Energy markets
Growth opportunities

Printed circuit heat exchangers

- Petrobras Pre-Salt contract win worth in excess of $100m
  - Covers equipment for 8 vessels
  - Production plan suggests a further 19 vessels by 2020
- Shell future potential
  - Equipment ordered for “Prelude” vessel
  - Options in place for a further 3 vessels
- Further opportunities exist in:
  - Waste heat recovery
  - Distributed chemicals production
- These opportunities are all beyond the ‘core’ oil & gas market

Sensing Systems



Source: Frost & Sullivan/Meggitt estimates

- Growing market, growing share

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PacSci acquisition
Integration update

» PacSci trading in line with expectations

» Excellent progress being made on integration activities
  - All functional integration activities now complete
  - Roll-out of common ERP platform proceeding well
  - MRO capability expanded in Singapore & Miami

» Synergies in line with enhanced expectations ($22.5m run rate)
  - Co-location of fire detection and suppression well under way – complete H2 2013

» Early revenue synergies
  - Contracts secured in both civil aerospace and energy

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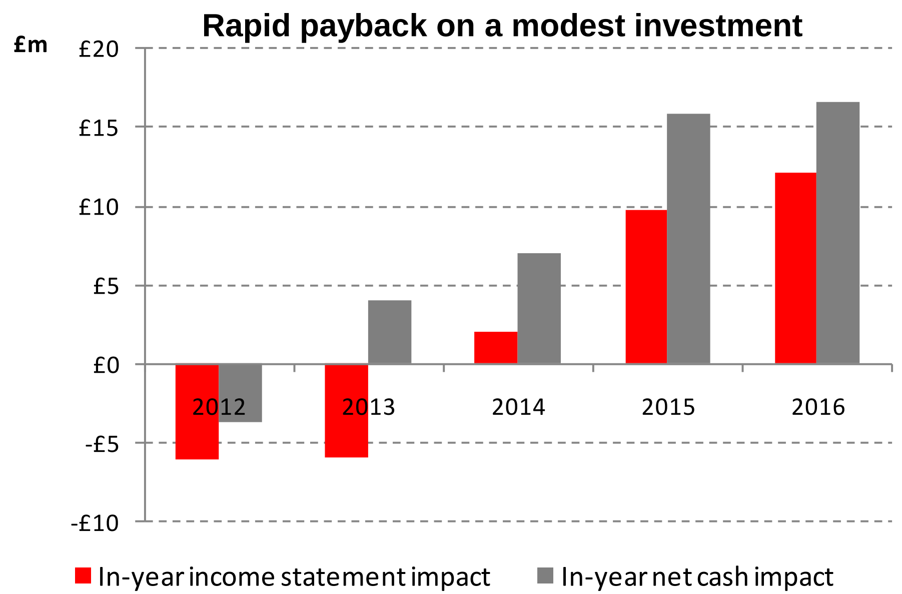
Raising the bar

» Embed continuous improvement:
  - Share best practice across the group
  - Improve quality and delivery
  - Enhance programme management capabilities



» Modest short term investment will also generate financial benefits
  - £10m profit benefit and >£15m cash benefit by 2015
  - Cash payback in first full year (2013)
  - Will drive enhanced organic growth

H1 2012 summary

- Strong revenue growth, particularly in Energy and Military
- Underlying PBT up 15%; underlying EPS up 14%
- Good contract wins in energy, military and civil aerospace
- Strong balance sheet – net debt to EBITDA 1.6x
- Excellent progress on PacSci integration
- Programme focused on driving future organic growth
- Half year dividend up 12.5%

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Outlook

- Civil aerospace market remains encouraging
  - Continued growth in large jet production
  - Business jet segment benefitting from market share growth
  - ASK growth remains robust despite softness in first half
- Energy – Very positive outlook
- Military – uncertain outlook but continuing opportunities
- PacSci cost synergies coming through, with revenue synergies to follow
- Further good growth in H2 and beyond

Appendices

1. Currency PBT impact
2. Operating exceptionals
3. Cash vs profit for investment activity
4. Shares in issue
5. Credit maturity profile/Balance sheet
6. Retirement benefit information
7. Group strategy
8. Typical Meggitt Control Systems programme life cycle
9. Air traffic history and forecast
10. Impact of shock events on traffic growth

Currency PBT Impact

	2010 Act	2011 Act	H1 2012 Act	H2 2012 Est	FY 2012 Est
$/£ rate					
Translation rate (unhedged)	1.54	1.60	1.58	1.60	1.59
Transaction rate (hedged)	1.65	1.65	1.66	1.66	1.66
CHF rate					
£ Translation rate (unhedged)	1.60	1.40	1.47	1.45	1.46
$ Transaction rate (hedged)	1.13	1.06	0.90	0.90	0.90
PBT impact £m					
Year-on-year translation			1.7	(3.3)	(1.6)
Year-on-year transaction			(4.8)	(3.6)	(8.4)
Year-on-year currency benefit/(headwind)			(3.1)	(6.9)	(10.0)

2012 currency sensitivity: ± 5 cents = ± £9m PBT

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Operating exceptionals

£m	2012 H1 Act at $1.58	2012 FY Est at $1.59	2013 FY Est at $1.60
P&L charge			
Transformation	-	-	-
Site consolidations	4.6	11.5	9.5
PacSci integration	2.4	5.2	4.4
PacSci acquisition	-	-	-
Other	0.3	1.0	-
Total	7.3	17.7	13.9
Cash out			
Transformation	0.4	0.4	-
Site consolidations	3.8	11.5	9.5
PacSci integration	3.2	6.0	5.0
PacSci acquisition	-	-	-
Other	0.3	0.6	-
Total	7.7	18.5	14.5

Cash vs profit for investment activity

£m	H1 2012 at $1.58	FY 2012 est at $1.59	FY 2013 est at $1.60
1.R&D			
Total expenditure	59.8	131.6	138.1
Less: customer funded	(10.7)	(27.2)	(28.6)
Company spend	49.1	104.4	109.5
Capitalised	(24.3)	(52.2)	(55.8)
Amortised	5.7	11.6	17.5
Income statement	30.5	63.8	71.2
2.Programme participation costs			
Capitalised	17.2	38.0	40.0
Amortised	11.1	23.0	25.8
3.Fixed assets			
Capitalised	31.0	80.0	75.0
Depreciation/amortisation	19.1	43.6	51.4
4.Retirement benefit deficit reduction payments	11.0	29.0	40.0*

*The significant driver will be the 2012 UK actuarial valuation that will impact 2013. This is a provisional estimate.

Shares in issue

Shares in millions

	2011 FY	2012 H1	2012 FY Est	2013 FY Est
Opening	698.0	778.8	778.8	784.8
Scrip/other *	11.0	3.5	6.0	3.5
Placing	69.8			
Closing	778.8	782.3	784.8	788.3
Average	769.7	779.8	781.7	786.6

* Assumes no further take up of scrip in 2012 and options exercised as per 2011

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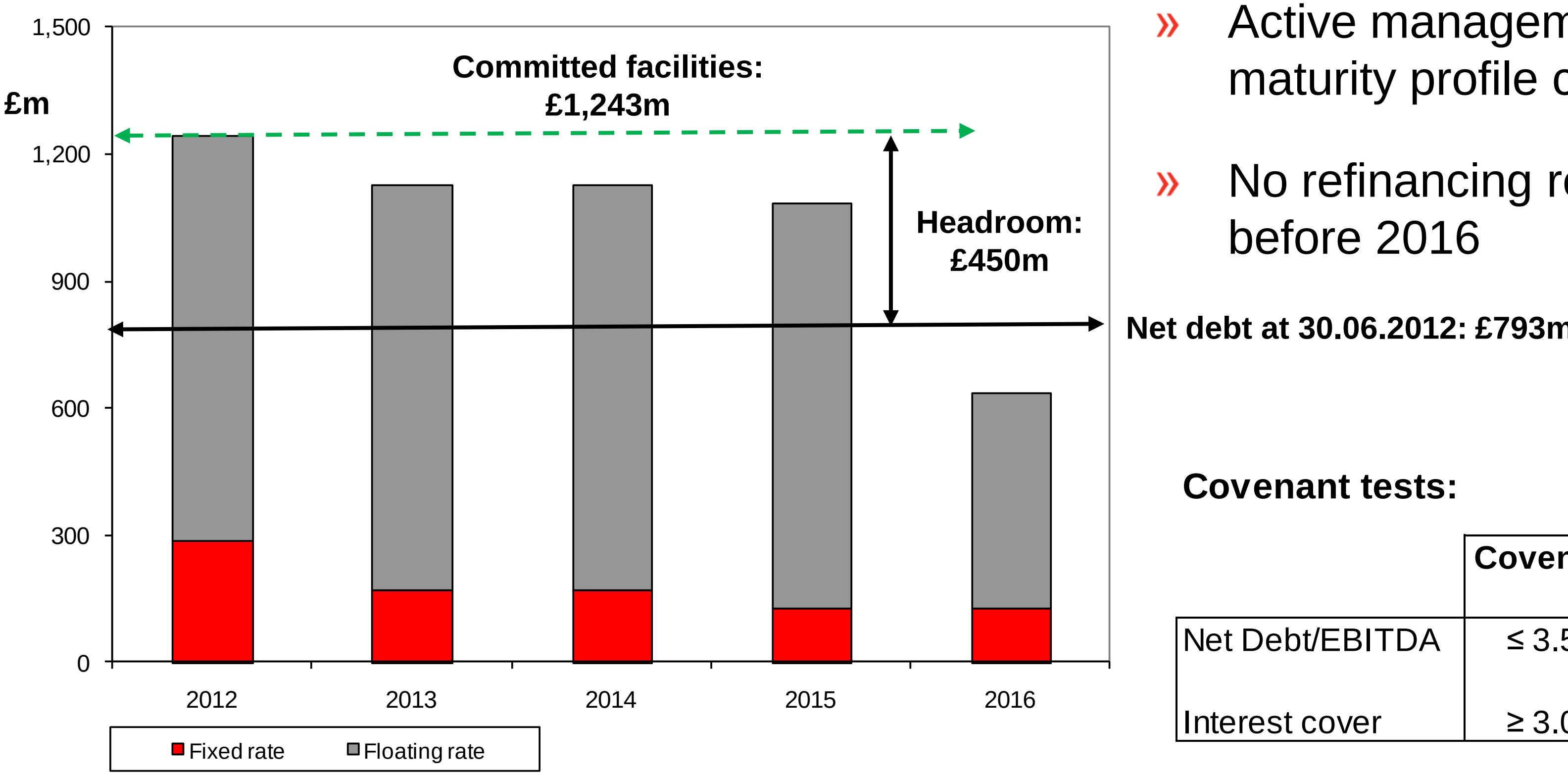
Credit maturity profile/Balance sheet*



- » Active management of maturity profile continues
- » No refinancing required before 2016

Covenant tests:

	Covenant	Actual
Net Debt/EBITDA	≤ 3.5x	1.6x
Interest cover	≥ 3.0x	13.4x

***Following July 2012 refinancing**

Retirement benefit information

£m	Jun-11	Dec-11	Jun-12
Opening deficit	(265.1)	(265.1)	(319.9)
Net deficit payments	9.9	26.2	11.0
Actuarial movements - assets	(6.7)	(25.2)	4.4
Actuarial movements - liabilities	(2.8)	(51.4)	(11.3)
	(9.5)	(76.6)	(6.9)
Other movements	2.7	(4.4)	(1.2)
Closing deficit	(262.0)	(319.9)	(317.0)
UK discount rate	5.50%	4.70%	4.70%
US discount rate	5.25%	4.65%	4.10%

Group strategy

Our Mission is to

Deliver sustainable upper quartile returns through focused leadership positions in aerospace, defence & energy markets

Our Vision is to

Be a leading provider of smart engineering for extreme environments

Our Group Strategy is to

Focus on components and sub-systems operating in harsh environments	Invest in products with high technology content and aftermarket value	Deliver growth through organic investment and acquisition

Our Group Objectives are to

Deliver innovation

- Invest in leading edge technologies
- Strengthen our markets and technologies though organic investment and acquisitions

Achieve operational excellence

- Continuously improve our cost, quality and delivery
- Optimise our manufacturing footprint
- Strengthen our functions
- Shared services & best practice

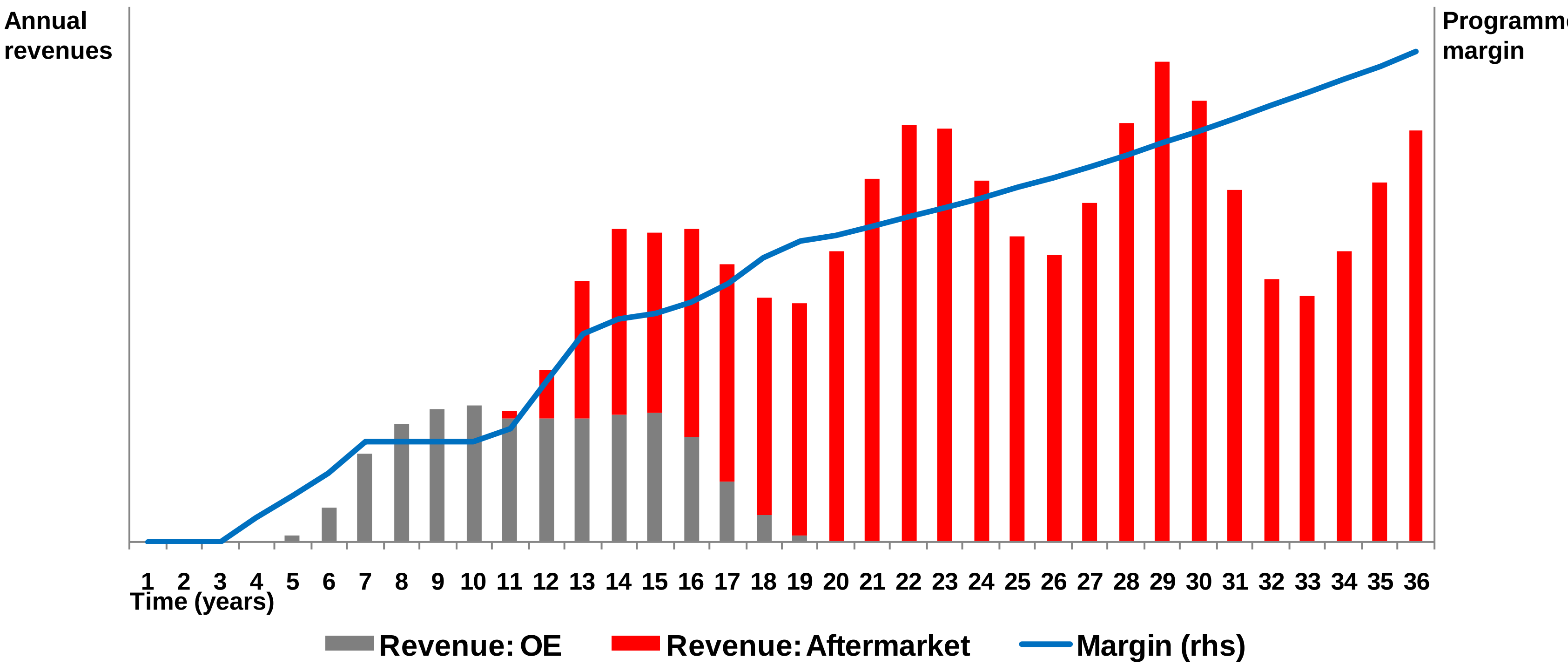
Satisfy our customers

- Strengthen our partnerships with customers
- Be easier to do business with
- Improve our service levels

Maintain a culture of strong & ethical performance

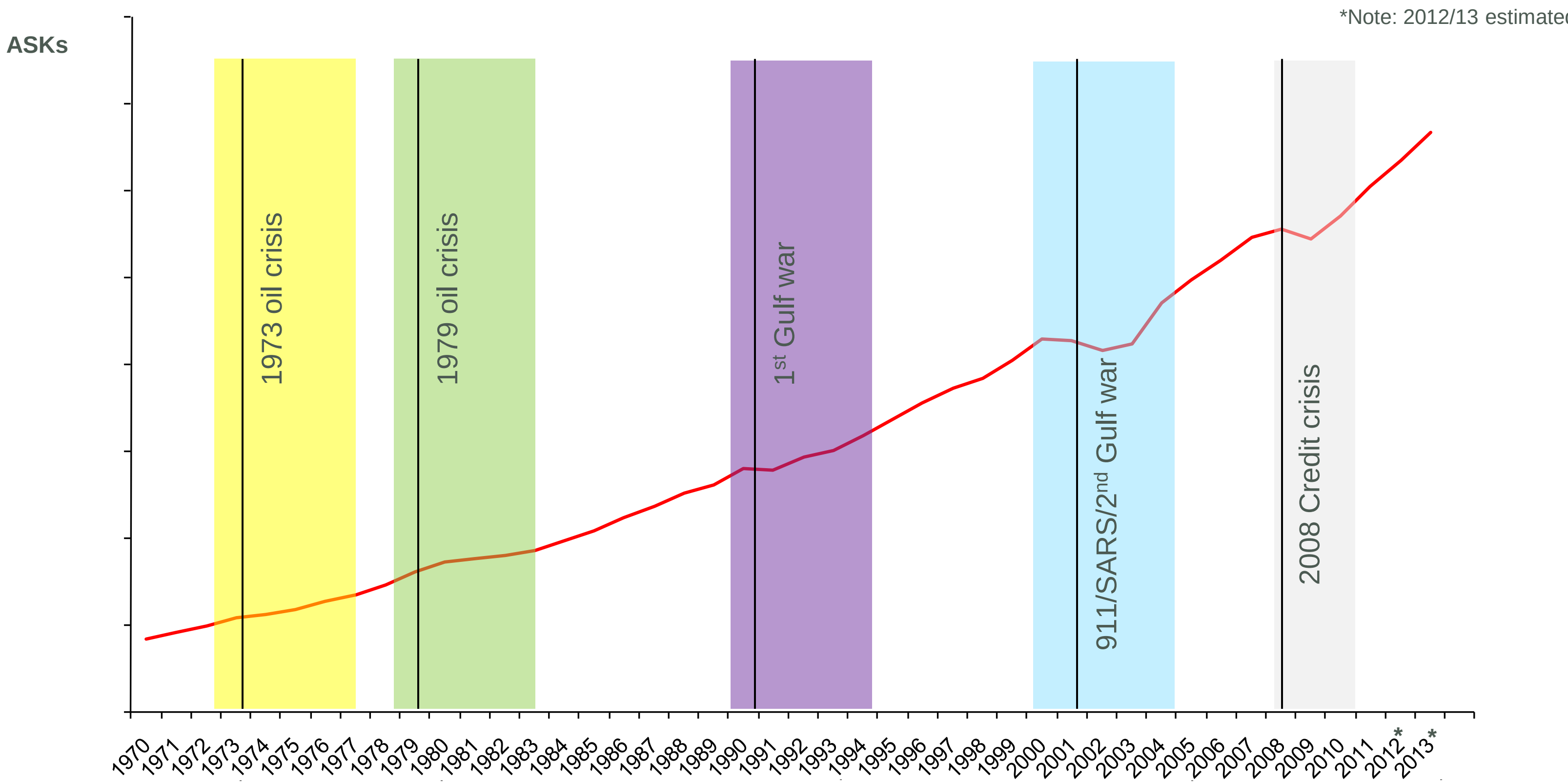
- Deliver against targets
- Leadership development
- Financial rigour
- High standards of compliance

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 1970-2013*

Source ICAO – worldwide traffic, international & domestic

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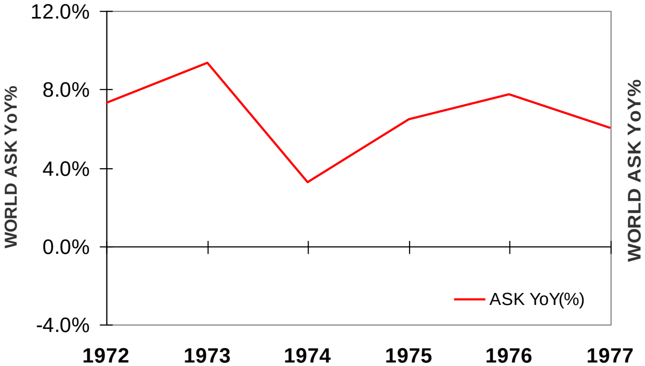
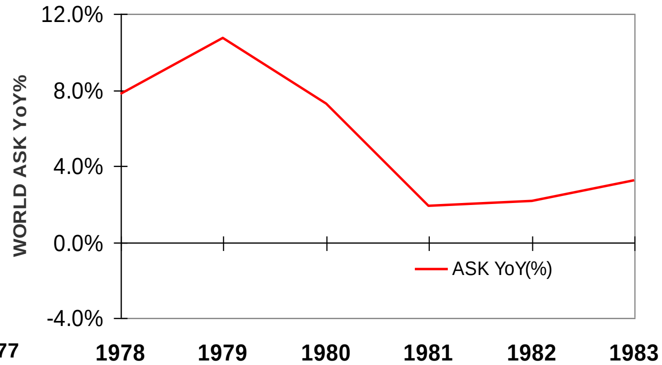
Impact of ‘shock’ events on traffic growth

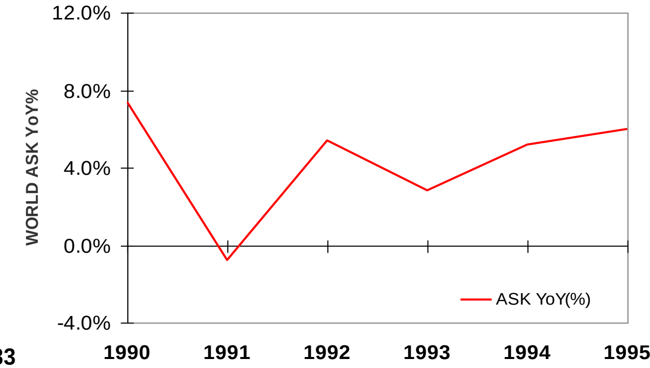
1973 Oil Crisis



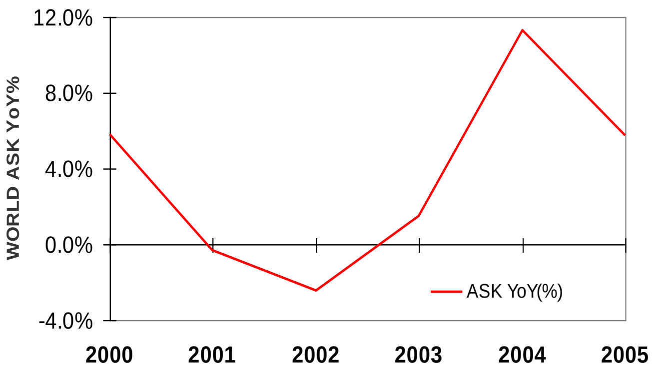
1979 Oil Crisis



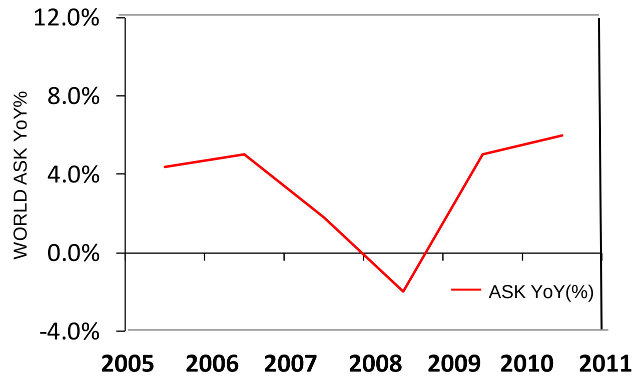
1991 First Gulf War



2001 9/11, SARS and Second Gulf War



2008 Credit crisis



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