

MEGGITT PLC

Interim Presentation
For the 6 months ended 30 June 2009
4 August 2009



MEGGITT
smart engineering for
extreme environments

2009 First half summary

- Good performance in a challenging environment, helped by currency
- Revenues up 11%
- Military revenues up 31%; civil revenues flat; other markets up 2%
- Underlying operating profit up 4%; underlying EPS up 1%
- Order book down 2% at constant exchange rates
- Free cash inflow up 93%
- Net debt down 15% to £895m; 2.5x EBITDA
- Interim dividend maintained at 2.7p

Responding well to challenging markets

- ▶ Significant proprietary technology and sole source positions
- ▶ Balanced portfolio (43% military; civil 43%; 14% other markets)
 - Military demand remains healthy
 - Civil air traffic declining by 5% to 6% in 2009 – flat to recovering in 2010
 - Civil markets affected by cancellations and destocking
 - Other markets mixed
- ▶ £50m cost reduction plans by 2010 ahead of schedule; 2009 target raised to £25m
- ▶ Sound financial position

Income statement

£m	Reported	Adj	Underlying			Adj	Reported
	2009		2009	2008	Growth		2008
Revenue	586.4	-	586.4	526.6	+11%	-	526.6
Operating profit	128.6	12.2	140.8	135.5	+4%	33.8	101.7
Net finance costs	(28.5)	-	(28.5)	(25.9)		-	(25.9)
Profit before tax	<u>100.1</u>	<u>12.2</u>	<u>112.3</u>	<u>109.6</u>	+2%	<u>33.8</u>	<u>75.8</u>
Tax	(25.5)	(5.9)	(31.4)	(30.7)		(12.4)	(18.3)
Profit after tax	<u>74.6</u>	<u>6.3</u>	<u>80.9</u>	<u>78.9</u>		<u>21.4</u>	<u>57.5</u>
EPS	11.1p	1.0p	12.1p	12.0p	+1%	3.3p	8.7p
Dividend	2.7p		2.7p	2.7p			2.7p

Segmental analysis

£m

Revenue				Underlying Operating Profit			Return on Sales %	
2009	2008	change		2009	2008	change	2009	2008
384.9	351.3	+10%	Aerospace Equipment	111.3	104.5	+7%	28.9%	29.7%
		-11%	<i>Constant FX</i>			-17%		
129.2	122.2	+6%	Sensing Systems	19.8	22.6	-12%	15.3%	18.5%
		-11%	<i>Constant FX</i>			-23%		
72.3	53.1	+36%	Defence Systems	9.7	8.4	+15%	13.4%	15.8%
		+11%	<i>Constant FX</i>			+1%		
<u>586.4</u>	<u>526.6</u>	+11%	Total	<u>140.8</u>	<u>135.5</u>	+4%	<u>24.0%</u>	<u>25.7%</u>
		-9%	<i>Constant FX</i>			-17%		

NB Appendix 2 provides detail on currency impact

Cash flow

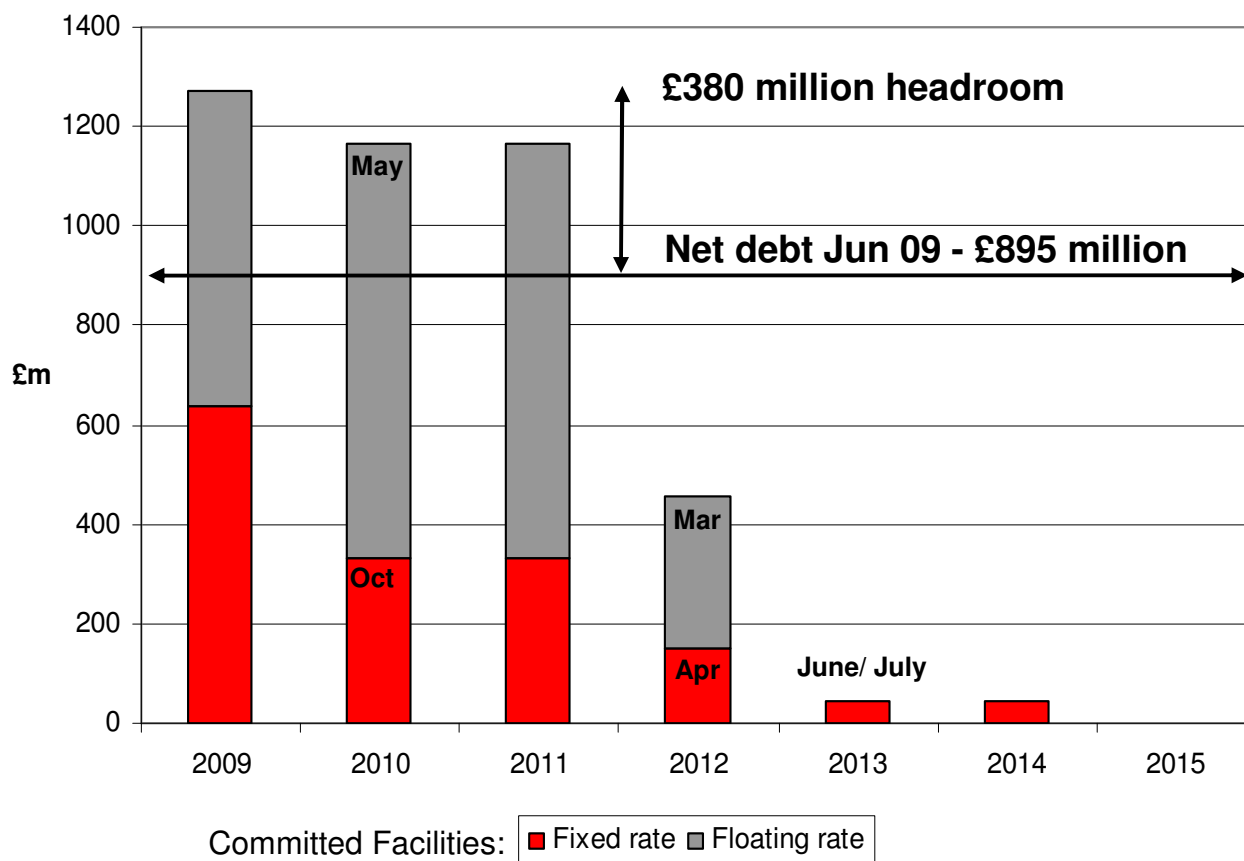
£m	2009	2008	% change
EBITDA	169.5	156.5	+8%
Working capital movement	(17.5)	(35.5)	
Capex	(14.6)	(22.8)	
Capitalised R&D and PPC's	(32.0)	(24.7)	
Operating cash flow	105.4	73.5	+43%
Interest and tax	(45.0)	(36.5)	
Pension deficit payments	(11.1)	(8.8)	
Operating exceptionals	(12.7)	(9.2)	
Free cash flow	36.6	19.0	+93%
Dividends and issue of share capital	(20.0)	1.8	
Mergers and acquisitions	0.4	10.6	
Net cash flow	17.0	31.4	-46%

Balance sheet

£m	At 1 Jan 2009	FX	Other	At 30 Jun 2009
Total assets (excluding cash)	3,502	(342)	(41)	3,119
Retirement benefit obligations	(241)	22	(23)	(242)
Other liabilities	(927)	76	89	(762)
Capital employed	<u>2,334</u>	<u>(244)</u>	<u>25</u>	<u>2,115</u>
Net debt	(1,048)	136	17	(895)
Net assets	<u>1,286</u>	<u>(108)</u>	<u>42</u>	<u>1,220</u>

Balance sheet is strong

Maturity profile of credit facilities:



Covenant tests:

	<u>Per bank agreements</u>	
	<u>Covenant</u>	<u>Actual</u>
Net debt/ EBITDA	≤ 3.5x	2.5x
Interest cover	≥ 3.0x	7.1x

Appendix 4 outlines covenant principles. Summary:

- Calculations are based on 'frozen' UK GAAP as defined by credit agreements
- Exchange rates used in debt and EBITDA calculations based on trailing 12 month average

Good covenant (Net debt/EBITDA) headroom

		<i>EBITDA (before exceptionals)</i>				
			-10%	-20%	-30%	
Net debt (FX sensitivity)	Avge \$1.75	2.3	2.6	3.0	3.5	(-30% EBITDA ≤ 3.5x)
	Avge \$1.50	2.4	2.7	3.1	3.6	(-28% EBITDA ≤ 3.5x)
	Avge \$1.25	2.5	2.8	3.2	3.8	(-25% EBITDA ≤ 3.5x)

Ratios calculated in accordance with credit agreements.

Sensitivity scenario assumes that 12 months ended June 2009 results in currency are repeated in 12 months ended June 2010.

This is for illustrative purposes only and is not a forecast.

Aerospace Equipment update

Multiple programme wins for military and commercial markets

- Civil wheel and braking systems wins, including Bombardier CRJ1000 and CSeries
- Fire detection and extinguishing system (ATA 26) on Bombardier's new Learjet 85
- Over \$100m of orders at EFC

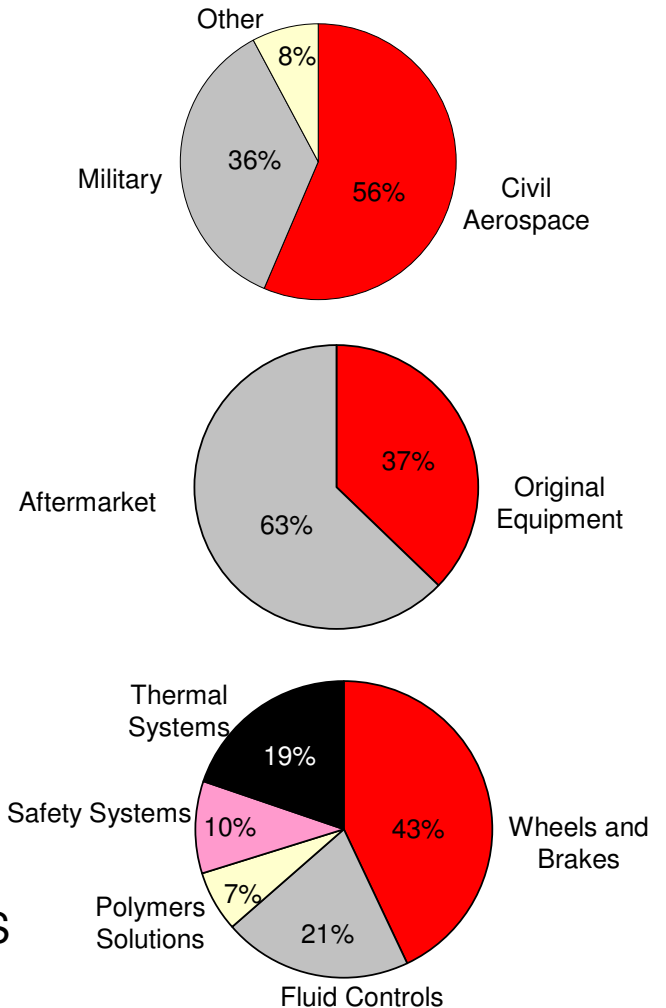
Investment in new technologies and sub-systems

- Ebrake[®] wheel and braking technology
- Lightweight seals being patented
- Gearbox-brake system technology

Customer recognition

- Third consecutive Gulfstream supplier of year for MABS

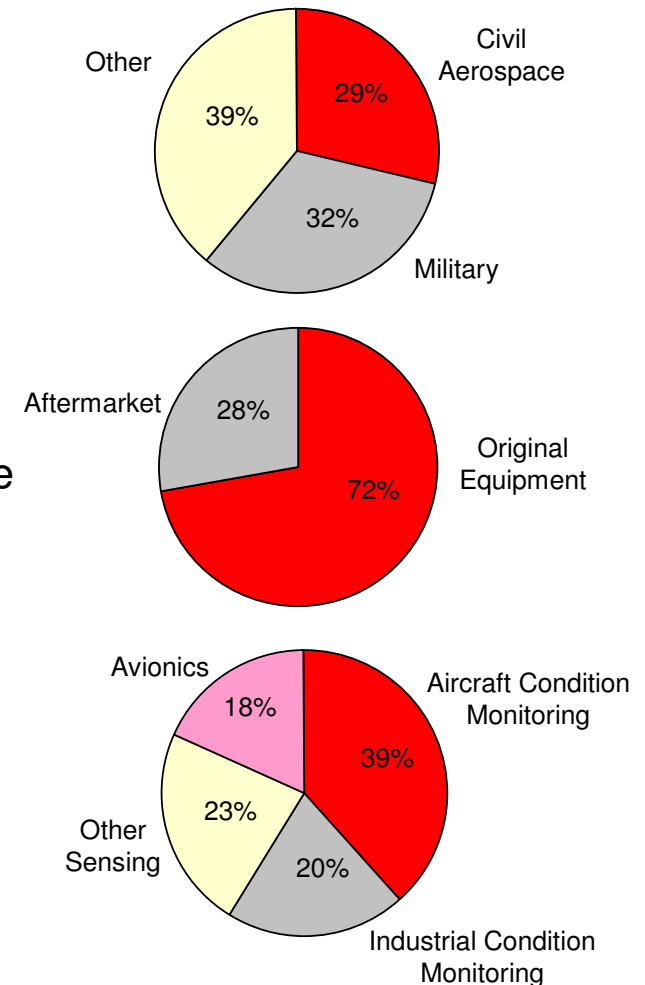
H1 2009 Revenue Breakdown



Sensing Systems update

- ▶ Ongoing civil programme wins
 - Tier 1 multiple sensors package, inc. fuel flow, for Pratt & Whitney PurePower™ PW1000G geared turbofan engine
 - Inertial sensors and LVDTs for Airbus A350 XWB
 - DMAUs for Eurocopter
- ▶ Investing in technologies and sub-systems
 - Engine qualification of Tier 1 sensors and ignition package for Rolls Royce BR725 engine
 - Second fuel gauging customer secured
- ▶ Expanding in energy markets
 - Energy revenues increased by over 30% in first half
 - Next generation condition monitoring product (InSight) to be launched in second half 2009

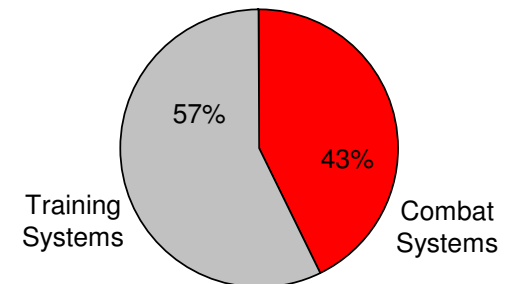
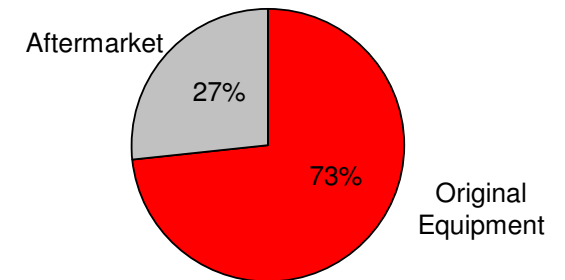
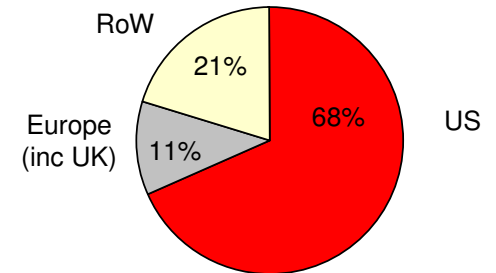
H1 2009 Revenue Breakdown



Defence Systems update

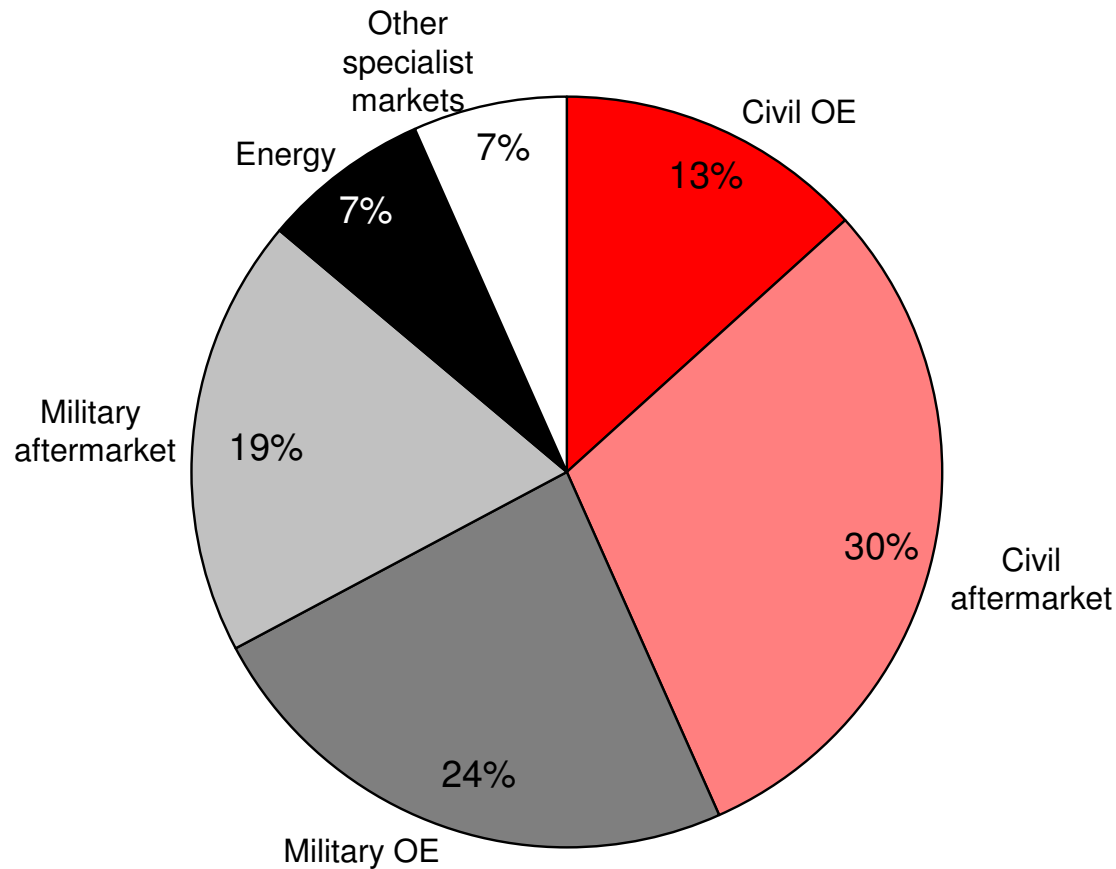
- **New training orders**
 - Extended combat trainer program for MoD
 - High % capture of US army targetry systems (ATS)
 - Small arms training for US army national guard
- **Growing international presence**
 - Middle East office opened
 - Small arms training for UAE land forces and navy
 - Integrated marksmanship trainer contract for Singapore army
- **Strong demand for combat systems**
 - Follow on contract for M1A2SEP Abrams TMS
 - Environmental control unit for the F/A-18E/F Super Hornet fighter Infra Red Search and Track (IRST) system
 - Further development to extend application of linkless feed ammunition handling system to 35mm and 40mm calibre

H1 2009 Revenue Breakdown by destination



Group H1 2009 revenue – A balanced portfolio

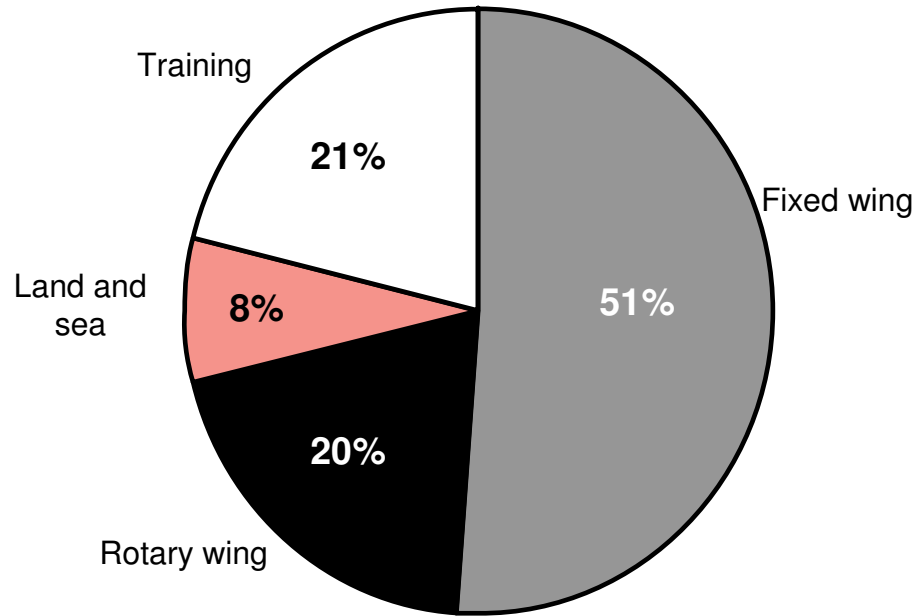
Revenue by market segment
£586.4m



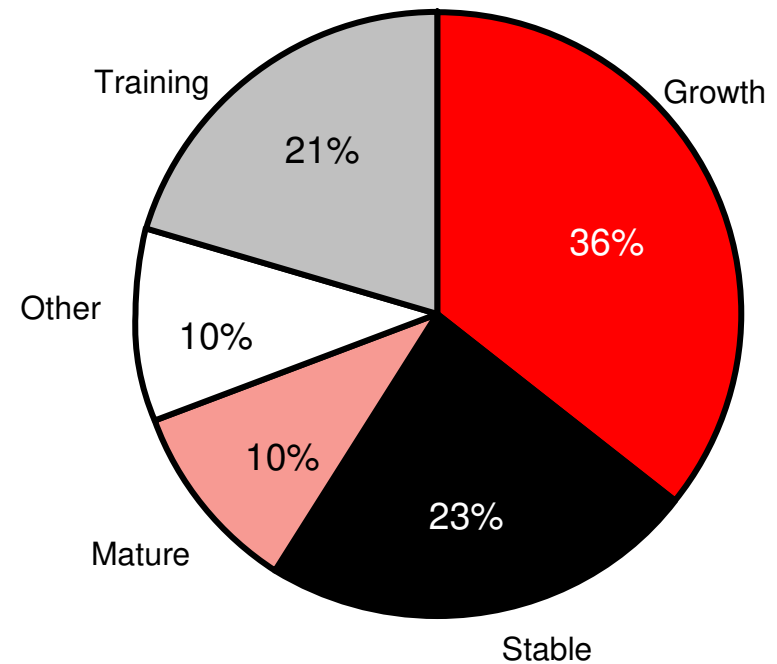
Military H1 2009 – 43% of Group revenues

£251.1m

Estimated military revenues by market segment



Estimated breakdown of military revenue across lifecycle



Strong positions on military platforms

- Wide exposure to secure growth and stable platforms
 - Positions on key high growth aircraft
 - Well positioned for equipment reset
 - Positions across all divisions



Typhoon



F-35 Lightning



V-22 Osprey



C-130/J



Black Hawk



Abrams



KC-135



Apache



Chinook

- Positioning for future opportunities – new platforms and upgrades
 - Investing in new technologies and extending capabilities



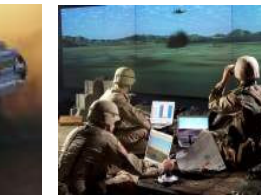
Gearbox-brake system
MULE / FCS



E-Brake
Mantis UAV



Ammo Handling



Training

Developing our training systems globally

- ▶ Strong competitive positions
 - Leader in combined live fire/virtual US range training
 - In partnership with Lockheed Martin, developing convoy training simulators for US army
 - US Forces forward air control training
- ▶ Growing international presence
 - System of record for marksmanship, small arms and small unit training for UK MoD; Australian and Canadian Defense Forces; US Marine Corps; Indonesian and Singaporean Armies
 - Provider of training and targets to 42 countries
 - Forward air training in five countries
- ▶ Developing global homeland security opportunities
 - Positioned for growth in coastguard training
 - Successfully launched next generation XVT virtual training system for US and Australian markets



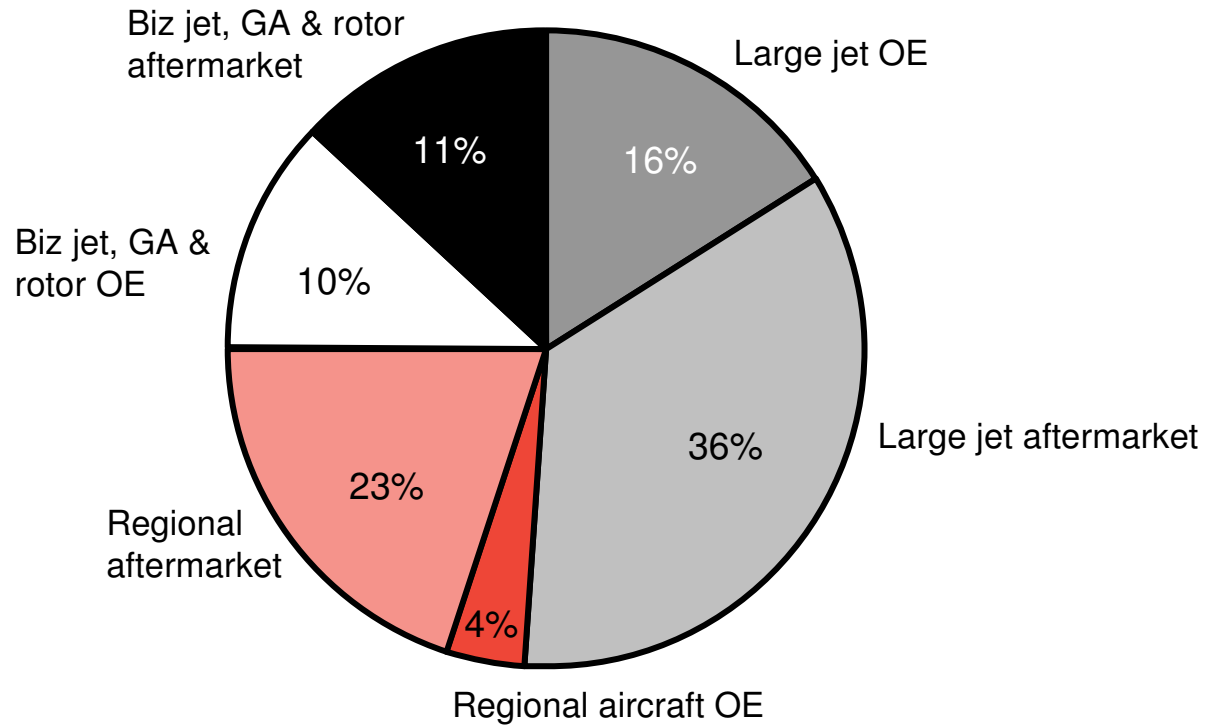
A significant and growing military business

- Good balance across all divisions and across platform segments
- Stable growth base throughout next decade supported by excellent content on new fighters and rotary wing platforms
- Involved in technology demonstrators - opportunity to transfer development technology into retrofit options
- Well positioned to capture funding for reset and repair, especially on helicopters and vehicles
- Post Iraq training funding opportunities
- First half growth 8% in constant currency



Civil aerospace - 43% of total revenues

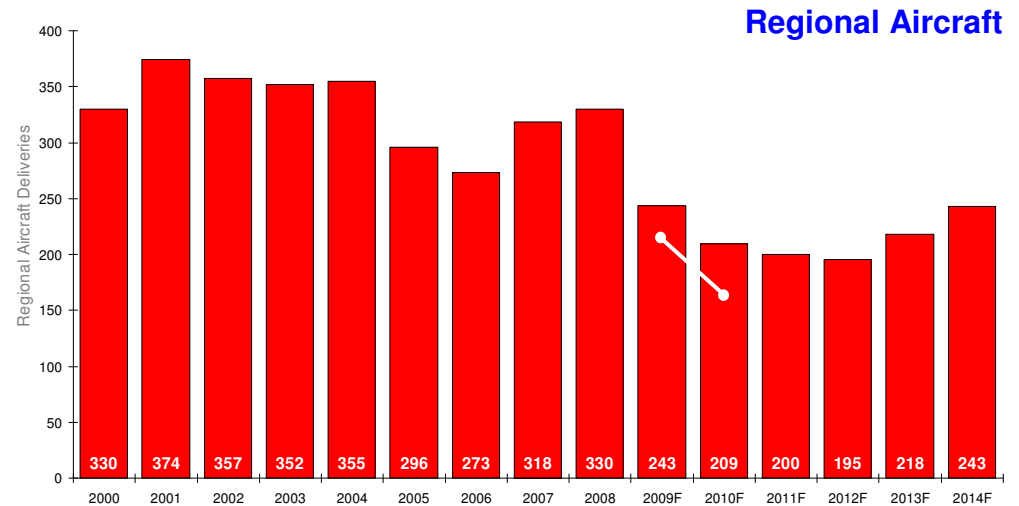
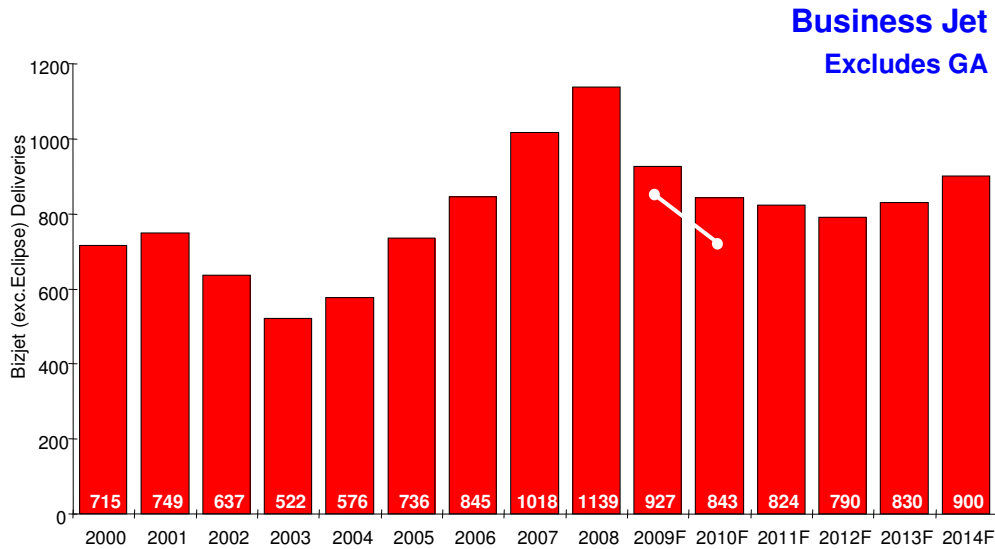
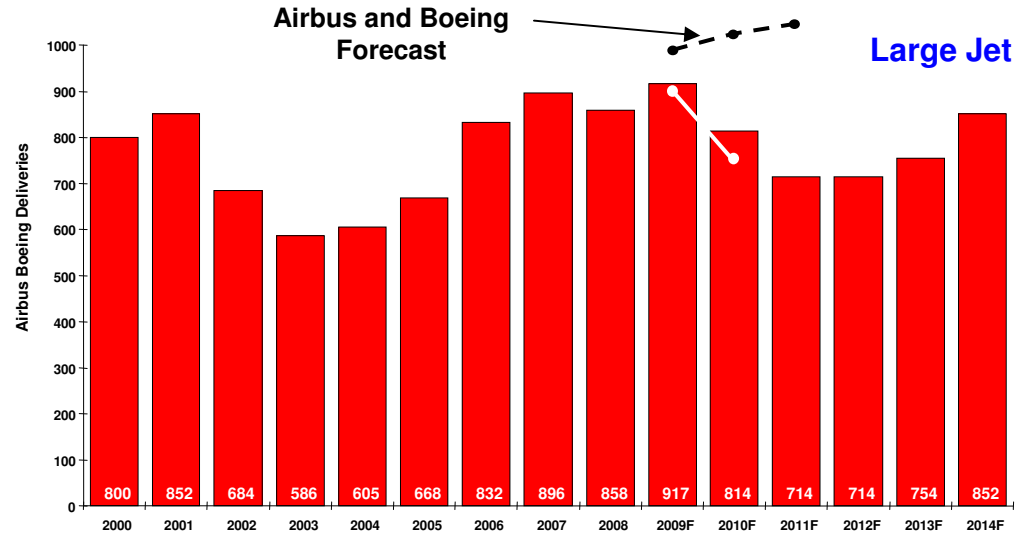
Civil revenues by market segment

£254.1m



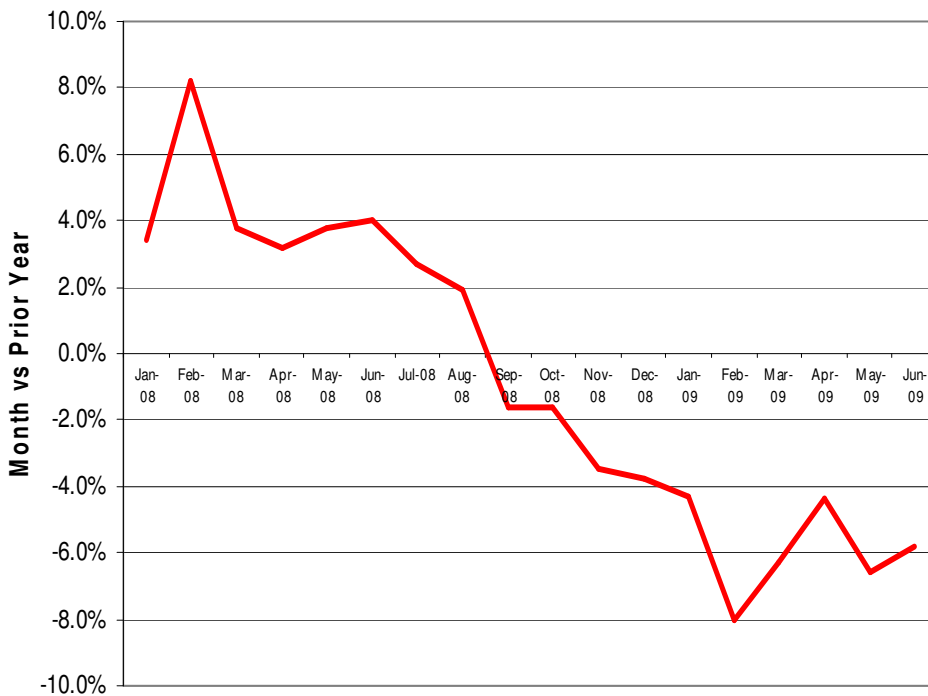
Aircraft OE deliveries

-  Meggitt cost plan
-  Meggitt view of consensus forecasts



Civil aftermarket

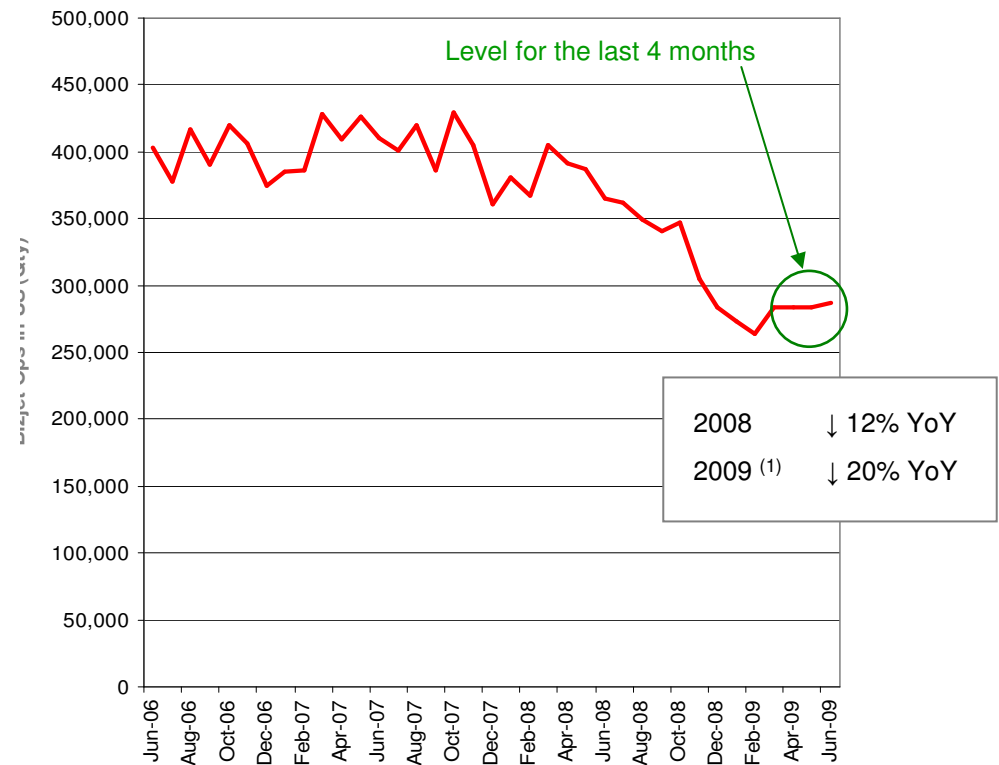
Estimated Monthly Change in ASK's*



Source: IATA/RITA/ Meggitt management estimates

* Available Seat Kilometres

Business Jet Landings (excludes GA)



Source: FAA ETMSC Database / Meggitt management estimates

Note: (1) Meggitt cost plan

Civil market summary

- ▶ Decline in civil OE market in line with expectations
 - Airbus and Boeing holding deliveries
 - Delivery rates now stabilising for regional jets and bizjets
- ▶ ASKs down 6% as anticipated
 - Bizjets impacted the worst
 - Better year on year comparisons in second half
- ▶ More civil destocking than expected
 - Customers holding less stock
 - Lower utilisation rates in aftermarket
- ▶ Offset by
 - Currency benefits
 - Growth in the military market
 - Aggressive cost cutting

Cost reduction plans ahead of schedule

- ▶ Confident in delivering £50m run rate by end 2010
 - £5m from executive pay freeze, benefits and travel
 - £25m from factory direct and indirect headcount
 - £20m from management and administration

- ▶ Savings of £25m expected in 2009
 - Ahead of £20m scheduled

- ▶ £10m savings delivered in first half
 - Exec pay frozen, UK pensions and US medical benefit changes implemented
 - Headcount reduced by 655, including 513 from production
 - Further 100 FTE on short time working

Ongoing operational improvements

- ▶ Supply chain sourcing initiatives
 - Producing incremental savings of £11m pa
- ▶ K&F synergies on track
 - Cumulative £18m pa 2009 savings identified; on track for £22m in 2010
 - Headcount reduced by 197 from June 2007 acquisition date
- ▶ Low cost manufacturing initiatives in Mexico and China
 - Wheels & brakes, polymers and ground fuelling
 - Second facility in Mexico and third facility in China opened



Xiamen



Queretaro

MEGGITT

Summary and outlook

- As expected, good first half performance, helped by currency
- Market outlook in line with expectations
 - Military demand will remain healthy
 - Civil air traffic declining in 2009 with some destocking but projected flat/recovery in 2010
- Cost savings ahead of schedule; 2009 target raised to £25m; on track for £50m a year by end of 2010
- Currency benefits first half; neutral second half at current exchange rates
- Strong balance sheet with good visibility of financing and covenant headroom
- Interim dividend maintained

Meggitt responding successfully to challenging environment

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Appendices

1. Group strategy
2. Currency PBT impact
3. Operating exceptionals
4. Covenant definitions per credit agreements
5. Cash vs P&L for investment activity
6. Civil aftermarket maturity profile

Group strategy

Deliver sustainable upper quartile returns through focused leadership positions in Aerospace, Defence & specialist extreme environments



Group strategic objectives

Focused investment	Leverage Group capabilities	Achieve Operational Excellence	Satisfy our customers	Maintain a culture of strong performance
<ul style="list-style-type: none"> - Components & value-added sub- systems - High technology content - Aftermarket value - Growth by organic investment & acquisition 	<ul style="list-style-type: none"> - Adding value with cross-business solutions - Leveraging scale of operations - Strengthening central functions - Shared services and best practices 	<ul style="list-style-type: none"> - Lean manufacturing and continuous improvement - Strategic sourcing - Low cost manufacturing 	<ul style="list-style-type: none"> - Develop strategic supplier relationships - Strengthen our customer and industry partnerships - Be easier to do business with 	<ul style="list-style-type: none"> - Delivering against targets - Leadership development - Financial rigour

Be the leading provider of smart engineering for extreme environments

Currency PBT impact

	2008			2009			2010
	H1	H2	FY	H1	H2	FY	FY
	Act	Act	Act	Act	Est	Est	Est
\$/£ rate							
Translation rate (unhedged)	1.98	1.68	1.83	1.52	1.65	1.59	1.65
Transaction rate (hedged)	1.93	1.73	1.84	1.80	1.80	1.80	1.67
CHF rate							
£ Translation rate (unhedged)	2.06	1.86	1.96	1.70	1.80	1.76	1.80
\$ Transaction rate (hedged)	1.11	1.11	1.11	1.06	1.06	1.06	1.12
PBT impact £m							
Year-on-year translation				20.9	3.4	24.3	(6.5)
Year-on-year transaction				1.0	(0.9)	0.1	6.2
Year-on-year currency benefit/(headwind)				<u>21.9</u>	<u>2.5</u>	<u>24.4</u>	<u>(0.3)</u>

Operating exceptionals

£m	H1 09	FY09 est	FY10 est
P&L charge			
K&F	2.0	7.0	5.4
Cost reduction plan	9.4	17.7	7.3
Other	0.1	0.4	0.0
Total	<u>11.5</u>	<u>25.1</u>	<u>12.7</u>
Cash out			
K&F	4.8	9.8	5.4
Cost reduction plan	7.1	16.4	8.6
Other	0.8	1.1	0.0
Total	<u>12.7</u>	<u>27.3</u>	<u>14.0</u>

Covenant definitions per credit agreements

Key principles

- Currency amounts translated to Sterling at trailing 12 month average exchange rates
- Calculations based on frozen UK GAAP and exclude changes brought in with IFRS
- Profit numbers are before exceptional items
- Financial covenants measured at 30 June and 31 December

Consequences

- EBITDA/EBITA calculated broadly consistent with Meggitt definition of 'underlying profit'
- Currency profit translated to Sterling at profit weighted average of preceding 12 month end rates (\$1.60 for 12 months ended June 2009)
- Currency borrowings translated to Sterling at average of preceding 12 month end rates (\$1.60 for 12 months ended June 2009)
- Covenants relatively insensitive to exchange rate movements

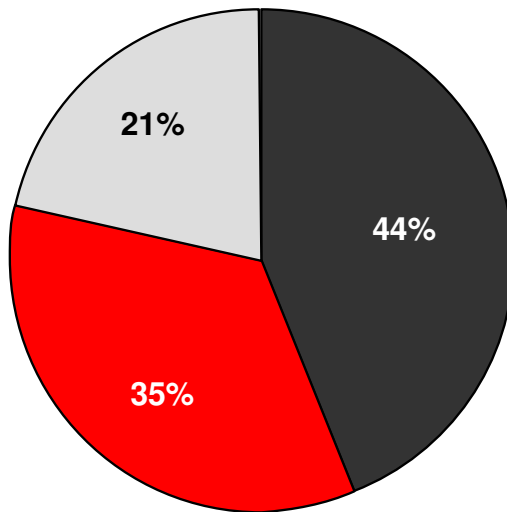
Cash vs P&L for investment activity

£m	H1 2009	2009 est	2010 est
	\$1.52	\$1.60	\$1.65
1. R&D			
Total expenditure	42.5	89.0	77.2
Less: customer funded	(8.4)	(23.0)	(18.9)
Company spend	<u>34.1</u>	<u>66.0</u>	<u>58.3</u>
Capitalised	(16.2)	(30.0)	(26.5)
Amortised	<u>3.6</u>	<u>6.9</u>	<u>9.9</u>
P&L	<u>21.5</u>	<u>42.9</u>	<u>41.7</u>
2. Programme participation costs			
Capitalised	15.8	32.5	29.2
Amortised	9.0	17.6	18.7
3. Fixed assets			
Capex	14.9	33.8	41.0
Depreciation	16.1	33.2	38.5
4. Net capitalisation*	18.2	38.6	29.6
5. Retirement benefit deficit reduction payments	11.1	24.7	30.6

* Capitalised R&D, PPCs and fixed assets less depreciation/amortisation

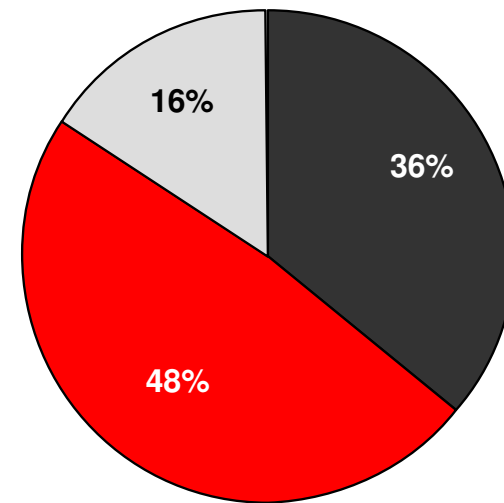
Civil aftermarket maturity profile

Meggitt civil fleet
by age at 1/1/09



■ 0 - 10 years ■ 10 - 20 years □ >20 years

Meggitt civil revenues
by fleet age at 1/1/09



■ 0 - 10 years ■ 10 - 20 years □ >20 years