



Update on short and medium-term trends

7 December 2015

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Overview

- » Robust business model with a good growth outlook
 - » We remain positive on the medium term trends
 - Strong traffic growth
 - Record order backlog at OEMs
 - Growing military budgets
 - Clear plans to mitigate aftermarket headwinds
 - » Long term outlook for growth ahead of end markets
 - » Continued focus on execution and cost control
 - Headcount reduction aligns cost base to current demand environment
 - Implementation of the Meggitt Production System on track
 - Footprint rationalisation programme plans progressing
 - » Investor day to be held in April 2016
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Meggitt business model

Capturing medium-term growth

- » Smart Engineering for Extreme Environments
 - Invest in industries with long life assets/high certification requirements
 - Where equipment works in harsh environments
 - Aerospace, defence and energy focus
- » Secure enduring/profitable income streams
 - Create proprietary product and manufacturing technology
 - Establish positions on new platforms, preferably on a sole source basis
 - Win 'life of programme' OE contracts, building a broad installed base
 - Participation in multi-decade spares and repairs cycle
- » Underpinned by ongoing transformation programme:
 - Customer satisfaction
 - Operational excellence
 - Performance culture
 - Key drivers: MPS and CSS

What happened in September?

- » Volumes lower than expected across all end markets
 - Driven by both cyclical factors and changing market dynamics
 - Civil OE up modestly; aftermarket flat
 - Military volumes declined
 - Continued weakness at Heatric
 - Softening in other energy businesses

 - » End market mix negatively impacted margin
 - Surplus market has grown – changing customer behaviour
 - Very high delivery rates in recent years have skewed aftermarket revenue towards younger aircraft

 - » Customer and peer dialogue affirms continued confidence in the medium-term outlook
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What are we doing about it?

Short and longer-term measures

- » Immediate action to reduce costs
 - Planned headcount reduction of 300
 - Includes Heatric reductions announced in August

 - » Establishment of new aftermarket business, CSS

 - » Continue to deliver benefits from MPS
 - Site roll-out nearly complete
 - First green exits in December 2015
 - Roll-out at recently acquired sites as part of integration plans

 - » Site rationalisation programme
 - Clear plan developing – activity will significantly increase following completion of ramp-up in key new programmes
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What are we doing about it? (cont'd)

Customer Services and Support (CSS)

- » Centralise and incentivise existing aftermarket sales and support teams
 - Increase engagement and proactivity with customers to capture greater wallet share
 - Better customer support and satisfaction will drive future revenue growth
 - » Greater but selective involvement in MRO
 - Opportunity for mid-life upgrade and retrofit revenue streams
 - » Consolidate distribution network over medium term
 - Existing network of 128 distributors, scope for rationalisation
 - » Engage directly in surplus parts market via strategic partnerships
 - Enhance product and market insight
 - Enable effective and competitive market participation
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Outlook for 2015

Trends remain in line with trading update

- » Organic growth rates to end of 3rd quarter
 - Civil OE +3%
 - Civil AM +3%
 - Military +3%
 - Energy -17%
 - **Group** +1%

 - » Based on actual results for October and November, view on the full year outturn consistent with guidance of 28 October
 - December is the largest revenue month of the year
 - Limited short-term visibility of aftermarket revenue

 - » Operating cashflow remains strong
 - Good free cash flow during period of elevated organic investment
 - Board remains committed to progressive dividend policy
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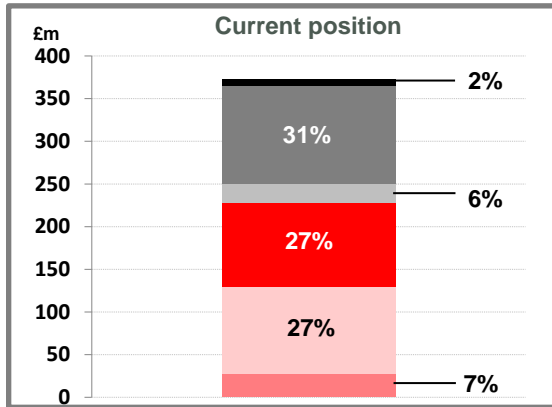
Confidence in medium term outlook

- » Strong order backlog at aircraft and engine manufacturers
 - >15 new aircraft platforms to enter into service over next five years
 - » Continued success in securing positions on new platforms
 - » Increasing share of large business jet fleet
 - » 50% of commercial fleet less than 10 years old, driving long-term aftermarket sales
 - Majority of fleet mix rebalancing has already taken place
 - » Capture greater revenue share of surplus parts market
 - » Military budgets returning to growth
 - » Recent acquisitions of EDAC and Cobham's composite businesses enhance our positions on growth platforms
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Strong future cash flow prospects

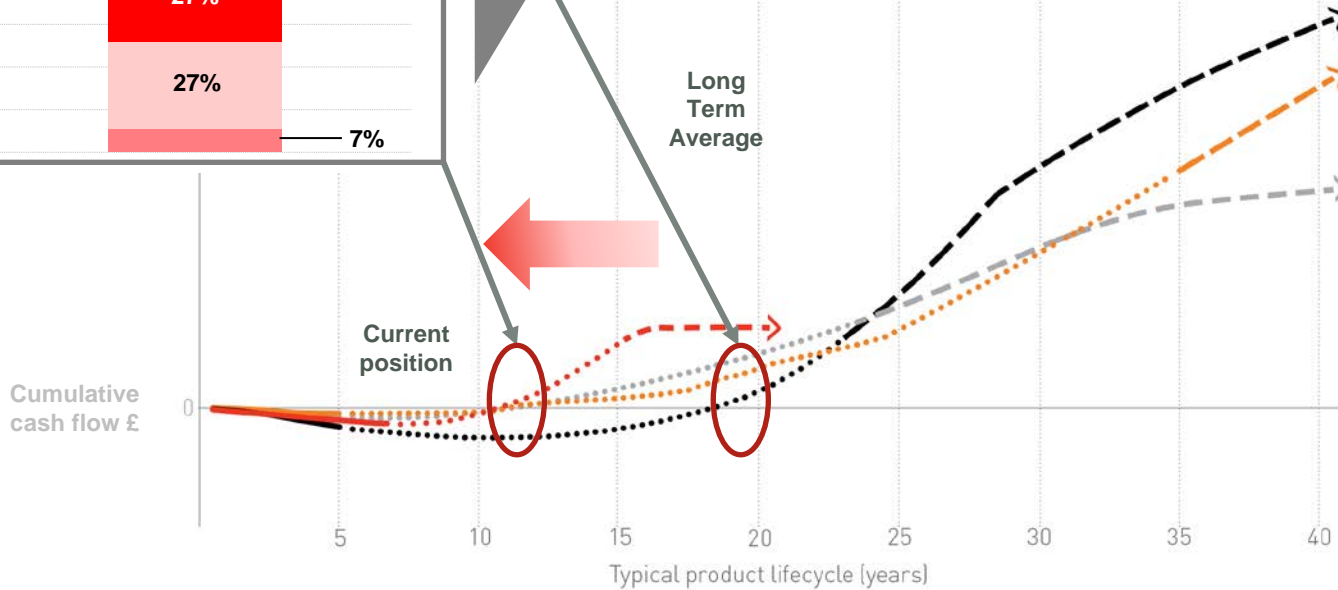
Current investment phase underpins confidence in medium term

Capitalised development costs by phase of revenue generation



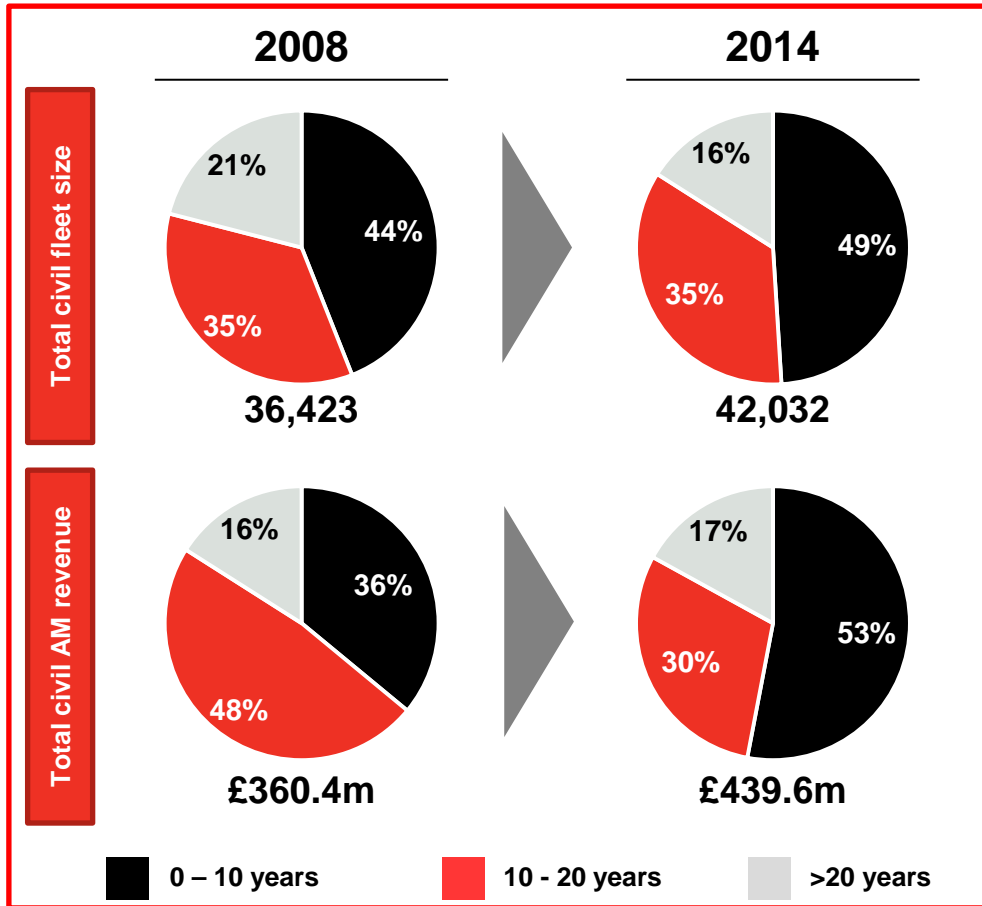
- Generating revenue – AM only
- Generating revenue – OE & AM
- Generating revenue – OE only
- In development – EIS 0-2 years away
- In development – EIS 2-4 years away
- In development – EIS 4+ years away

- » >50% of investment not yet generating a return
- » Investment peaking in 2015/2016



Attractive aftermarket fleet profile











Trends 2008-2014



- » Success in securing positions on new programmes
- » Meggitt has captured greater share of revenue
- » Aftermarket fleet profile rebalanced toward younger aircraft
 - Substantive mix shift in last 6 years
- » Underpins future aftermarket revenue

What does this mean for 2016 & medium-term?

This replaces previous revenue guidance

	% of sales to end of Q3 2015	2016 Outlook		Medium-term expectations
		Sales	Mix	
Civil OE	20%			<ul style="list-style-type: none"> Aircraft and engine manufacturer order books support sustained OE growth through the medium term. Shipset gains support medium term growth ahead of the market.
Civil Aftermarket	29%			<ul style="list-style-type: none"> Strong and growing market positions, often on a sole-sourced basis, support good growth potential through the medium term. Uncertainty around the supply of surplus parts inhibits near-term visibility.
Military	34%			<ul style="list-style-type: none"> US FY16 budget agreement suggests good growth potential beyond 2016, with increasing focus on equipment reset presenting opportunities for retrofit contracts.
Energy & other	17%			<ul style="list-style-type: none"> Near term challenges persist in the energy market, but a strong technology franchise in Heatric and growth opportunities in energy condition monitoring underpin confidence in the medium term.
GROUP	100%	 		<ul style="list-style-type: none"> Expectation that Meggitt will outgrow its markets over the cycle

2016 Outlook – low single digit organic growth. M&A will increase reported revenue

Summary

- » Robust business model with a strong growth profile:
 - New CSS organisation will mitigate aftermarket headwinds
- » Costs aligned to current demand environment
- » Continued focus on execution and cost control
- » We remain positive on the medium term trends
- » Long term outlook for growth ahead of end markets
- » Full investor day to be held in April 2016 including:
 - Customer Service & Support
 - Meggitt Polymers & Composites