

Meggitt PLC

2008 Interim management report

5 August 2008



MEGGITT
smart engineering for
extreme environments

Business overview

- ▶ Clear strategy
- ▶ Strong market and technology positions
- ▶ Proven business model
- ▶ Continued investment in the business
- ▶ Balanced portfolio
 - 50% Civil, 37% Military, 13% Other
 - OE 52% / Aftermarket 48%
- ▶ No major exposure to any single platform or customer
- ▶ Broad geographic footprint

Meggitt overview

Group strategy

Deliver upper quartile returns through focused leadership positions in Aerospace, Defence & specialist markets



Group strategic objectives

Invest in high technology and aftermarket businesses

Leverage Group capabilities

Pursue Operational Excellence

Satisfy our customers

Maintain a culture of strong performance



Business implementation

Sensing Systems

Aerospace Equipment

Defence Systems

Consistent delivery of our strategy

- ▶ Strong first half performance
- ▶ Continued organic growth
- ▶ Good order intake
- ▶ Broad product portfolio
- ▶ K&F acquisition in line with expectations
 - Trading in line with plan
 - Integration well underway
 - Original synergies exceeded
- ▶ Ongoing investments in R&D and manufacturing

Financial highlights – H1 2008 (unaudited)

- Order intake up 53% on first half last year (+18% pro forma¹)
- Revenue up 47% to £526.6m (+14% pro forma)
- Underlying PBT up 59% to £109.6m (+22% pro forma)
- Underlying EPS up 22% to 12.0p (+21% pro forma)
- Net debt reduced to £786.3m, 2.49x EBITDA
- Interim dividend up 10% to 2.7p

¹ Pro forma includes K&F results in prior year

Profit and loss account

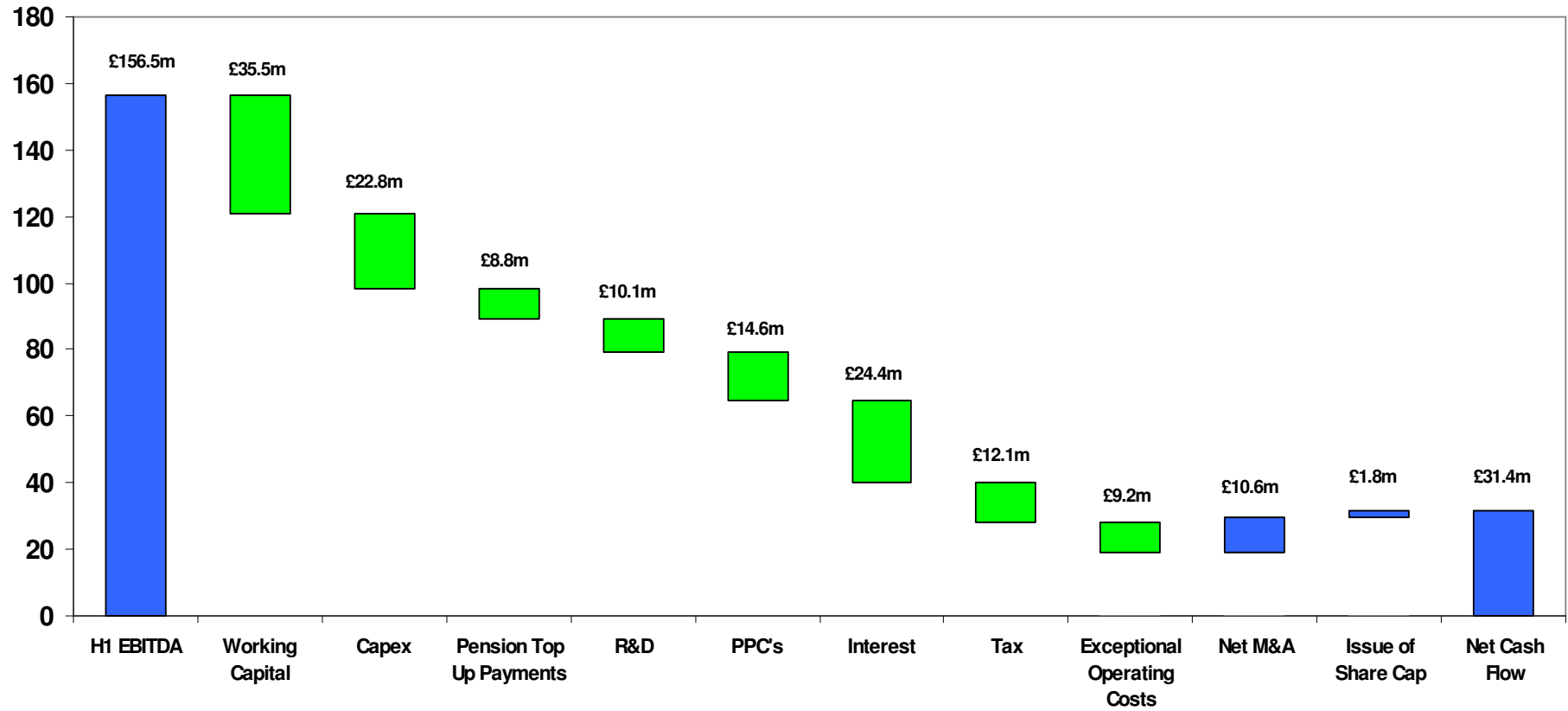
£m	Reported	Adj*	Underlying			Adj*	Reported
	2008		2008	2007	Growth		2007
Revenue	526.6	-	526.6	358.0	+47%	-	358.0
Operating profit	101.7	33.8	135.5	78.5	+73%	6.8	71.7
Net finance costs	(25.9)	-	(25.9)	(9.5)		(2.7)	(6.8)
Profit before tax	<u>75.8</u>	<u>33.8</u>	<u>109.6</u>	<u>69.0</u>	+59%	<u>4.1</u>	<u>64.9</u>
Tax	(18.3)	(12.4)	(30.7)	(18.6)		(1.7)	(16.9)
Profit after tax	<u>57.5</u>	<u>21.4</u>	<u>78.9</u>	<u>50.4</u>		<u>2.4</u>	<u>48.0</u>
EPS	8.7p	3.3p	12.0p	9.8p	+22%	1.4p	8.4p
Dividend	2.70p		2.70p	2.45p	+10%		2.45p

* See Appendix 2

Segmental analysis

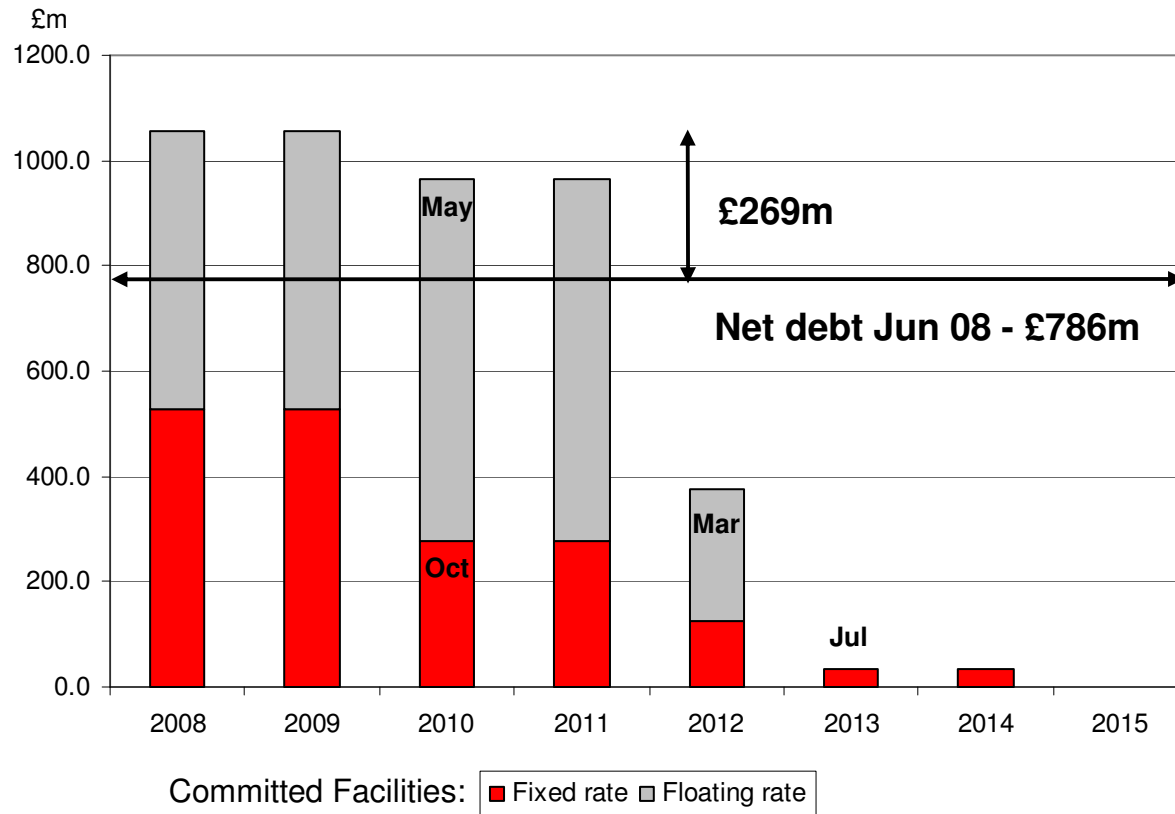
£m	Revenue		Underlying Operating Profit			Return on Sales		
	2008	2007	2008	2007	2008	2007		
Aerospace Equipment <i>Pro forma organic</i>	351.3	186.7	+88%	104.5	50.5	+107%	29.7%	27.0%
			+22%			+21%		
Sensing Systems	122.2	114.2	+7%	22.6	19.3	+17%	18.5%	16.9%
Defence Systems	53.1	57.1	-7%	8.4	8.7	-3%	15.8%	15.2%
Group	<u>526.6</u>	<u>358.0</u>	+47%	<u>135.5</u>	<u>78.5</u>	+73%	<u>25.7%</u>	<u>21.9%</u>
<i>Pro forma organic</i>			+14%			+18%		

Cash flow (£m)



Financing

Maturity profile of bank facilities



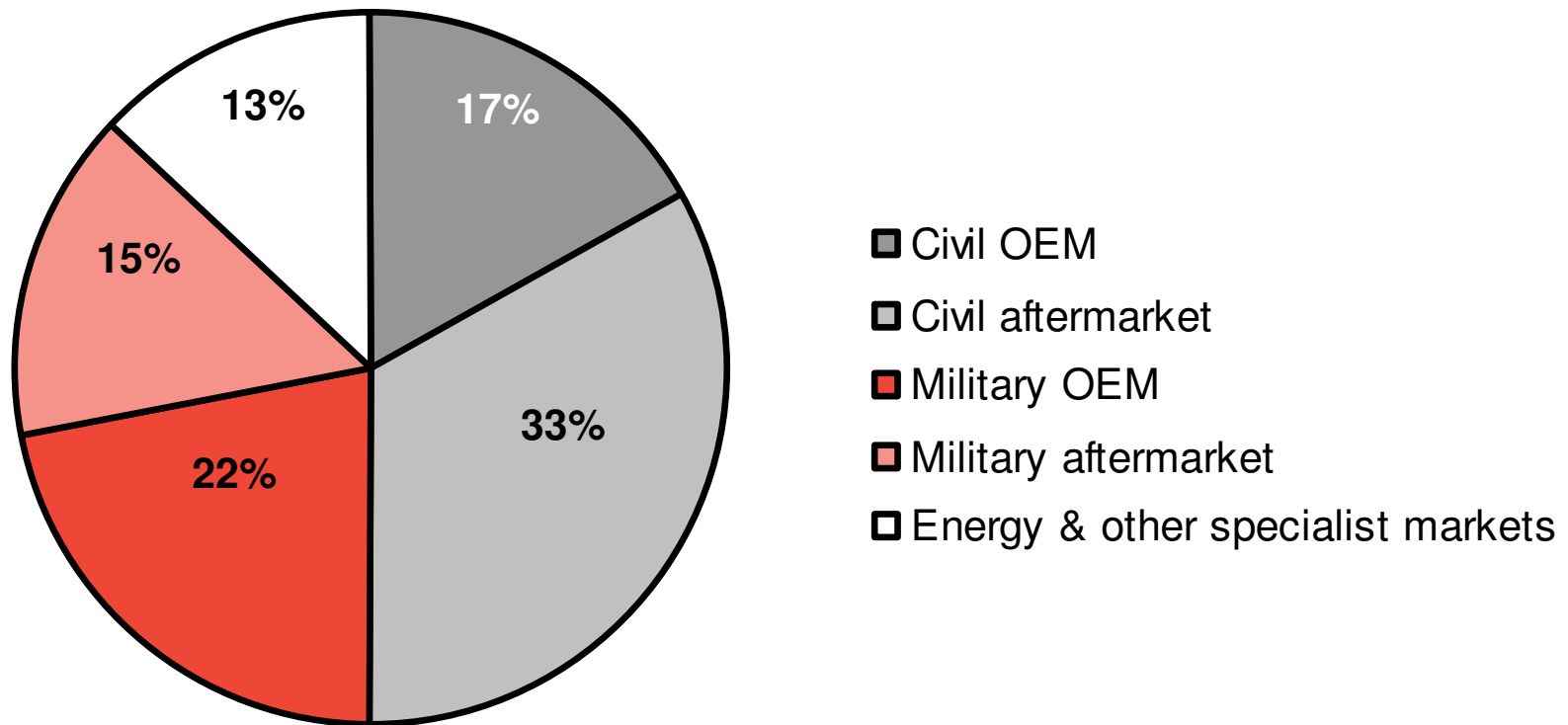
Covenant Tests

	<u>Covenant</u>	<u>Actual*</u>	<u>Per Accounts</u>
Net debt/ EBITDA	< 3.5x	2.4x	2.49x
Interest cover	> 3.0x	6.0x	5.2x

* Calculations are based on 'frozen' UK GAAP as defined by banking agreements.

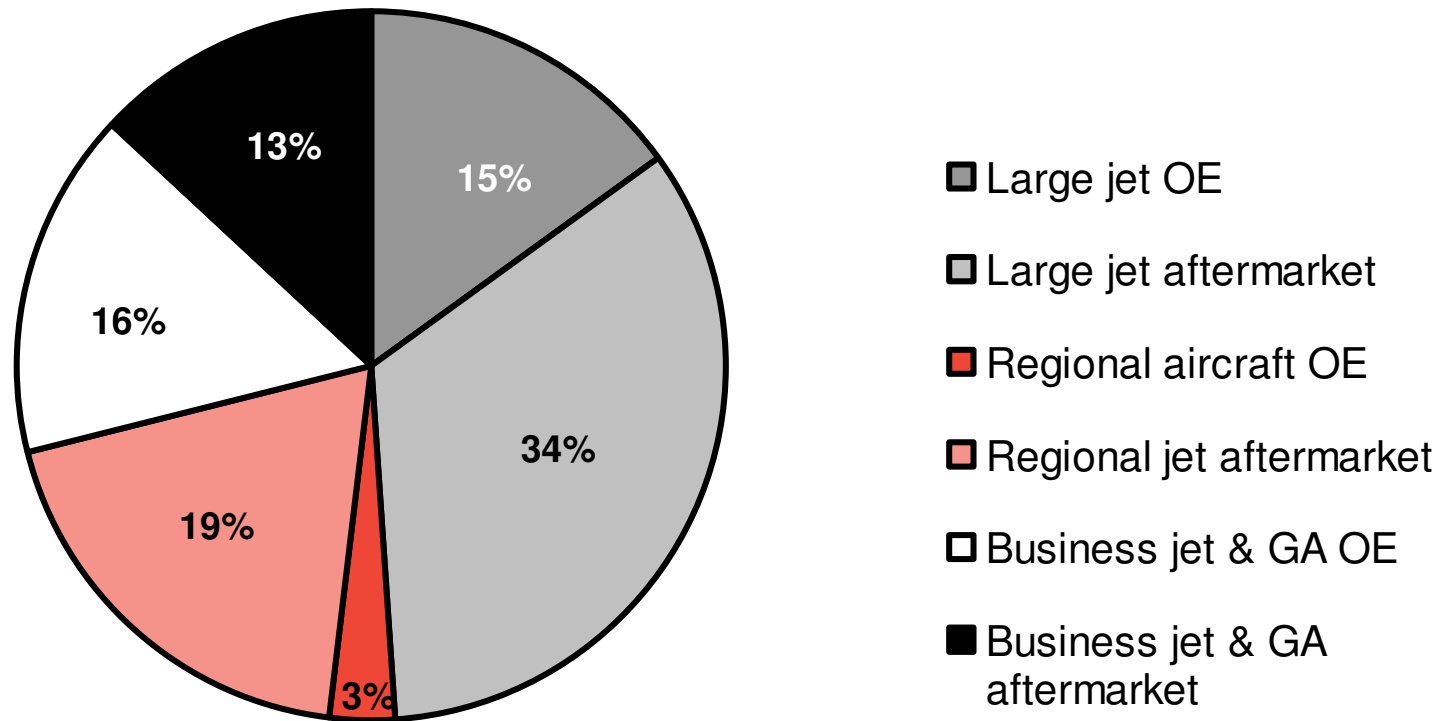
A balanced portfolio

H1 2008 Group revenue by market segment (£526.6m)



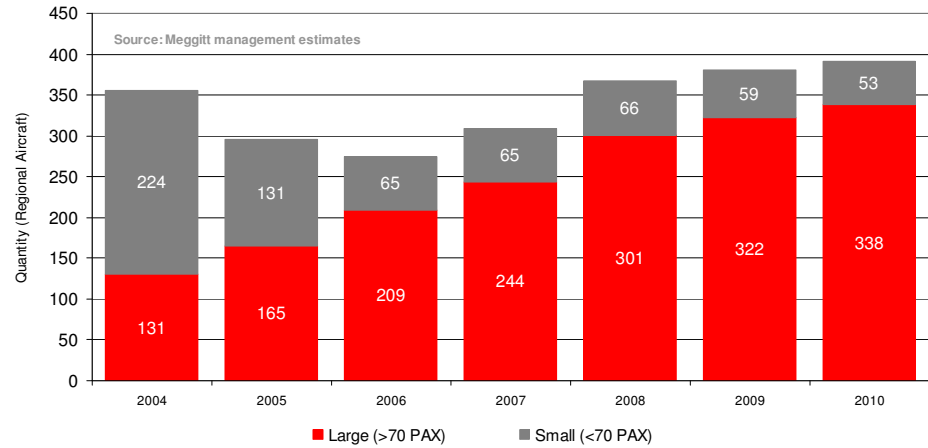
H1 2008 Civil aerospace revenues

(£264.4m: 50% of total revenues)

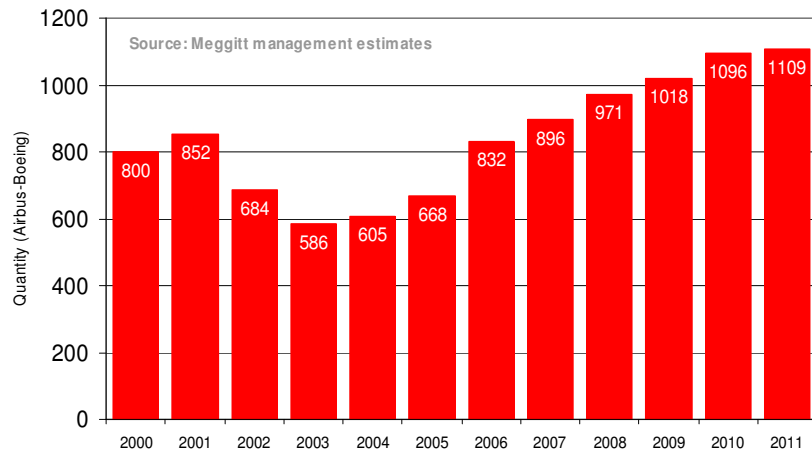


Aircraft delivery forecasts

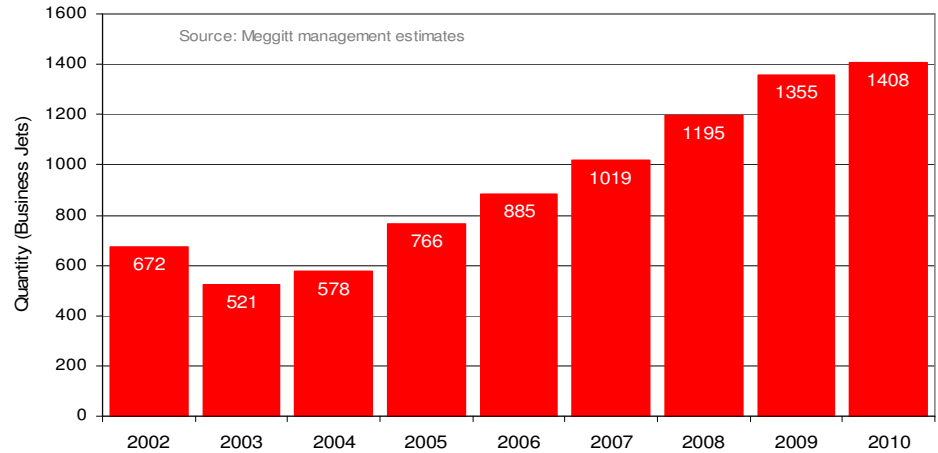
REGIONAL AIRCRAFT



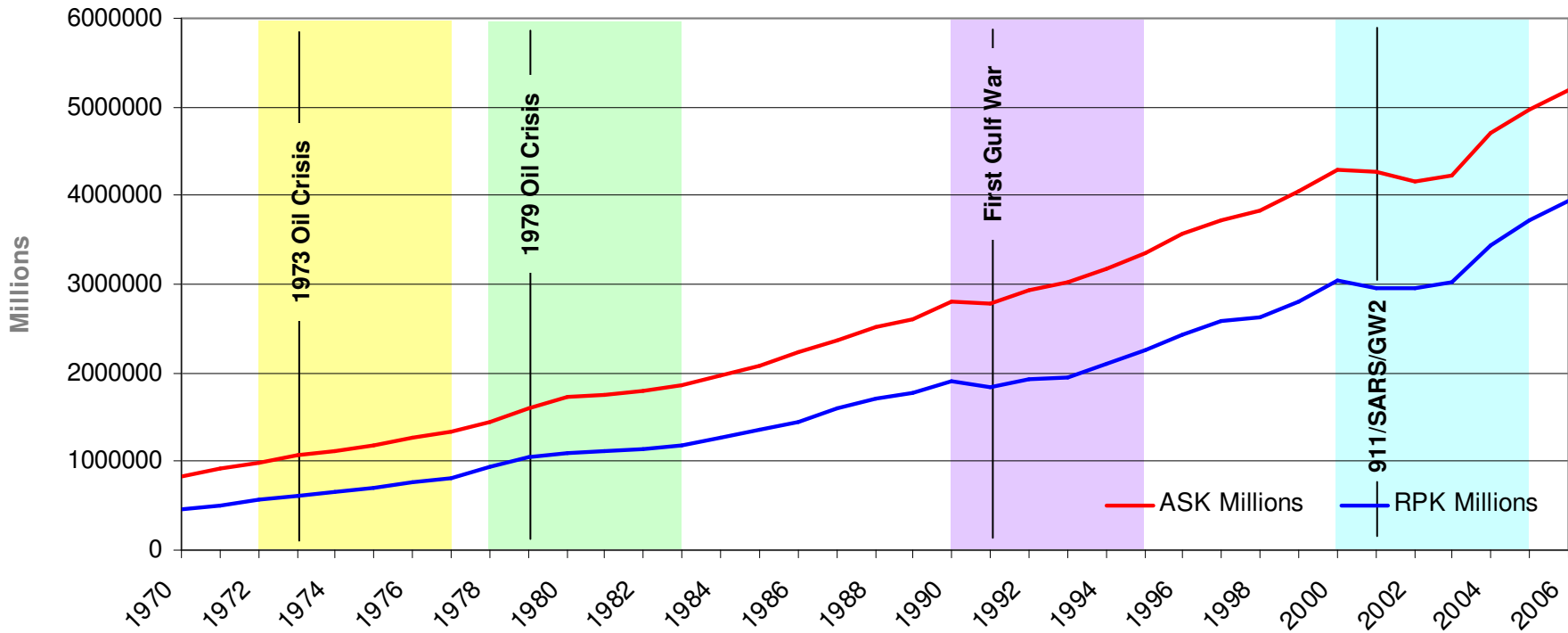
LARGE JETS



BUSINESS JETS



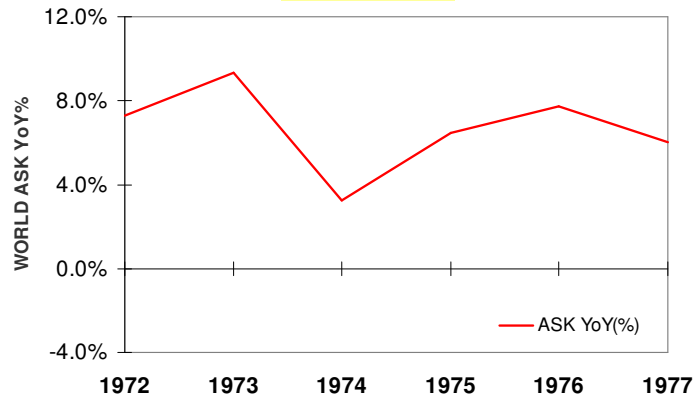
Air traffic history



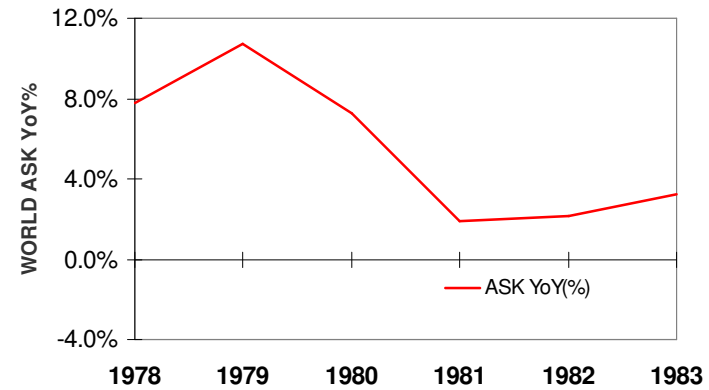
Total World ASK / RPK, 1970 - 2006

Impact of 'shock' events on traffic growth

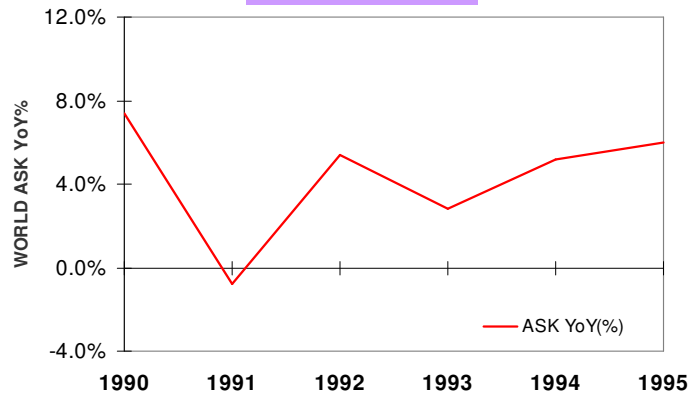
1973 Oil Crisis



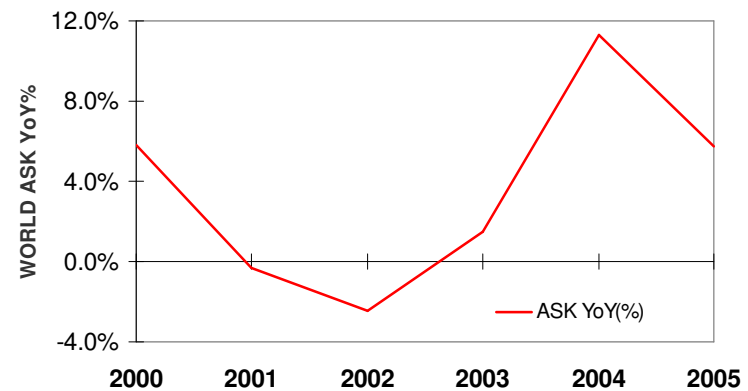
1979 Oil Crisis



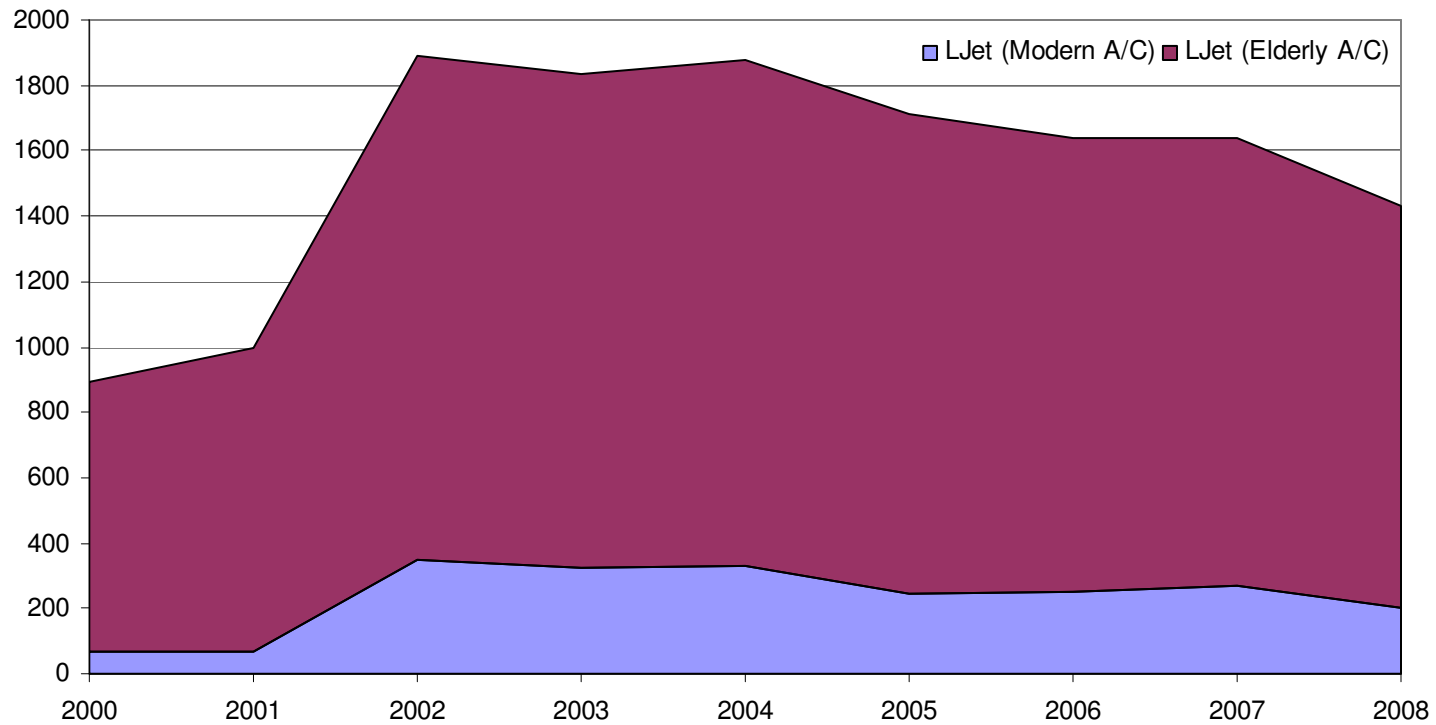
1991 First Gulf War



2001 9/11, SARS and Second Gulf War

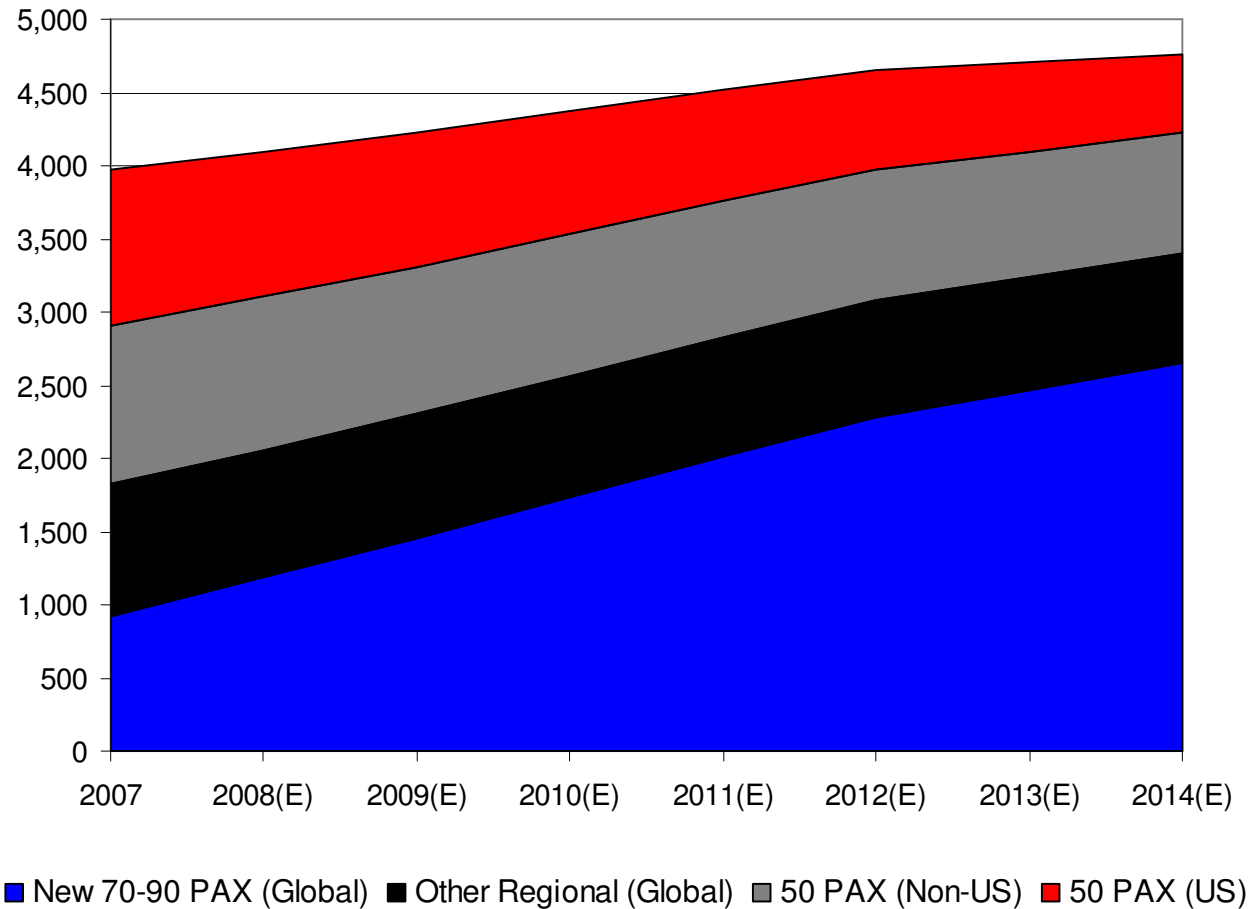


Parked large jet fleet



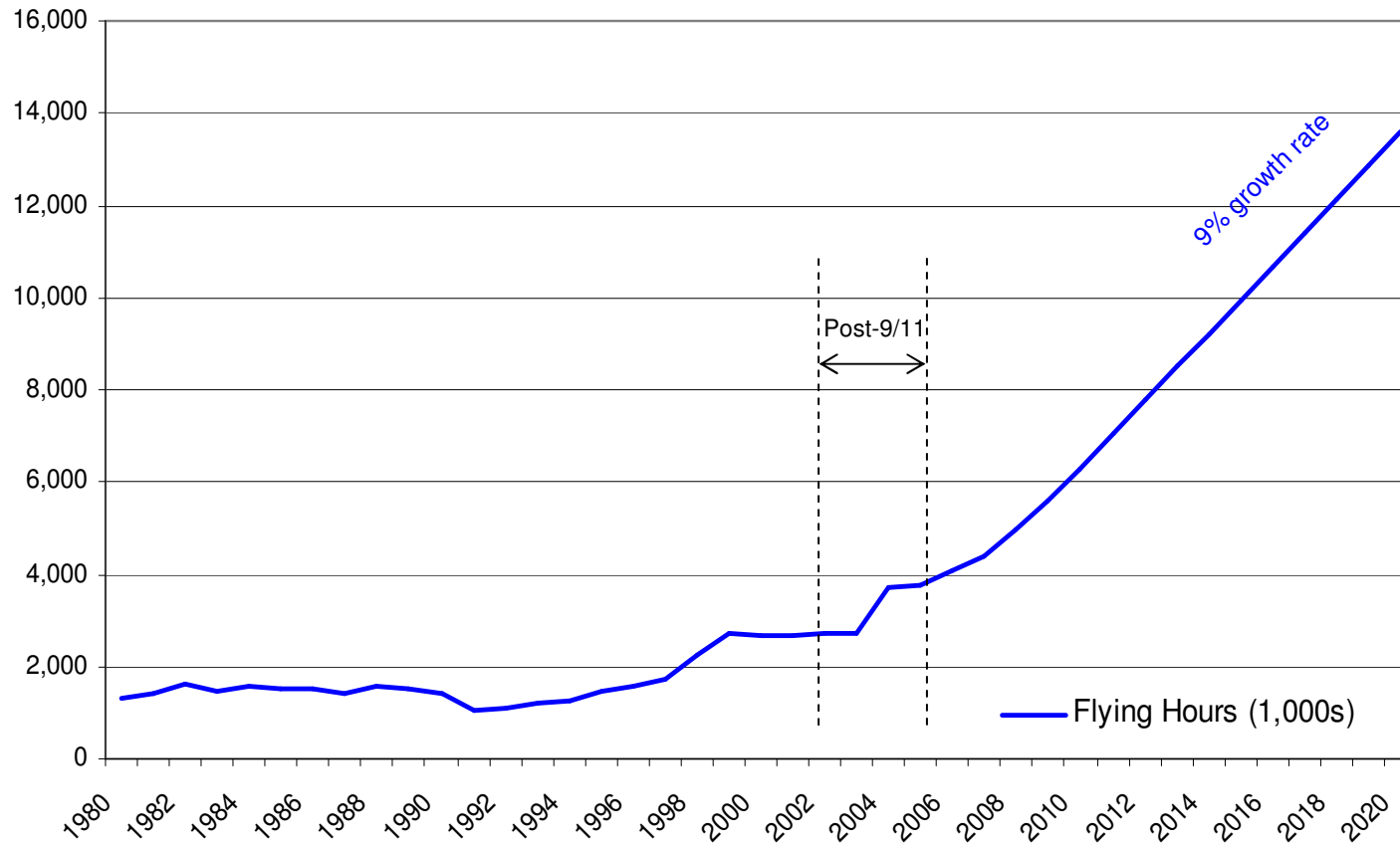
Source: Airclaims Excludes parked legacy Soviet and Chinese aircraft

Meggitt regional fleet* shifts to 70–90 PAX



* High value aircraft platforms with total aftermarket revenues >£2m per annum

Bizjet fleet flying hours growth



Source: FAA / GAMA

05/08/2008

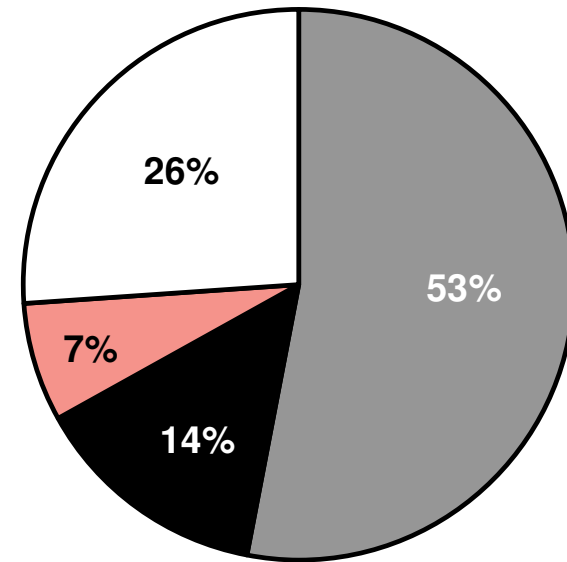
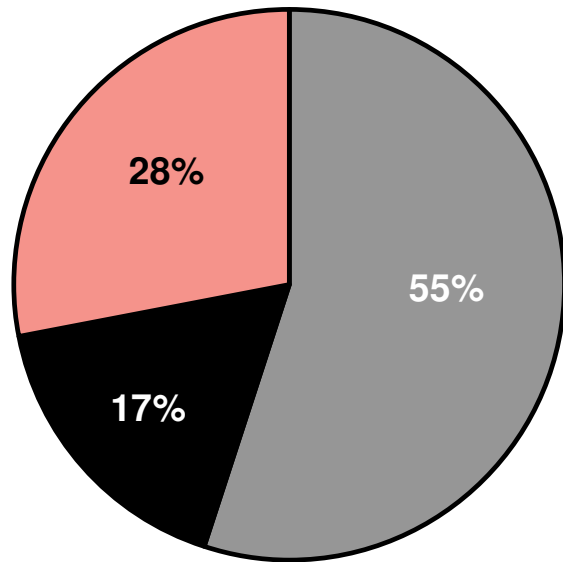
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Summary of Meggitt's civil aero business

- ▶ Civil OE markets robust
- ▶ OE order books are at record levels
 - Large jets 6-7 years with scope to absorb deferrals/cancellations
 - Bizjets and regionals 3yrs+
- ▶ Aftermarket is a stable cash generative market
- ▶ Current announcements are:
 - Circa 4% cut in our large jets
 - Circa 2% cut in regionals
- ▶ 9/11 saw 7% large jet fleet laid up

Breakdown of our military sales

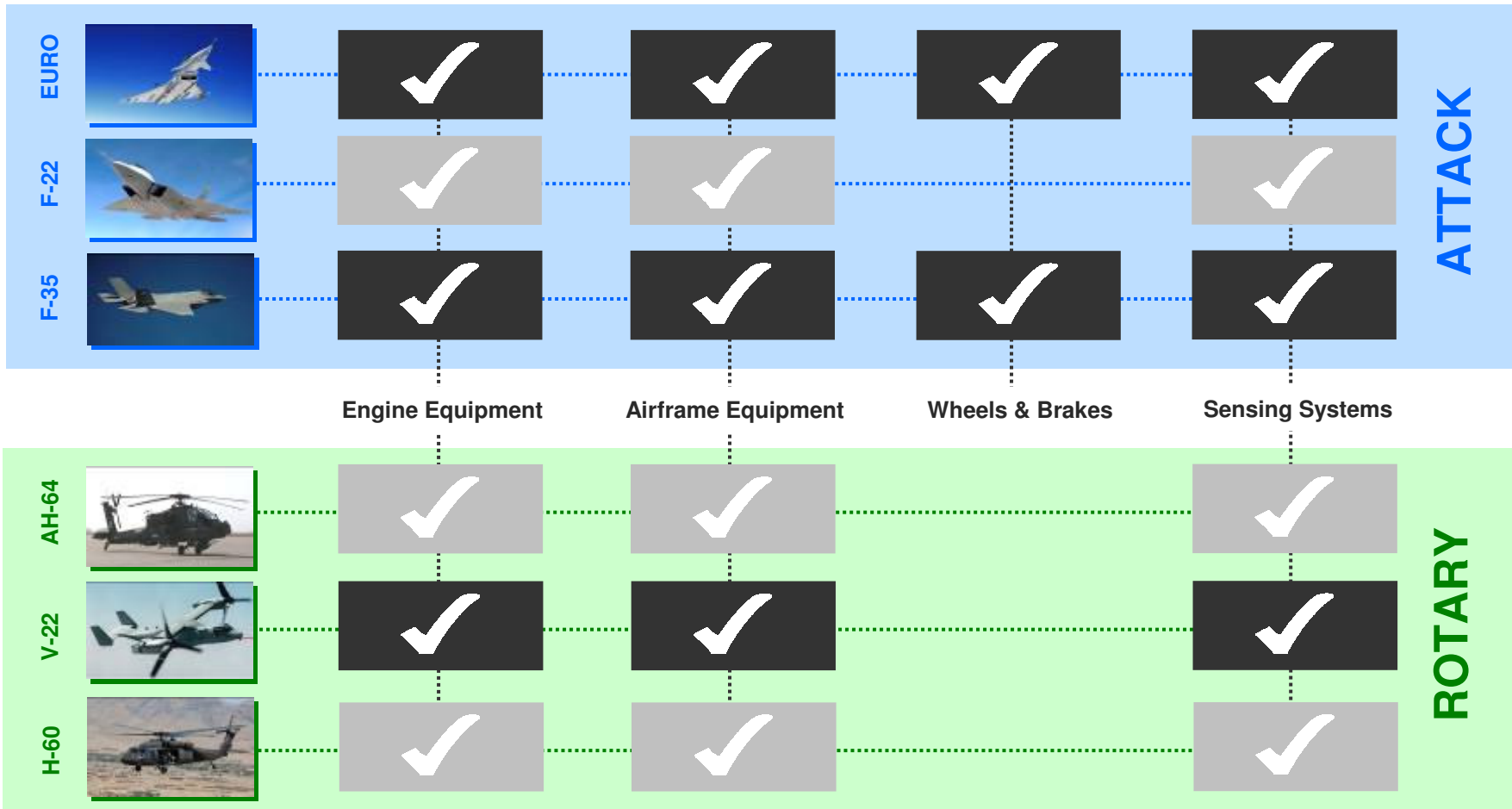
£194.8m



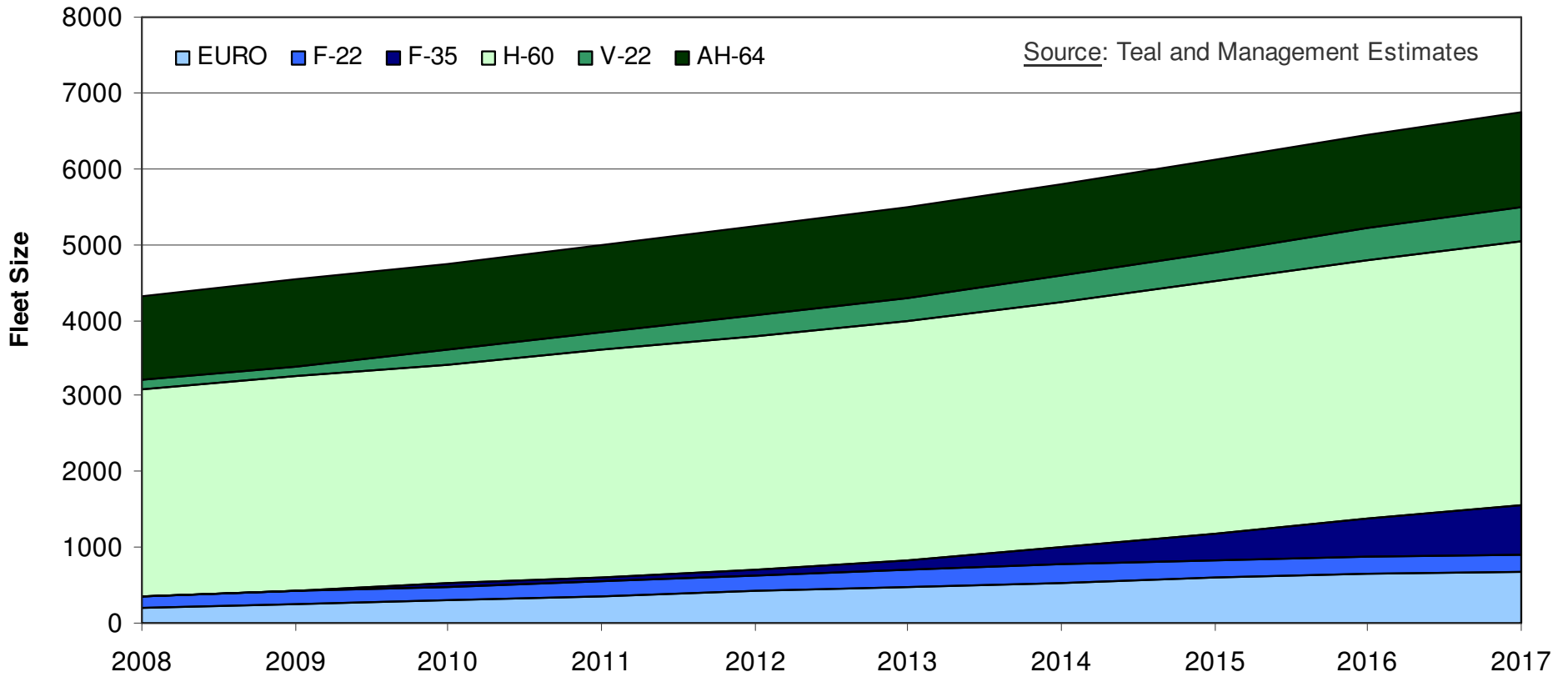
■ Aerospace Equipment ■ Sensing Systems ■ Defence Systems

■ Fixed wing ■ Rotary wing ■ Other platforms ■ Training & targets

Strong positions on key future platforms



Fleet development forecast

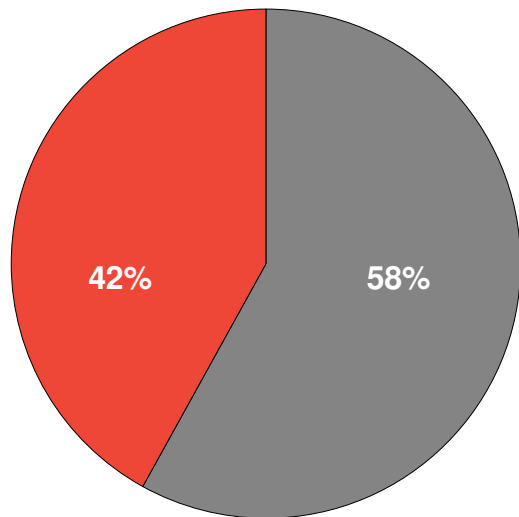


Summary of Meggitt's military business

- Military sales balanced throughout the Group – not just MDS
- Excellent content on new fighters and rotary wing platforms will provide a stable growth base throughout next decade
 - Eurofighter Typhoon
 - F-22 Raptor
 - F-35 Lightning II JSF
 - Apache, Black Hawk and Osprey
- Meggitt is winning strategic positions on long term UCAV and land vehicle technology programmes today
- Meggitt's military business is significant, secure and growing

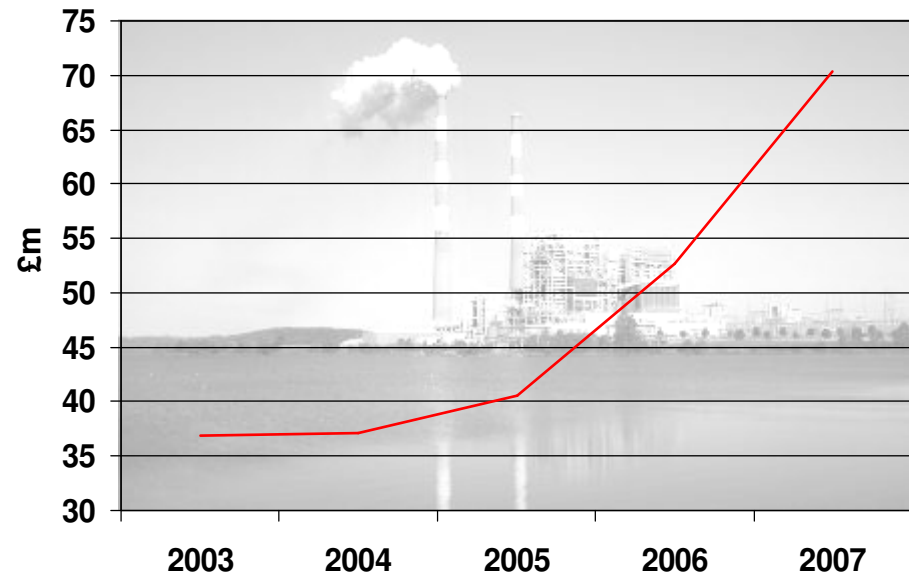
Meggitt expanding in the energy market

Total split of energy sales



■ Aerospace Equipment ■ Sensing Systems

Meggitt energy sales 2003-2007



Aerospace Equipment update

- ▶ Good pro forma growth
 - Revenue up 22%
 - Order intake up 18%
 - Underlying operating profit up 21%

- ▶ Continued programme wins
 - Gulfstream G650- W&B; valves; sensors; ignition
 - A350 XWB fire detection system

- ▶ K&F integration on track
 - Targeted savings for 08 achieved
 - Savings for 2009 £18m, 2010 £22m on plan
 - Underlying trading good



Sensing Systems update

- ▶ Growth of 7% and 17% in revenue and underlying operating profit
- ▶ Programme milestones include
 - Tier 1 integrator engine sensor and ignition package for RR BR700 derivative engine
 - Vibration monitoring certified by Boeing for 737
 - Advanced vibration monitoring on 777
- ▶ Developing leading edge technology positions
 - Acquired Ferroperm materials capability in January 2008
 - IVHM research with Cranfield University consortium
- ▶ Acquisition and disposal
 - S-TEC sold 3 January 2008 for \$38m
 - Ferroperm acquired for £9m on 7 January 2008



Defence Systems update

- ▶ Order book up 12% since December 2007
- ▶ Training Systems:
 - OE sales good
- ▶ Combat Systems performing strongly
 - Renewed contract win from GD Land Systems for M1A2SEP Abrams thermal management system
- ▶ Consolidation
 - Transfer of Minneapolis to Atlanta completed



Summary

- ▶ Great set of H1 results
- ▶ Pro forma revenues up 14% and profit up 22%
- ▶ Pro forma orders up 18%
- ▶ Revenues spread across a balanced range of markets
- ▶ 67% of revenue outside civil aftermarket
- ▶ Strong contribution from our recent major acquisition, K&F

Outlook

- ▶ Civil OE robust
- ▶ Military continuing to grow
- ▶ Energy buoyant
- ▶ Significant K&F synergies still to come
- ▶ Air traffic slowing but announced civil aircraft park ups not significant
- ▶ Low cost sourcing and manufacturing delivering benefits
- ▶ Confident of maintaining progress in the second half

Appendices

1. Our capabilities
2. Underlying profit reconciliation
3. Impact of currency and acquisitions
4. Currency PBT impact
5. Cash vs P&L for investment activity

Our capabilities

Aerospace Equipment

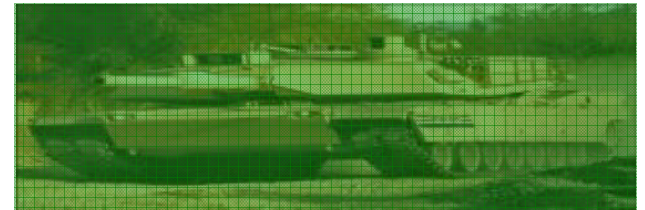
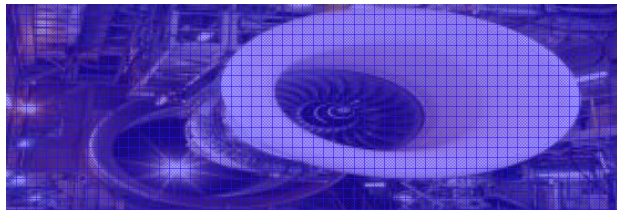
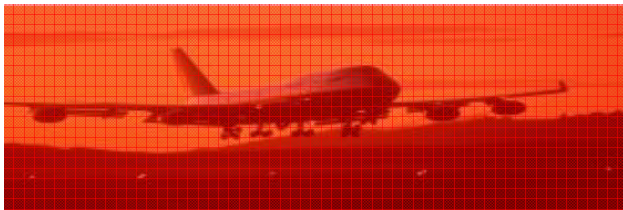
- ▶ Wheels and brakes
- ▶ Thermal management systems
- ▶ Fluid controls
- ▶ Safety systems
- ▶ Polymers and composites

Sensing Systems

- ▶ Condition monitoring systems
- ▶ High performance sensors
- ▶ Avionics

Defence Systems

- ▶ Training systems
- ▶ Combat systems
 - Ammunition handling
 - Environmental control systems
 - Countermeasure launch and recovery systems



Underlying profit reconciliation

	2008			2007		
	PBT	EPS	Shares	PBT	EPS	Shares
	£m	p	no. m	£m	p	no. m
Underlying figures	109.6	12.0	658.7	69.0	9.8	516.3
Adjustments:						
Amortisation of IFRS 3 intangibles	(28.7)	(2.8)		(9.2)	(1.1)	
Financial instruments	1.2	0.1		2.9	0.3	
IFRS inventory revaluations	(0.3)	-		-	-	
Exceptional operating items	(6.0)	(0.6)		(0.5)	-	
Exceptional net finance income	-	-		2.7	0.3	
Adjust weighted average shares	-	-		-	(0.9)	52.0
Reported figures	75.8	8.7	658.7	64.9	8.4	568.3

Impact of currency and acquisitions

	Revenue			Underlying Operating profit			Underlying Profit before tax		
	H1 07	H1 08	% change	H1 07	H1 08	% change	H1 07	H1 08	% change
Reported	358.0	526.6	47%	78.5	135.5	73%	69.0	109.6	59%
K&F H1 07	102.0	-----		36.1	-----		20.6	-----	
Pro forma	460.0	526.6	14%	114.6	135.5	18%	89.6	109.6	22%
Adj to 2007 FX	-----	(5.0)		-----	1.0		-----	1.2	
Pro forma at 07 FX	460.0	521.6	13%	114.6	136.5	19%	89.6	110.8	24%
	=====	=====		=====	=====		=====	=====	

Currency PBT impact

	2007		2008		2009
	H1	FY	H1	H2	
\$/£ rate	Act	Act	Act	F/C	F/C
Translation rate (unhedged)	1.98	2.02	1.98	1.98	1.98
Transaction rate (hedged)	1.82	1.82	1.93	1.93	1.93
CHF rate					
£ Translation rate (unhedged)	2.43	2.40	2.06	2.06	2.06
\$ Transaction rate (hedged)	1.20	1.20	1.11	1.11	1.02
PBT impact £m					
Year-on-year translation			1.9	4.1	0.0
Year-on-year transaction			(3.1)	(2.9)	(2.2)
Year-on-year currency benefit/(headwind)			<u>(1.2)</u>	<u>1.2</u>	<u>(2.2)</u>

Cash vs P&L for investment activity

£m	2008 est	2009 est	2010 est
1. Opex (K&F, FATS etc)			
P&L charge	16.2	10.6	3.1
Cash outflow	0.5*	10.6	4.5
2. K&F synergies	10.0	18.0	22.0
3. R&D			
Total expenditure	73.2	82.0	82.9
Less: customer funded	(19.0)	(19.0)	(19.0)
Company spend	54.2	63.0	63.9
Capitalised	(19.7)	(21.4)	(20.3)
Amortised	<u>3.5</u>	<u>3.9</u>	<u>4.2</u>
P&L	38.0	45.5	47.8
4. PPC			
Capitalised	36.7	40.4	44.4
Amortised (P&L)	13.3	14.6	16.1
5. Fixed assets			
Capex	50.3	50.0	55.0
Depreciation	28.3	32.0	35.2
6. Pension deficit reduction payments	22.0	22.0	22.0

* Includes net proceeds from disposal of S-TEC

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