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Aerospace

World-class business with superior margins and strongly growing aftermarket

17 May 2023

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The revenue and profit numbers included in this presentation are calculated using a foreign exchange rate of USD:GBP of 1.25:1 and, unless otherwise stated, growth metrics are at constant currency. Unless otherwise stated, metrics refer to adjusted measures as described in the glossary to the Melrose Industries PLC Annual Report and considered by the Board to be a key measure of performance.

Agenda

14:20 – 14:30	**Investment case**	Peter Dilnot	COO Melrose
14:30 – 15:10	**Engines**	David Paja Matthew Gregory	CEO GKN Aerospace CFO GKN Aerospace
** BREAK **			
15:40 – 16:10	**Structures**	David Paja Matthew Gregory	CEO GKN Aerospace CFO GKN Aerospace
16:10 – 16:15	**Technology and sustainability**	David Paja	CEO GKN Aerospace
16:15 – 16:25	**Cash generation and capital allocation**	Geoffrey Martin	CFO Melrose
16:25 – 17:00	**Q&A**		

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Unique Tier 1 Aerospace technology supplier

Established positions on **ALL** of the world's high volume aircraft[1]

>70% revenue from sole source positions[2]

>650 global patents granted

>85% future Engines profit from aftermarket[3]

Engines RRSP[4] aftermarket entitlement on **100%** of legacy narrowbody global flying hours[5]

£20bn future cash flow from Engines RRSPs[6]

1. All of the world's high-volume platforms based on Airbus and Boeing narrowbody/widebody fleets, plus F-35 and major rotorcraft
2. >70% sole source positions based on 2022 revenue mix
3. Expected profit split of Engines division in 2025
4. Risk and revenue sharing partnerships
5. GKN Aerospace's 19 RRSPs are on engines that power 100% of legacy narrowbody hours through CFM56 and V2500 contracts
6. Forecast (undiscounted) pre-tax future cash flow from 19 RRSP engines contracts (based on OEM projections)

Significant positive momentum

- Global market recovery has accelerated – pre-COVID flight levels now expected during 2023
- Recent upgrade for 2023 close to previous peak GKN Aerospace operating margin[1], despite lower sales volumes
- Business transformation well underway, with profit nearly doubling from 2022 to 2023
- Profits expected to double again from 2023 to 2025
  - ➢ Structural market growth
  - ➢ Engines aftermarket contribution
  - ➢ Further business improvements

Strong profitable growth to come from both Engines and Structures divisions

1. Based on upgraded guidance issued on 10 May 2023

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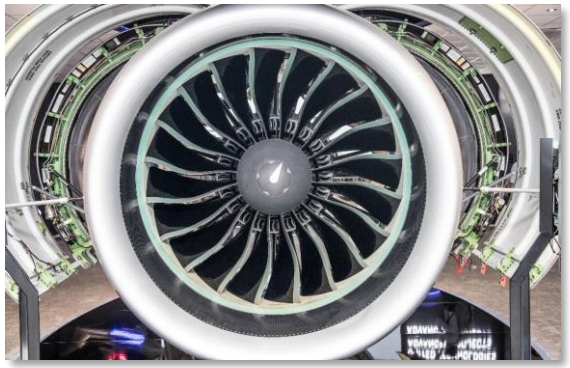
Two market-leading Aerospace divisions

	Engines	Structures
		
Customers	Engine OEMs	Airframe OEMs
Technology	Structural engineered components; parts repair; commercial and aftermarket contracts	Lightweight composite and metallic structures; electrical distribution systems; components
End market	74% civil, 26% defence	67% civil, 33% defence
2023 revenue[1]	£1.3 billion	£2.1 billion[2]
2023 operating profit[1]	£290 million	£60 million
2023 operating margin[1]	22%	3%

1. Based on upgraded guidance issued on 10 May 2023
2. Including c.£150 million of Structures revenue from planned site closures to be exited in 2024

Aerospace: compelling equity case

Strong market growth

- Rapid aerospace market recovery, followed by long-term structural growth
- Technology embedded on the world's most successful, highest volume platforms[1]

Huge Engines aftermarket

- RRSP work largely done on engine build, but with entitlement to lifetime share of aftermarket profits
- £20 billion of lifetime net cash inflow (£5.5 billion NPV[2]) coming increasingly from Engines aftermarket

Multiple profit growth

- Profit virtually doubles in 2023; and then expected to double again by 2025
- Increasingly higher profit drop through from strong Engines aftermarket growth

Regular share buy backs

- Shareholders to enjoy decades of harvesting cash flows from Engines aftermarket
- Melrose is well placed to buy back 5% to 10% of its market capitalisation each year from 2024 onwards

A highly attractive shareholder investment

1. All of the world's high-volume platforms based on Airbus and Boeing narrowbody/widebody fleets, plus F-35 and major rotorcraft
2. Using a foreign exchange rate of USD:GBP of 1.25:1 and calculated using a discount rate of 7.5% which is between a debt related discount rate and a GKN Aerospace pre-tax weighted average cost of capital

2025 targets

Engines

Differentiated technology IP, growing aftermarket and RRSPs entering 'sweet spot'

£1.8bn revenue
£580m EBITDA
£500m operating profit
28% operating margin

Structures

Deep design and manufacturing capability; embedded OEM positions

£2.2bn revenue
£290m EBITDA
£200m operating profit
9% operating margin

Aerospace

£4.0bn revenue
£870m EBITDA
£700m operating profit
17-18% operating margin

2023 – 2025 revenue CAGR[1] 11%

2023 – 2025 operating profit CAGR 41%

Continued strong growth and cash generation after 2025

1. Adjusted for c.£150 million of Structures revenue from planned site closures to be exited in 2024

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Industry-leading Engines division with strong profit growth

Engines – Executive Summary

- Exceptional Engines division entering highly profitable aftermarket phase
  - Upfront investment in engines development cycle largely complete
  - Portfolio of 19 civil RRSPs with 17 already in cash-positive phase; remaining two are cash-generative within five years
  - Powering 100% of legacy narrowbody fleet through CFM56 and V2500 engines
  - >85% of 2025 profit from aftermarket entitlement[1]
  - Forecast long-term cash inflow of £20 billion or £5.5 billion NPV[2]
- On track to 28% operating margin by 2025
  - RRSP portfolio growing as flight hours recover
  - 2x expansion of parts repair business
  - £75 million incremental profit from business improvement initiatives
- Strongly positioned for next-generation platforms
  - Scaling up disruptive additive fabrication technology
  - Expanding partnership with Swedish Air Force as engine OEM

Industry-leading Engines division with exceptional profit growth and predictable long-term cash flows

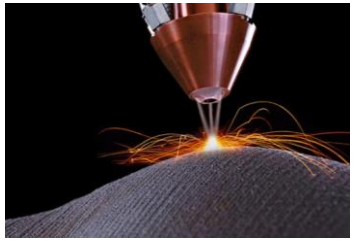
1. Expected profit split of Engines division in 2025
2. Using a foreign exchange rate of USD:GBP of 1.25:1 and calculated using a discount rate of 7.5% which is between a debt related discount rate and a GKN Aerospace pre-tax weighted average cost of capital

Exceptional Engines division

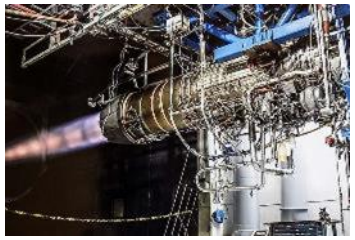
Core products / services

Highly engineered structural & rotating components

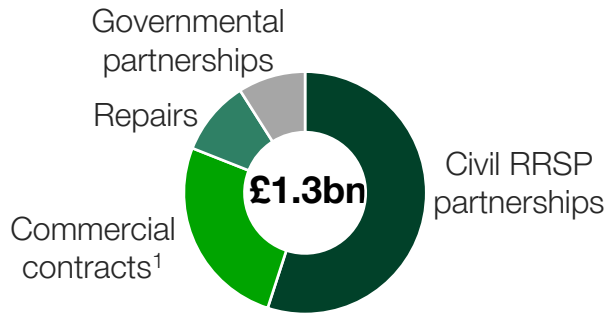
Engine parts repair



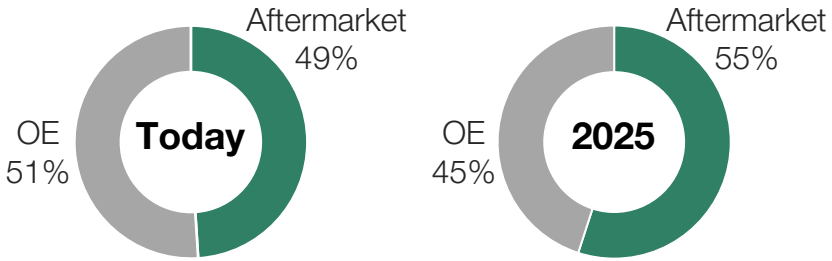
OEM capability



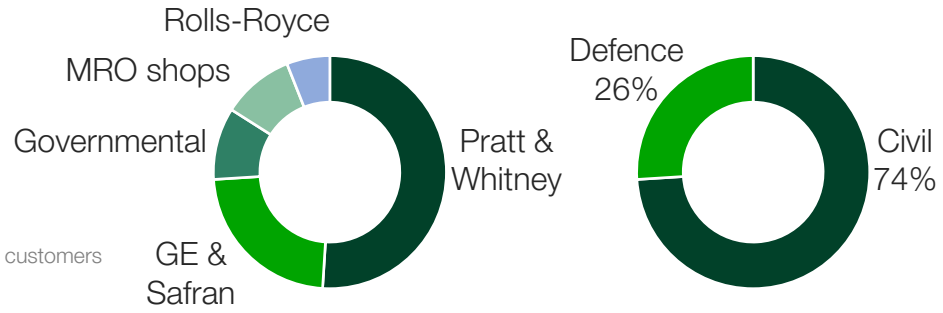
2023 revenue by business model



Growing aftermarket revenue



Customer segments



2023 operating margin **22%**

Strong position today

- Differentiated products, processes and IP
- Technology, design and build partner
- 90+ years engine experience
- Strong aftermarket position
- 40-year unique portfolio of RRSPs
- A trusted partner to OEMs

2025 operating margin **28%**

Unlocking future value

- Secured aftermarket cash flow from RRSPs set to increase
- Significant growth in high-quality aftermarket repair business ahead
- Deployment of game-changing 'additive fabrication' technology

1. Commercial contracts with civil and military OEM customers

A long history of technology partnerships

90 years of partnership with the Swedish Air Force


STW C3

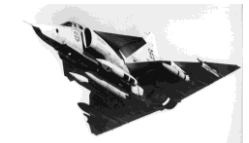

DB-605


RM1


RM2


RM5


RM6


RM8


RM12

- Supply and maintenance of RM12 fighter engines for Sweden, Czech Republic, Hungary, Thailand and South Africa
- OEM position provides system-level capability

40 years of partnership with engine OEMs

SAFRAN

GE Aerospace

PRATT & WHITNEY DEPENDABLE ENGINES GO BEYOND

ROLLS ROYCE Rolls-Royce

- Provide core design and technology capabilities for improved engine performance
- Strong IP positions across engines from all customers

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Unique position in the value chain as strategic partner to the OEMs

OEM customers	Strategic partners[1]	Commercial suppliers	Forging / casting houses[1]
GE Aerospace SAFRAN Rolls-Royce	GKN AEROSPACE MTU Aero Engines ITP Aero IHI	100+	PCC Structurals, Inc. HOWMET AEROSPACE ATI

OEM customers / strategic partners

- OEMs need strategic partners to develop and fund new programmes
- Strategic partners contribute with design, technology, risk sharing and financing
- Only a handful of such partners exist
- Higher margins due to aftermarket access

Commercial suppliers

- Commercial suppliers contribute with capacity and process know-how
- Competitive environment with lower margins
- Hundreds of players in commoditised segments

Forging / casting houses

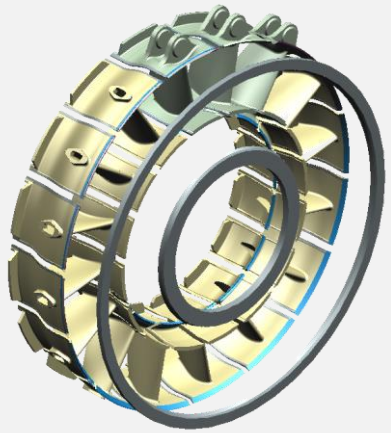
- Few large players with strong position
- Typically higher margins
- Challenging quality and delivery as industry recovers and ramps up

High barrier of entry to become a strategic partner

1. Examples of companies in this segment

Why GKN Aerospace is a long-term partner to engines OEMs

Technology capability



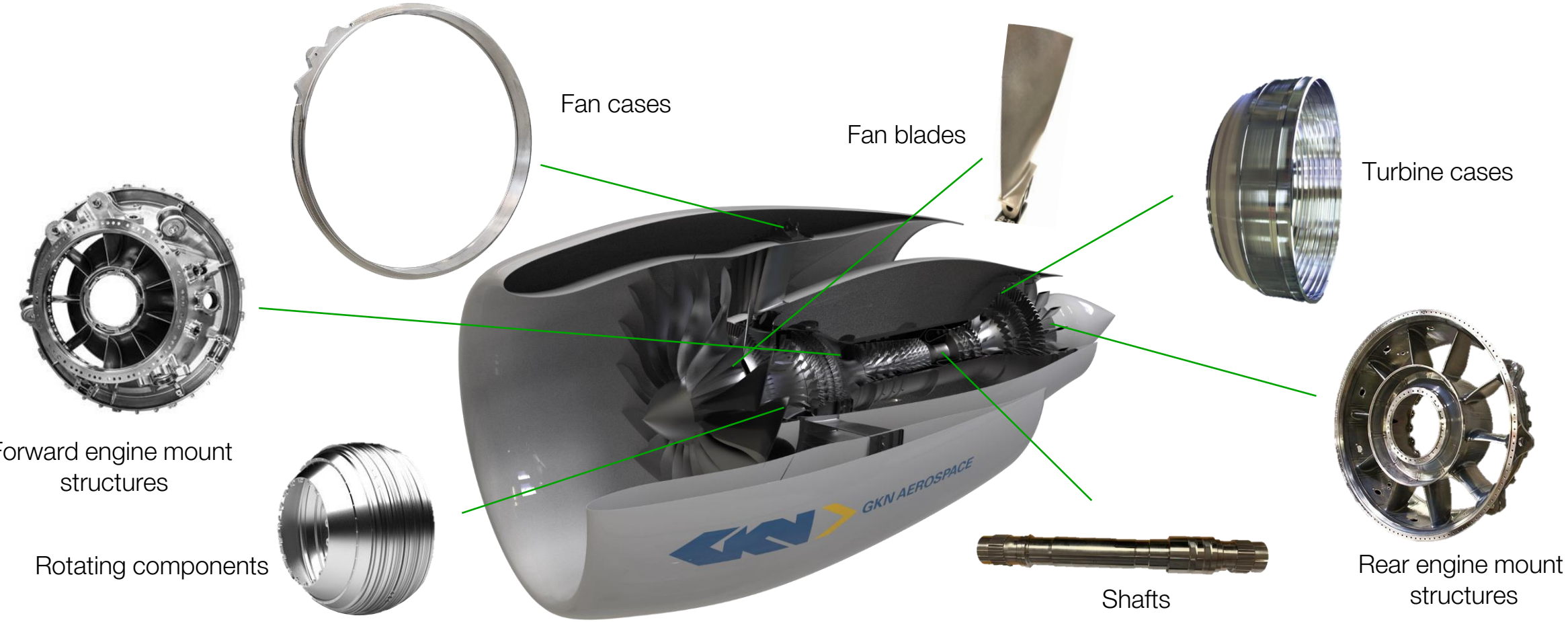
- Full design of performance-critical parts
- Test, validation and certification
- Complex fabrication and manufacturing

Decades of successful partnerships

- Four decades of trust in our capabilities and people
- Critical contribution to improved engine performance
- Financial stability over the life of engine programmes

Deep engineering at the heart of aerospace engines

A product offering that is critical to engine performance[1]



Majority of components last the lifetime of engine – yet we are entitled to lifetime share of aftermarket on RRSPs

1. Illustration shows examples of GKN engineered components, not exhaustive

Multiple business models provide a balanced Engines portfolio

Civil RRSP partnerships

Sales 55%

Provides entitlement to aftermarket revenue and profit

Original equipment + Aftermarket

Government partnerships

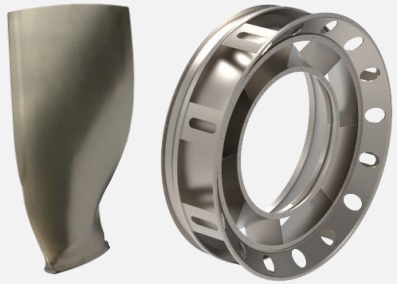
Sales 10%

Unique, system-level capability

Aftermarket

Repairs

Sales 10%

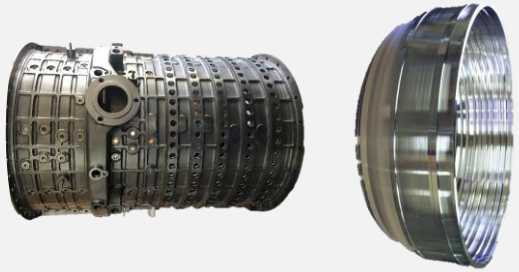


Significant growth opportunity

Aftermarket

Commercial contracts

Sales 25%



Balances profile of portfolio and supports partnerships' focus

Original equipment

A balanced business with strong foundation as a strategic partner

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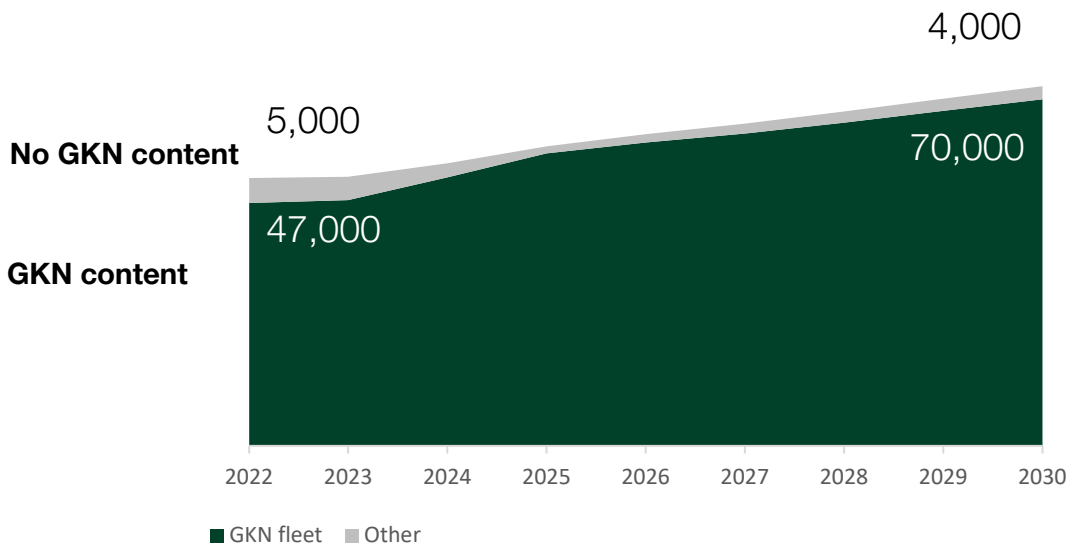
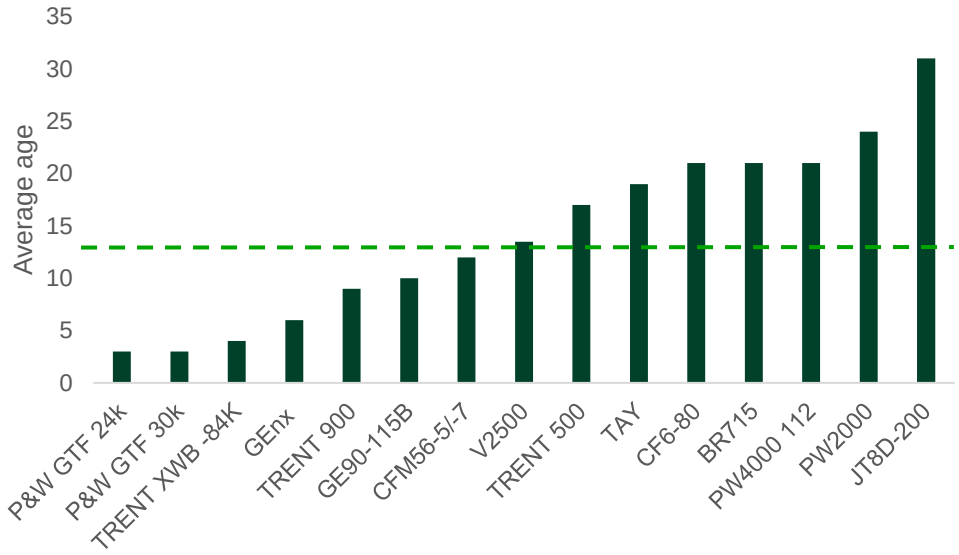
On-board ~90% of civil aircraft on the market today

Installed engines[1]



Age of GKN RRSP engines[2]



GKN on ~90% of engines

Average age of GKN RRSP engines is 13 years


Airbus A320


Airbus A350


Boeing 787

1. Source: AWIN for installed engines
2. GTF 24k = PW1500G/1900G for A220 and Embraer E2. GTF 30k = PW1100G-JM for A320

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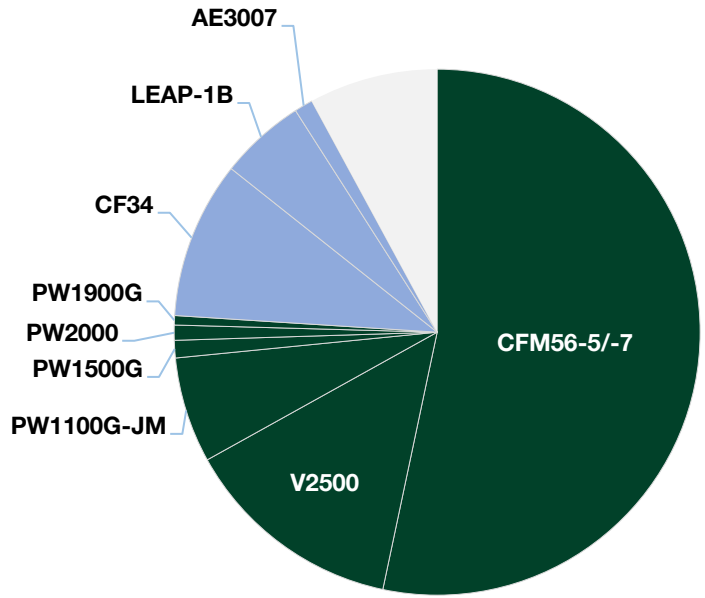
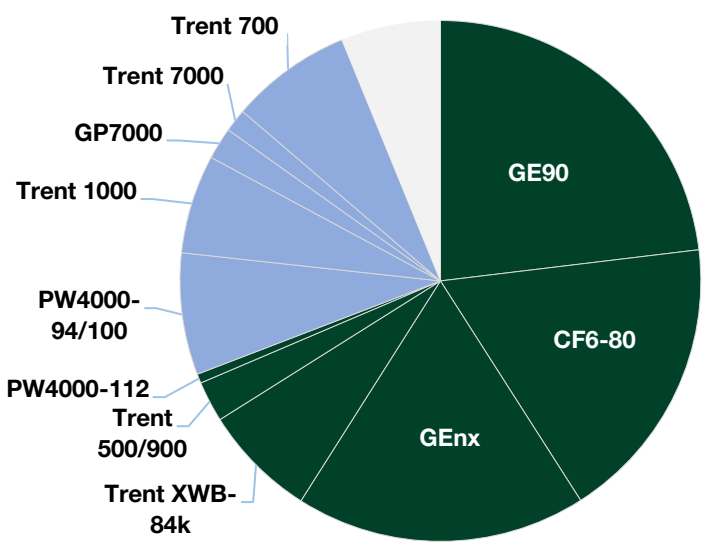
Strong RRSP positions on both narrowbody and widebody

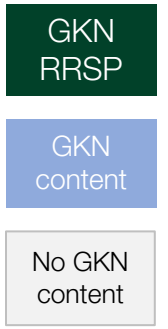
Narrowbody / Regional



GKN RRSP on 75% of global narrowbody / regional flight hours

Widebody





GKN RRSP on 70% of global widebody flight hours

CFM56 and V2500 power 100% of legacy narrowbody aircraft and account for ~50% of total global flight hours

Source: AWIN; based on 2022 global flying hours

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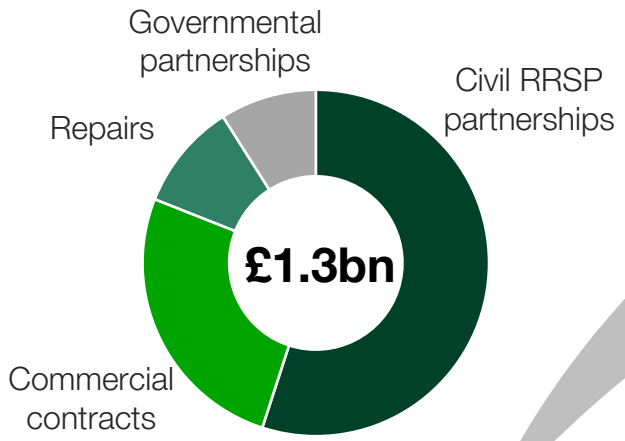
Multipronged strategy to deliver full business potential

2023 Engines revenue



22% operating margin

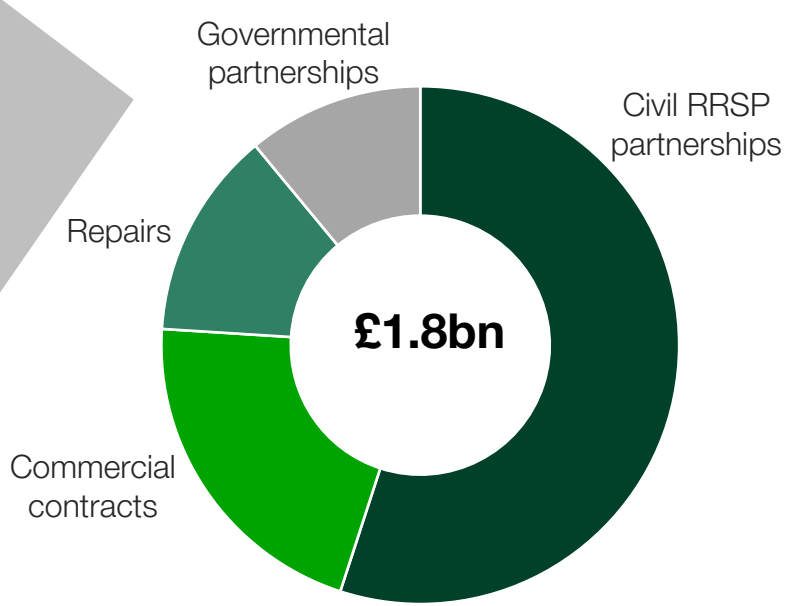
1 RRSP market growth

2 Growth initiatives

3 Business improvement

17%
sales CAGR to 2025

2025 Engines revenue



28% operating margin

Industry-leading Engines division positioned to achieve exceptional growth

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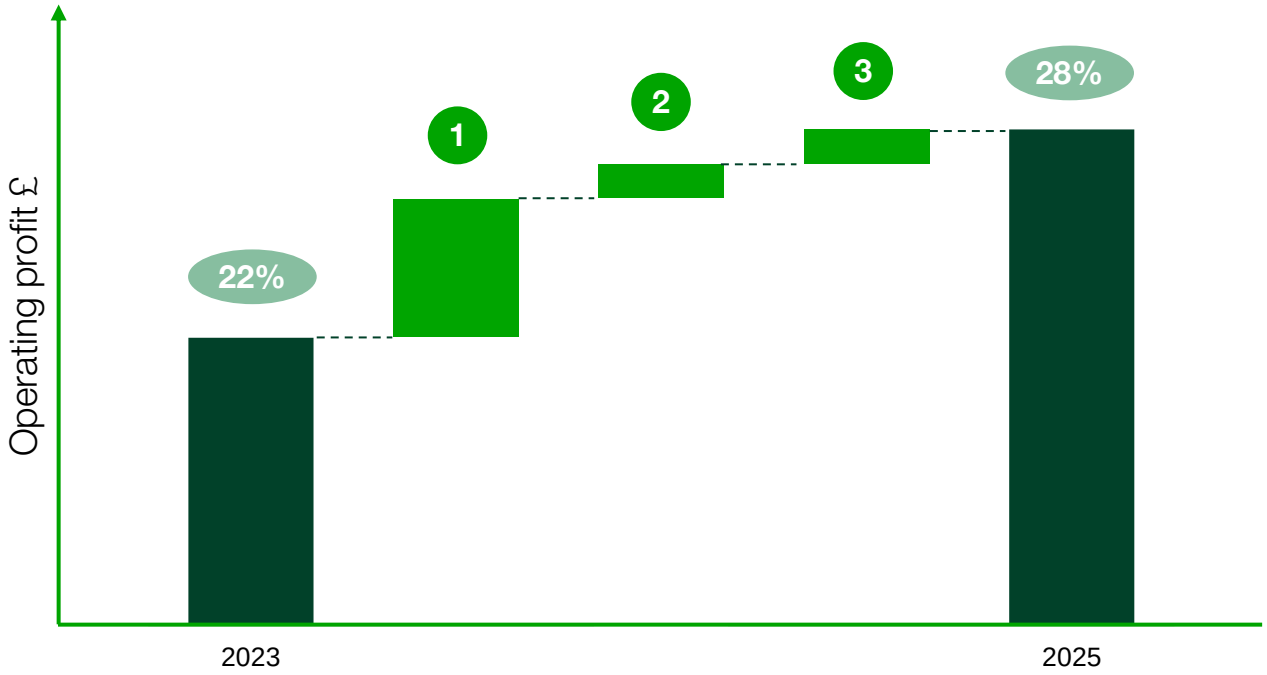
Engines operating margin target: 28%



1 RRSP market growth

- Impact of 19 RRSP contracts entering highly profitable aftermarket phase
- Majority of work completed when engine shipped which leads to strong aftermarket margins

2 Growth initiatives

- Growth from profitable aftermarket repair
- Growth in defence partnerships
- Underlying growth in commercial contracts

3 Business improvement

- Restructuring gains
- Productivity improvements

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1. Portfolio of RRSPs hitting aftermarket ‘sweet spot’

RRSPs

- RRSPs provide GKN Aerospace entitlement to aftermarket profits
- GKN Aerospace has an exceptional RRSP portfolio
  - The portfolio is entering its ‘sweet spot’
  - Engine programmes are maturing and majority are de-risked
  - Highly accretive to margins in the years to come
- Long-term predictable cash flow for decades to come

Strong profit growth with superior margins

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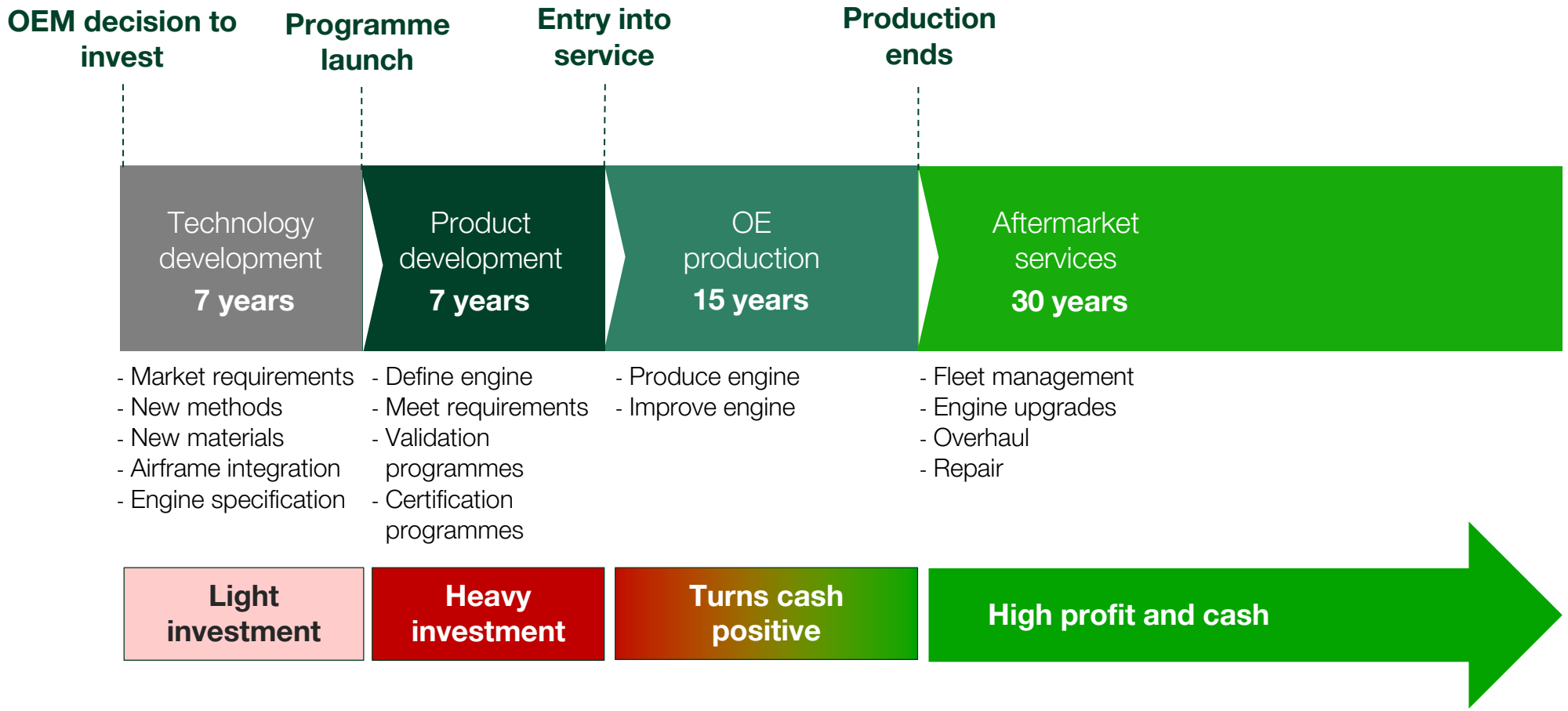
Majority of RRSP returns are made in the aftermarket phase[1]



17 of 19 RRSPs already in cash generation phase[2]

1. Slide shows a typical RRSP lifecycle
2. Remaining two RRSPs reach cash generation phase in next five years

GKN Aerospace has entitlement to aftermarket through RRSPs

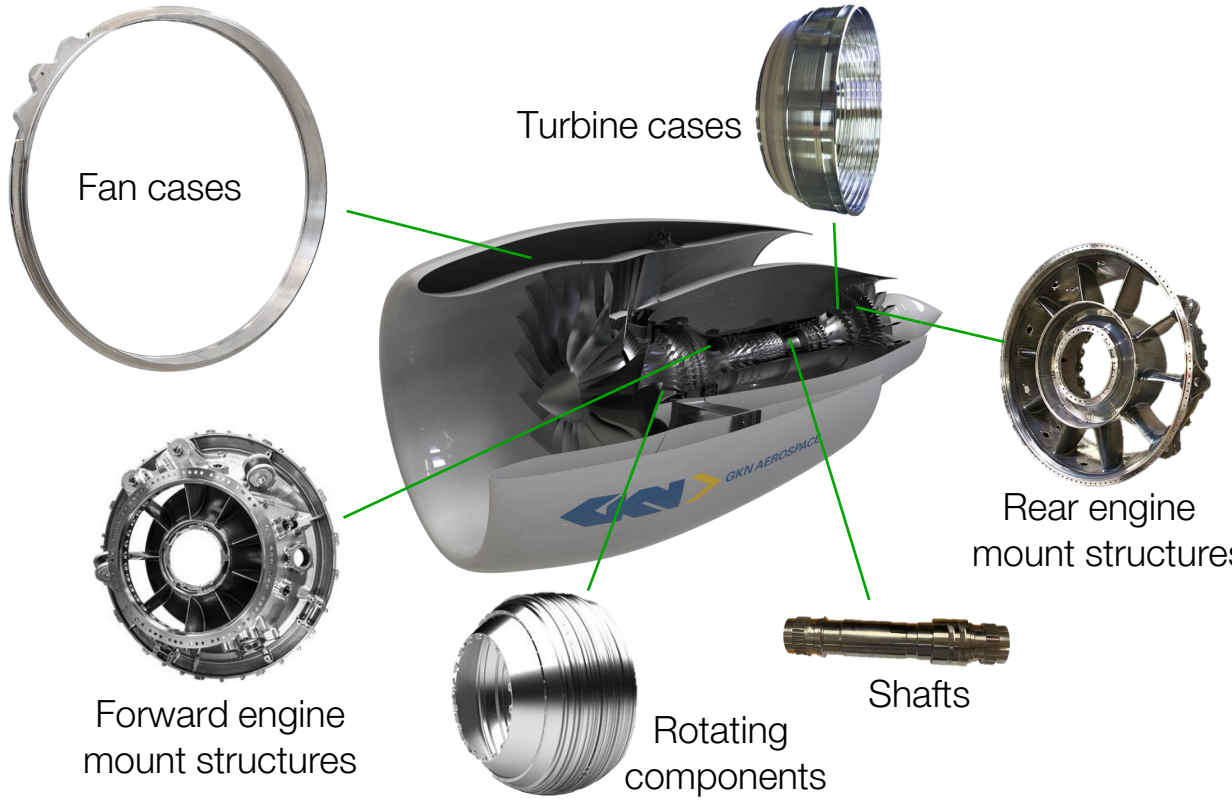
Risk and revenue sharing business model

- Life-of-programme commitment
- GKN contributes an agreed percentage of total annual programme costs, and receives agreed percentage of total annual programme revenue and profit
- GKN gains entitlement to OEM aftermarket cash flows
- GKN cash flow turns positive during OE production stage

GKN Aerospace value to partnership

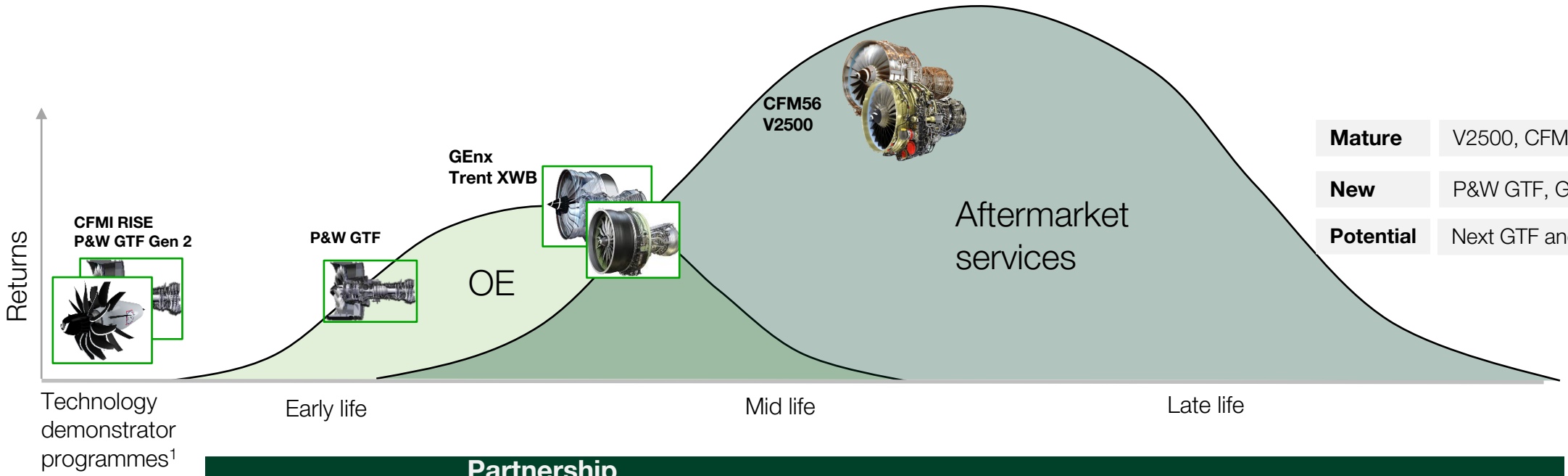
- Technology solutions to develop new, more efficient engines
- Ability to continuously improve engine performance over lifetime
- Financial strength to fund development phase
- Operational expertise within critical product sectors
- Trusted relationship with major OEMs

GKN Aerospace RRSP content



Technology-based partnership model builds long-term strategic relationship

A balanced and comprehensive RRSP portfolio



RRSPs on 100% of legacy narrowbody fleet

Mature	V2500, CFM56
New	P&W GTF, GEnx, Trent XWB
Potential	Next GTF and CFMI engines

Engine	Partnership share	Entry into service	Engines in service	Projected deliveries[2]
▪ CFM56-5/-7	<2%	1993/1996	~23,000	N/A
▪ V2500	2-5%	1989	~6,000	N/A
▪ GEnx	2-5%	2011	~2,000	~4,000
▪ Trent XWB-84k	2-5%	2015	~900	~1,500
▪ P&W GTF 24/30k	4-7%	2016	~3,000	~18,000

>90% of future cashflows from the top 6 programmes

1. For visualisation purpose only
2. Projected deliveries to 2041

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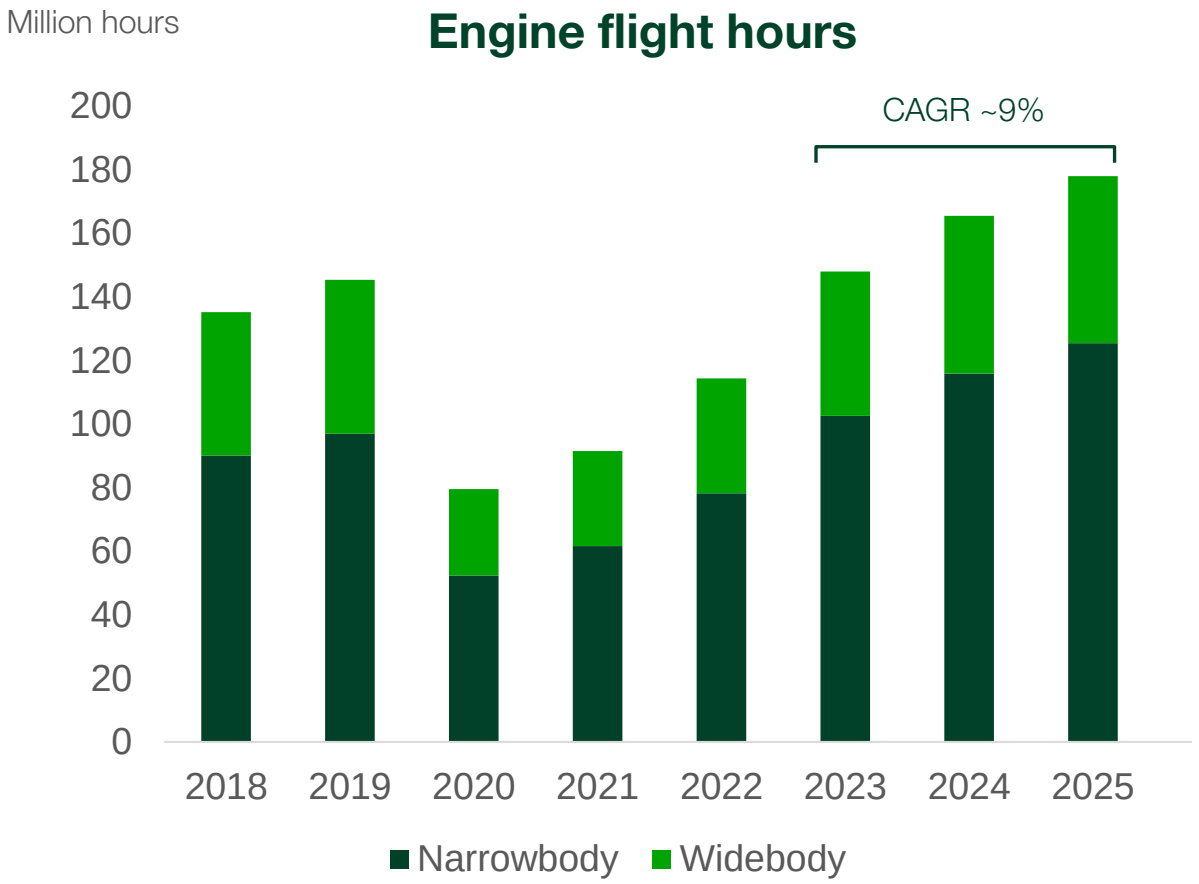
Flight hours recovery key to aftermarket revenue

Engine flight hours

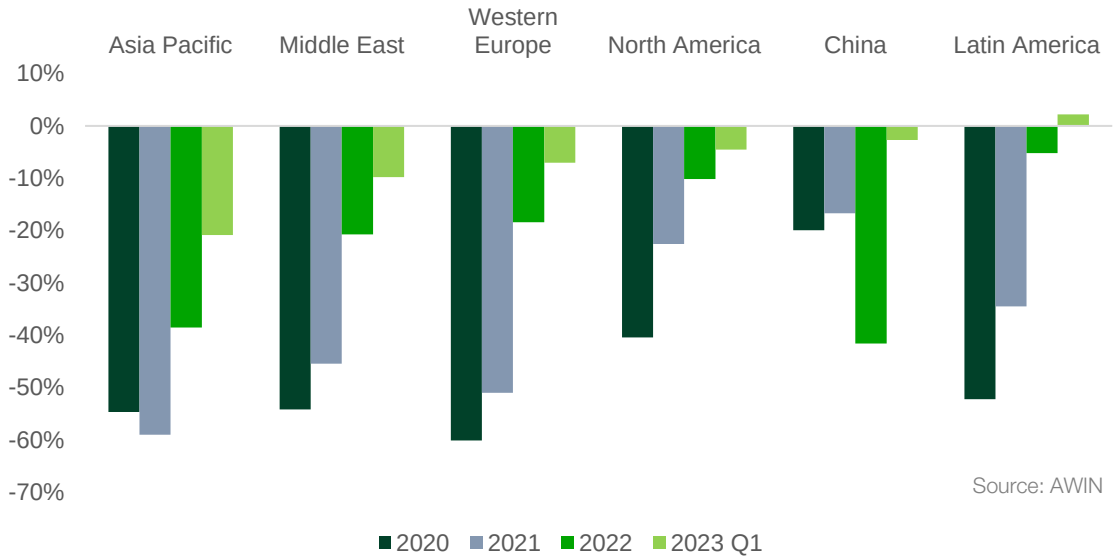


Source: AWIN

Flight hours rebounding strongly

- Continued flight hours recovery expected in coming years
- Full recovery expected during 2023
- Flight hours drives shop visits which drives aftermarket revenue

Flight hours recovery by region[1]



Source: AWIN

1. Flight hours recovery vs 2019 flight hour baseline

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Future shop visits drive growth

Scheduled shop visit activity for key GKN RRSP engines[1]

	Before first shop visit	1 shop visit complete	2+ shop visits complete
CFM56	47%	27%	26%
V2500	30%	35%	35%
GEnx	38%	59%	3%
XWB-84k	67%	33%	-
P&W GTF 24k	95%	5%	-
P&W GTF 30k	90%	10%	-

Significant shop visits ahead

- Aftermarket profits are made through shop visits
- Three or more planned shop visits during the life of an engine, with 5-10 years between each visit
- ~50% of CFM56 and 30% of V2500 have not had first shop visit

Vast majority of GKN engines have high-value shop visits ahead

1. Shop visit data from AeroDynamic Advisory, April 2023

Powering 100% of legacy narrowbody fleet

CFM56-5/-7 engine

Highlights

- Powers Boeing 737 (100%) and Airbus A320ceo (58%)
- 11,500 aircraft in service, 600 customers in 130 countries
- 200 million flights, 820 million engine flight hours clocked
- GKN Aerospace provides turbine cases and vanes

IAE - V2500 engine

Highlights

- Powers Airbus A320ceo (42%) and Embraer C-390 (100%)
- 3,000 aircraft in service, 200 customers in 80 countries
- 60 million flights, 250 million engine flight hours clocked
- GKN Aerospace provides fabricated structures and cases

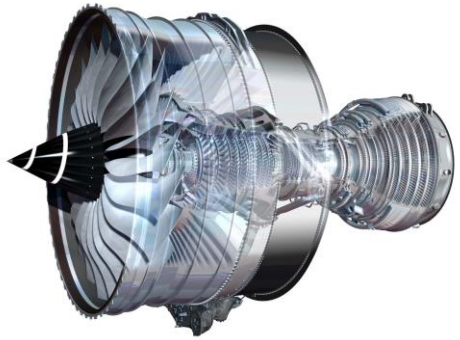
Legacy narrowbody fleet accounts for ~50% of total flight hours[1]

Only RRSP partner on both key mature narrowbody engines

1. Source: AWIN; based on 2022 global flying hours

Widebody engines entering aftermarket phase

Rolls-Royce – Trent XWB engine



Highlights

- Powers Airbus A350-900 (100%)
- 450 aircraft in service, 30 customers in 25 countries
- 0.75 million flights, 10 million engine flight hours clocked
- GKN Aerospace provides fabricated structures

GE - GEnx engine

Highlights

- Powers Boeing 787 (65%) and 747-8 (100%)
- 850 aircraft in service, 70 customers in 40 countries
- 3.5 million flights, 42 million engine flight hours clocked
- GKN Aerospace provides fabricated structures, rotating parts and cases

Strong position as long-haul traffic recovers

GTF engine will drive profitability for decades to come

GTF engine

Two variants:
4-7%
programme shares

GTF highlights

- Powers A220 and A320 families and Embraer E2 family[1]
- 1,400 aircraft in service with 60+ operators[1]
- 90+ customers with 10,000+ orders and commitments[1]
- 18 million recorded flight hours[1]
- GKN Aerospace provides fabricated structures with engine mounts, including additive technology
- Established member of P&W repair network

Outstanding position for future

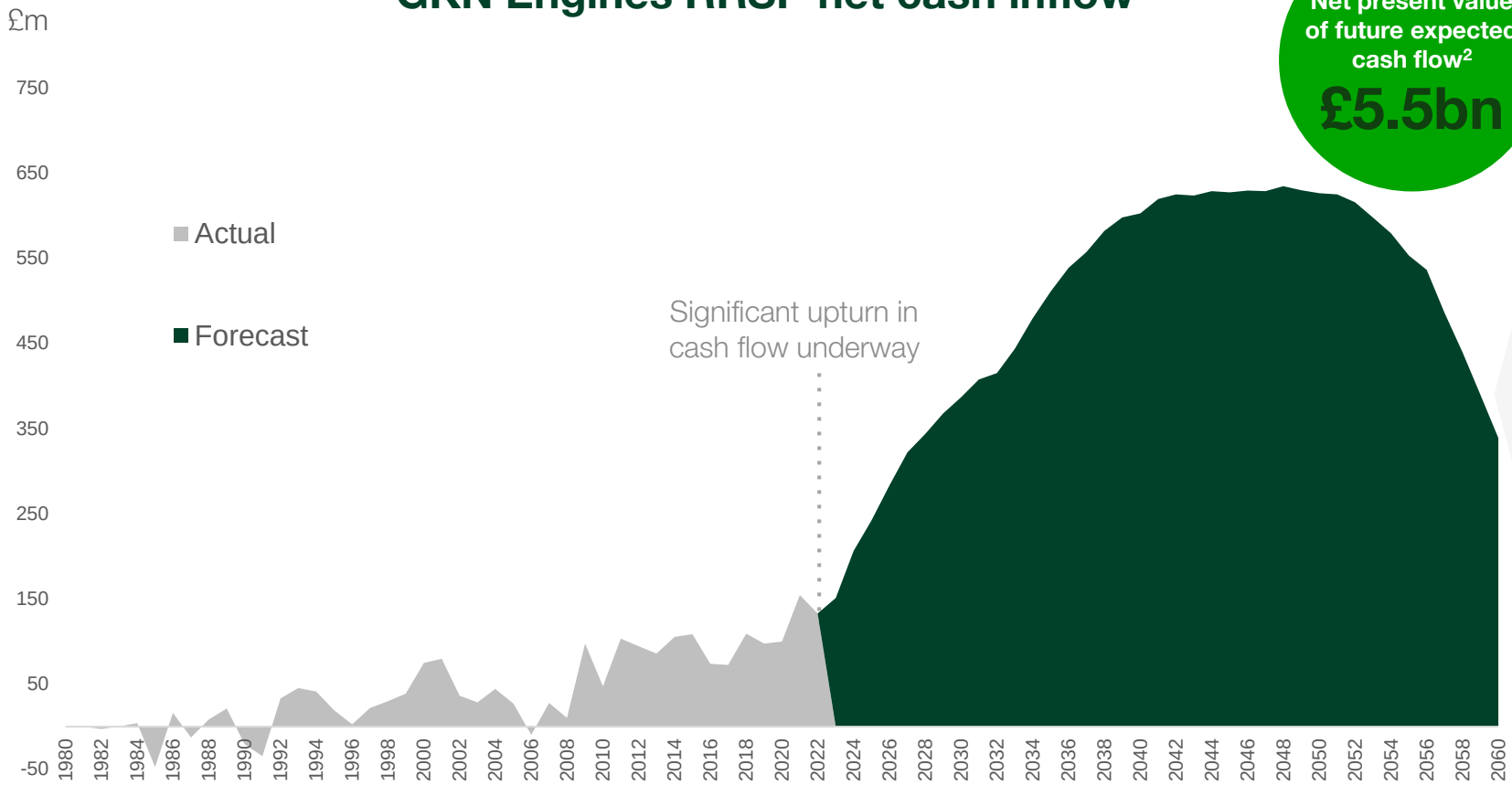
- GTF currently on-board 48% of A320s (vs 52% LEAP),100% of A220 and 100% of Embraer E2 family
- Most efficient engine for long-range narrowbody
- Improving time on wing
- Certified on 50% SAF[2] and successfully tested on 100% SAF
- GTF Advantage upgrade will improve fuel burn further and increase durability, with certification on 100% SAF

GTF RRSP programme share higher than historical GKN narrowbody RRSP positions

1. Source: Pratt & Whitney website
2. SAF = Sustainable Aviation Fuels

Outstanding future cash flows from secured aftermarket

GKN Engines RRSP net cash inflow[1]



Net present value of future expected cash flow[2]

£5.5bn

- 19 RRSP programmes across OEMs
- 17 programmes already cash positive annually
- ~55%[3] of Engines sales from RRSPs, ~20%[3] of GKN Aerospace
- High share of narrowbody engines at the optimal place in their lifecycle
- £20 billion total expected cash flows from 2023, with net present value of £5.5 billion[2]
- Well placed for new programmes (RISE and next-gen GTF); excluded from cash flow outlook

1. Pre-tax
2. Using a foreign exchange rate of USD:GBP of 1.25:1 and calculated using a discount rate of 7.5% which is between a debt related discount rate and a GKN Aerospace pre-tax weighted average cost of capital
3. Based on 2023 expected sales

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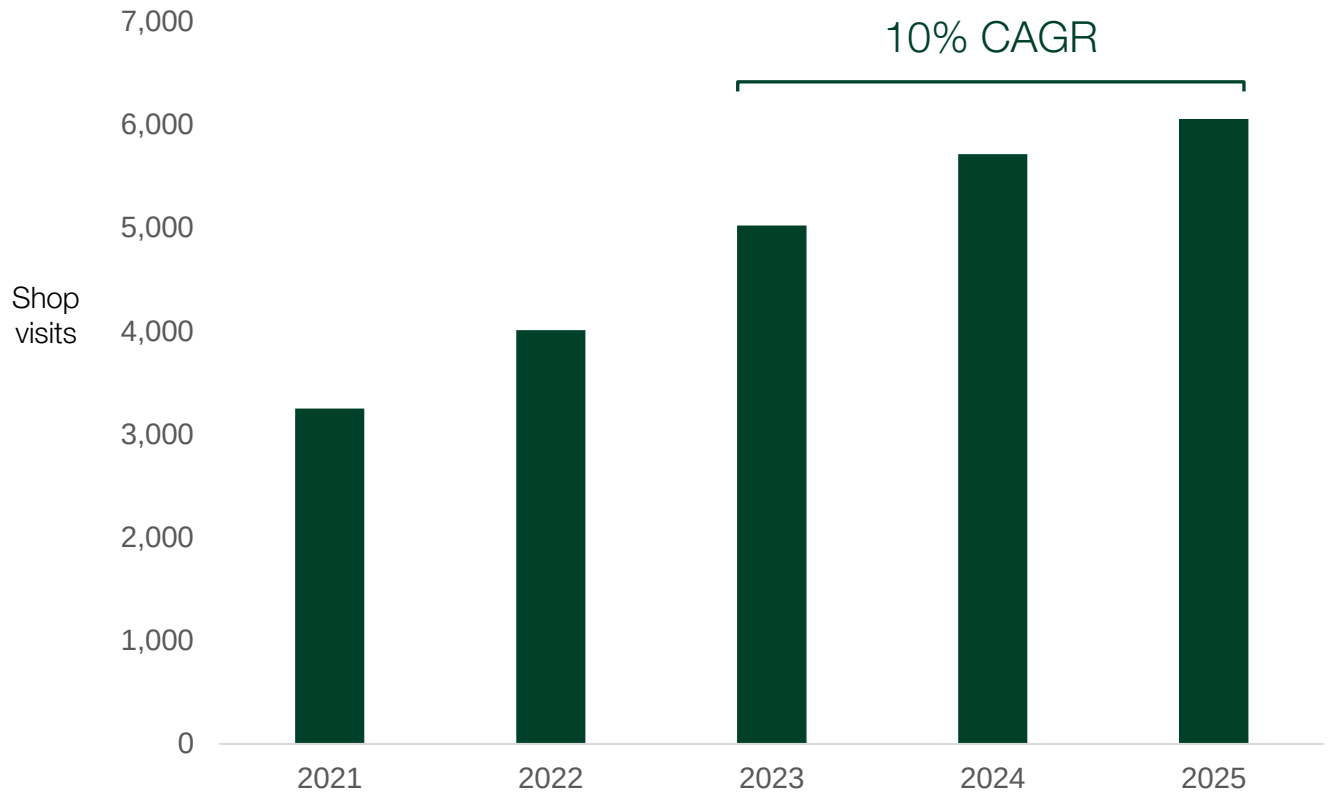
2. Growth initiatives

Outstanding growth opportunity in parts repair

Projected engine shop visits[1]



Highlights

- Shop visits are growing rapidly, driven by flight hour recovery
- OEMs keen to develop cost effective repair capability (versus replacement) as they are responsible for maintenance guarantees
- Flight-critical nature of GKN products creates high barriers to entry and long lead time for new capacity to reach the market (3+ years)
- GKN's unique position is built on investment in global repair capacity and certification, and strong OEM relationships
- GKN's advanced technology capabilities seen as problem-solving solutions for hard-to-repair parts

GKN repair business expected to double sales from 2023 to 2025

1. Based on AWIN flight hour forecast data for target platforms CFM56, V2500, LEAP and GTF

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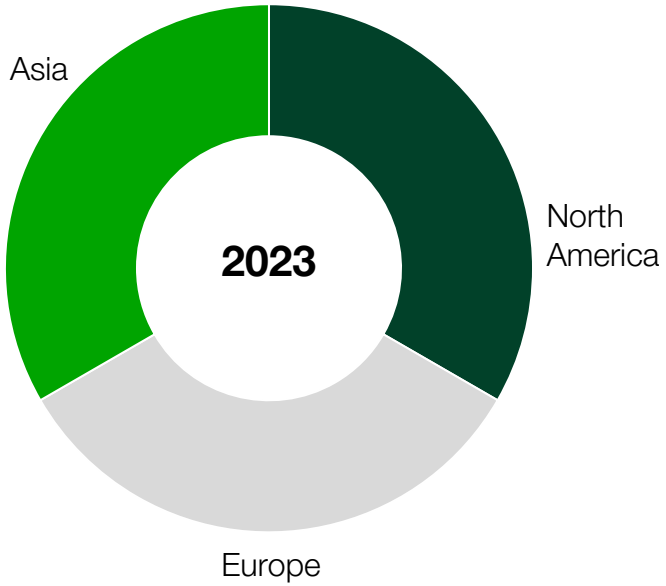
A certified global repair capability today

GKN Aerospace repair portfolio

10%
GKN Engines sales

~75%
of GKN repair revenue from fan blades

GKN Aerospace repair sales[1]



GKN Aerospace unique capability

- 80+ years in repair business
- 3 sites globally (one new since 2022)
- Certifications from EASA[2], FAA[2], CAAC[2], and key OEMs (2+ years to achieve per site)
- Established worldwide customer base of over 500 customers
- £65 million capex investment in repair business under Melrose ownership

Certification, scale and customer relationships are substantial barriers to entry

1. Sales by end market region
2. EASA = European Union Aviation Safety Agency. FAA = Federal Aviation Administration. CAAC = Civil Aviation Administration of China (CAAC certification expected to be in place from July 2023)

Strengthening our fan blade repair leadership

Strong fan blade repair market

- Fan blade repair demand growing, in line with flight hour recovery
- Strong market growth in Asia
- Shortage of global fan blade repair capacity

30%
of fan blade market in Asia

GKN well-placed to grow

- Certified fan blade repair capability
- New Malaysia facility now fully operational
- Additive repair capability
- Established customer relationships

25%
CAGR of GKN fan blade repair business to 2025[1]

1. Fan blade repair is part of wider repair portfolio growth (which doubles sales between 2023 and 2025)

Expanding repair capacity, capability and portfolio

Footprint expansion

Expanded
Sweden 2021
10,000 m²

Moving to new
US 2024
15,000 m²

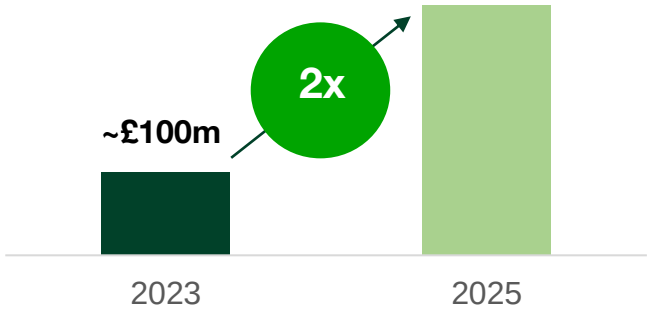
New
Malaysia 2022
10,000 m²

Portfolio expansion

Parts	Repair capability
Fan blades	Yes
Fan disks	Yes
Cases and Structures	Yes
Composite parts	Yes
Blisks/IBR[1]	In 2023

Leveraging manufacturing technology

Revenue growth



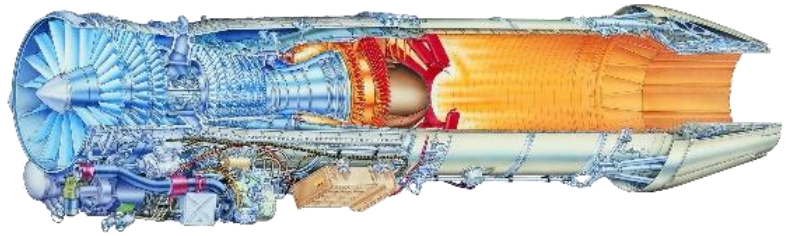
£4.5bn
addressable market by 2030[2]

Doubling sales from 2023 to 2025 - more upside beyond

1. Integrally bladed rotors
2. Projected market by 2030. Source: AeroDynamic Advisory Market Research

90-year strategic relationship with the Swedish Air Force

RM12 / Gripen C/D



'OEM-level' scope of responsibility

- Research and technology leadership
- Demonstrators
- Design / Product developments
- Systems engineering
- Production
- Engine testing
- Upgrades
- Product support / Aftermarket / Life tracking system

Business growing from £100 million to £140 million by 2025

- National interests require competent domestic capability and capacity
- Upfront funded, long-term and stable business (over time and cycles)
- Capability investments funded by Government

Well-positioned for growth based on OEM capability

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Extending the defence governmental partnerships

RM12 / Gripen C/D

- Started development in 1980
- Full engine responsibility
- Engine entering sunset phase in ~2035
- Retain export aftermarket beyond 2040

RM16 / Gripen E

- GKN system-level responsibility for engine
- £1.5 billion forecast programme revenue
- Entry into service in 2025, 30+ year lifespan
- Capability build-up underway, including £15 million investment in supersonic engine test facility from Swedish Government

Future Combat Air System

- Swedish national propulsion champion
- Government directed national studies of new concepts, technology & demonstrators for future fighter system and engine capabilities
- Large market opportunity

Extending the strategic relationship with the Swedish Ministry of Defence and Air Force

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Growing in commercial contracts

World's leading fighter platform

- Platform nearing full delivery phase
- Total annual F-35 market value above $15 billion
- F-35 a critical platform for the US and 14 other allied countries

F135 powered by GKN engine technology

- Long-term supplier on P&W F135 engine
- GKN sites across US and Norway provide industry-leading technology products:
  - Military ducts
  - Fan case
  - Low pressure turbine cases
  - Diffuser cases
  - Shafts
  - Electrical wiring interconnection system

1. Lockheed Martin market statement, September 2021

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3. Business improvement

Restructuring: optimising our Engines manufacturing footprint

Total number of sites

2018
12

2024
9

Key initiatives:
- Exiting non-core business
- Consolidation of key products
- Rightsizing the remaining footprint
- New repair sites in California and Malaysia
- Building Centres of Excellence

End 2023

9 manufacturing sites in 5 countries

6 Americas, including 1 in Mexico
2 Nordics, alongside Swedish GTC[1]
1 Asia Pacific[2]

Includes 3 repair facilities
America, Europe and Asia

Substantial reshaping of current footprint will be largely completed in 2023

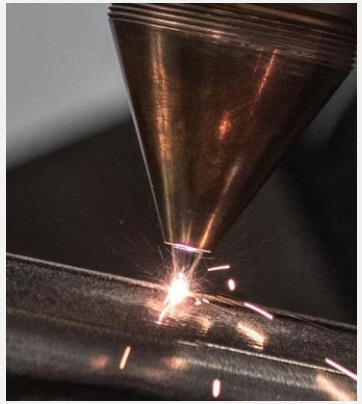
1. Global Technology Centre
2. One manufacturing site in addition to an engineering office in India

Operational excellence: accelerating productivity

Improving production flow

- Re-layout of processes to reduce cycle time
- Strategic insourcing to improve flow
- Consolidation of products in CoEs[1]

Increasing automation



- Automation of fabricated structures
- Automation of repair process
- Automation of composite cells

Digitalisation / Industry 4.0

- Company-wide machine connectivity
- 70% reduction of unplanned stops[2]
- Increased use of AI and analytics

£30 million of annual savings from initiatives[3] – half in 2023

1. CoE = Centre of Excellence (based on technology focused capabilities)
2. In Trollhättan, Sweden on machines connected to Co-Pilot automation system
3. Projected savings relate to 2025 figures

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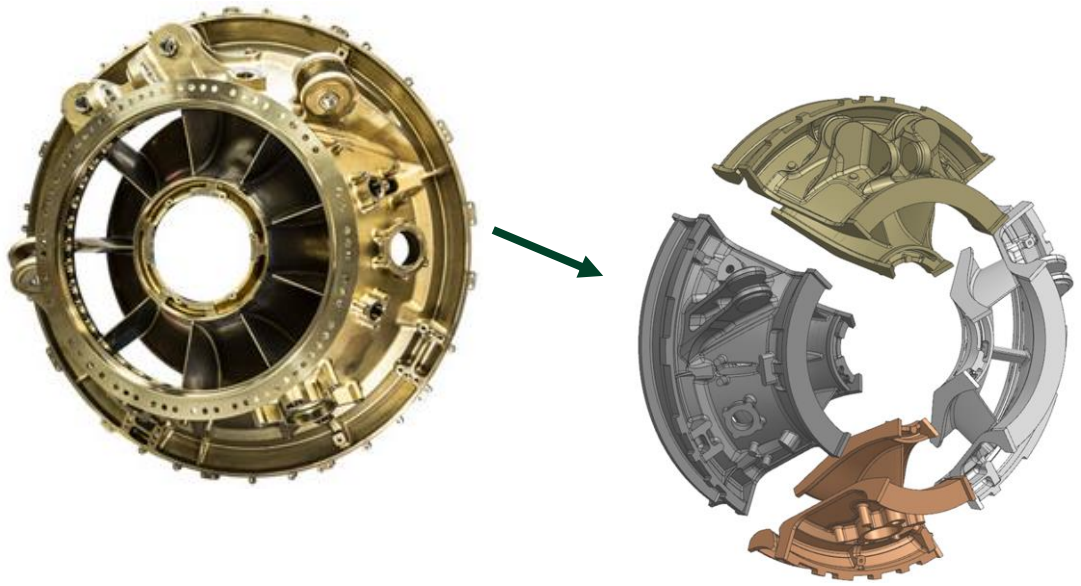
Reinforcing our technology leadership for decades to come

Transforming the supply chain through Additive Fabrication

Unique GKN Additive Fabrication capability



Entirely new technologies to improve performance, cost and sustainability

What is Additive Fabrication?

- Current forgings and castings have limitations, such as delivery times, lack of design flexibility and weight
- Additive Fabrication allows GKN Aerospace to combine multiple smaller parts into a more complex, lighter component
- Enabled by a unique combination of welding and additive manufacturing expertise, built on decades of experience
- Results include improved quality, shorter supply time and improved sustainability through lower weight and waste

Growth enabled by technology development and know-how

Opportunity to replace >30% of current forgings and castings over time

20 years of additive technology development coming to fruition

2000-2005

Research phase

- First Laser Metal Deposition (LMD) cell
- Partnership with Permanova
- Extensive research and testing

2005-2015

Start of production on simple applications

- First launch in 2008
- Additive manufacturing of complex features
- No load-bearing functionality
- 2 parts in production

+

Multiple complex demonstrators

- Extensive test campaigns
- Extensive material characterisation

2015-2023

Start of production on ‘load-bearing’ structures

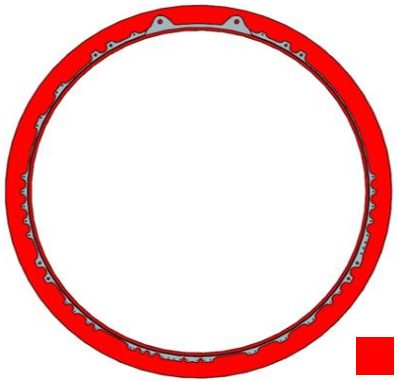
- GTF engine mount rings (A220 and E195) enter production (2023)
- Permanova acquisition (2022)
- Introducing LMD on multiple products
- Significant pull from customers

Unique capability and know-how in laser welding for additive manufacturing (AM)

Industry first launch of a ‘load-bearing’ additive structure in 2023

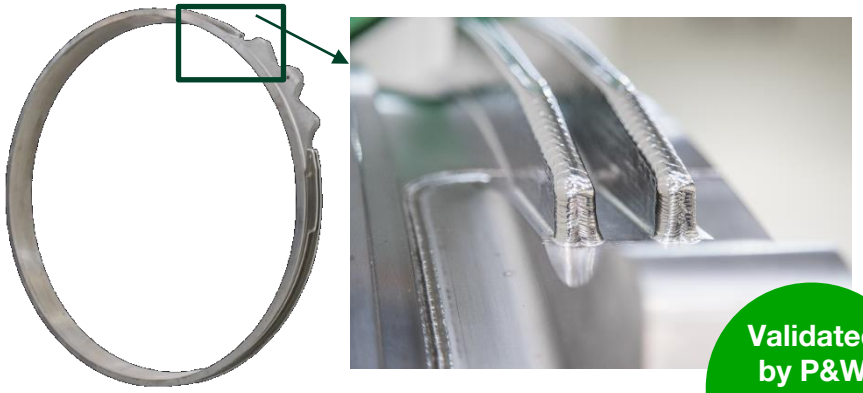
Fan case mount ring (on Airbus A220)

Previous



- Start from a 440kg titanium forging
- 90% of material machined out
- Buy-to-fly ratio = 11:1

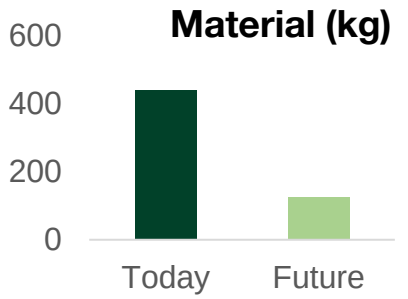
New approach



Validated by P&W EIS[1] 2023

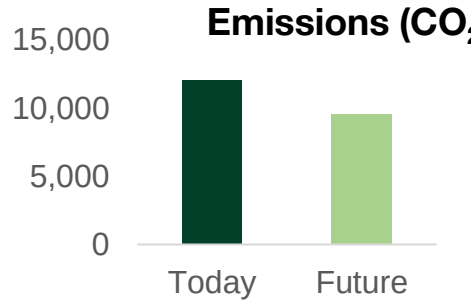
- Start from slim forged titanium ring
- Flanges are created with additive manufacturing
- Expected buy-to-fly ratio = 3:1

Sustainable value creation



Reduces ~70%

Reduces 320 kg of titanium scrap per unit



Reduced[2] 2.5t

Game-changing technology for engine parts

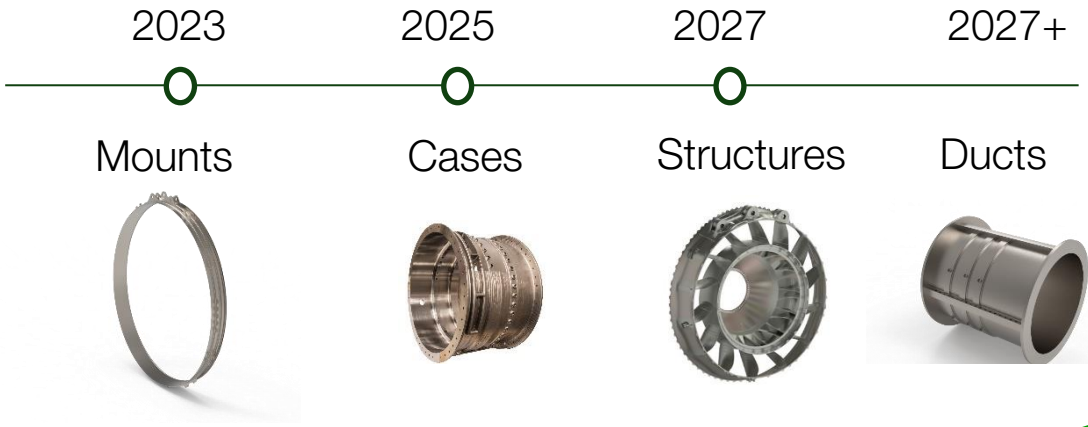
1. EIS = Entry into service
2. Relates to savings during material processing

Accelerating the scale-up of disruptive additive capability

3 unique GKN capabilities - hard to replicate

1. Product capability
   - Ability to validate changes as design and build partner
2. Additive process experience
   - 20+ years of R&D
   - Critical understanding of material processes
3. Additive systems knowledge
   - Manufacturing scale-up capability
   - Permanova bolt-on acquisition provides further laser and optical know-how

Aggressive launch plan



- Dedicated business unit
- Commercial agreements with multiple customers across major programmes
- >£80 million cumulative investment up to 2025

Targeting replacement of >30% forgings and castings

Full in-house capability through product, process and industrialisation

Technology-enabled position for next-generation narrowbody engines

Next-generation ducted engine

PRATT & WHITNEY DEPENDABLE ENGINES

GO BEYOND

- GKN Aerospace is a technology demonstration partner in next-generation Pratt & Whitney GTF programme
- GKN Aerospace brings expertise in design of complex load-bearing statics
- Engine is expected to be 100% Sustainable Aviation Fuel (SAF) certified

A partner in both technology development programmes

Next-generation un-ducted engine

GE Aerospace

SAFRAN

- GKN Aerospace is a technology demonstration partner in new CFM RISE programme
- GKN brings expertise on design for function using additive fabrication
- Target 20% fuel-burn reduction versus LEAP engine, as well as use of SAF and potential for hydrogen

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On track for superior margins and decades of cash generation

Engines 2025 targets

£1.8bn
17% REVENUE CAGR TO 2025

28%
OPERATING MARGIN

>85%[1]
AFTERMARKET PROFIT BY 2025

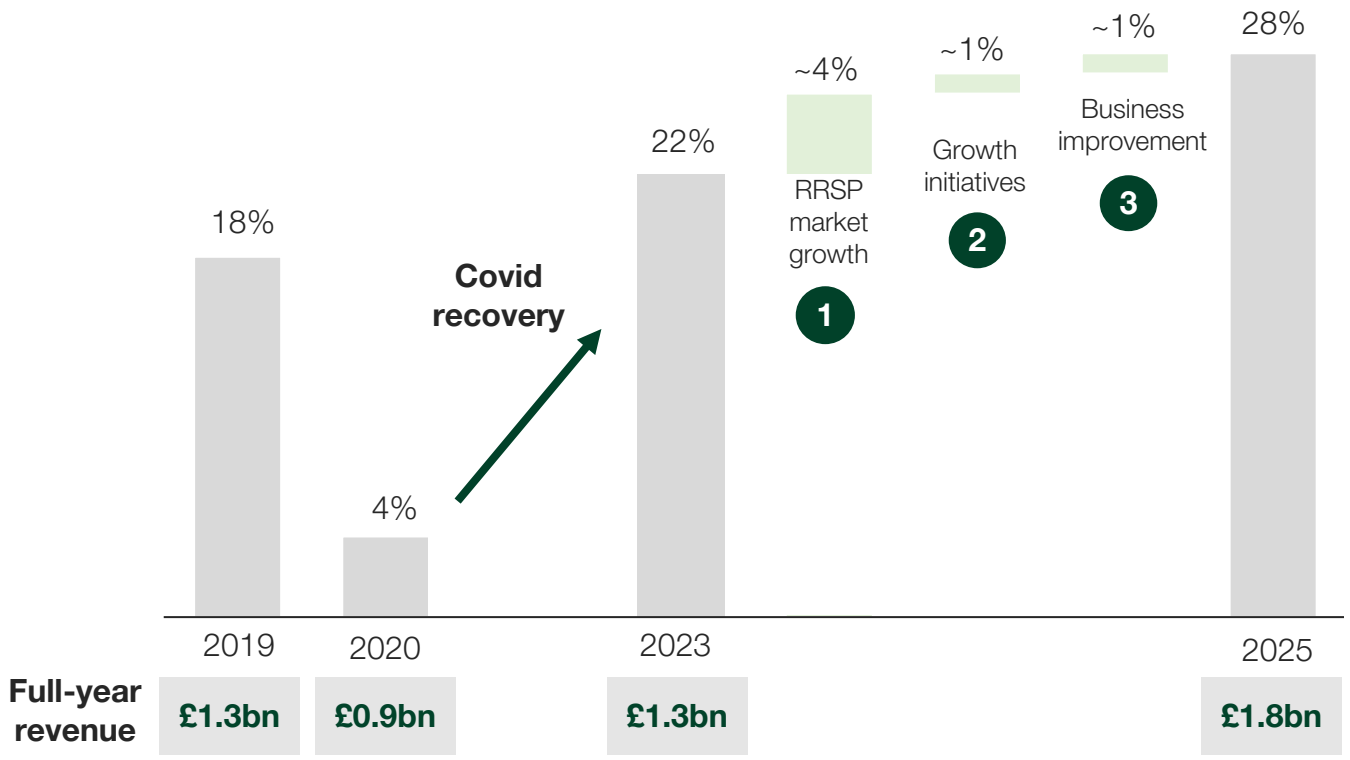
	2019	2020	2023	2025	2023 to 2025
Revenue	£1.3bn	£0.9bn	£1.3bn	£1.8bn	CAGR 17%
Operating profit	£225m	£35m	£290m	£500m	+72%
Operating margin	18%	4%	22%	28%	+600bps
	Previous peak	**COVID low**	**Today**	**On track**	

Fast revenue growth, margins rising strongly and industry leading

1. Expected profit split of Engines division in 2025

Engines operating margin growth

Operating margin (%)



1. RRSP portfolio continues to mature and is entering highly profitable aftermarket phase
2. Revenue from repair business doubles, contributing to significant increase in profit
3. Remaining restructuring and operational excellence programmes finalised

Engines set for industry-leading margins

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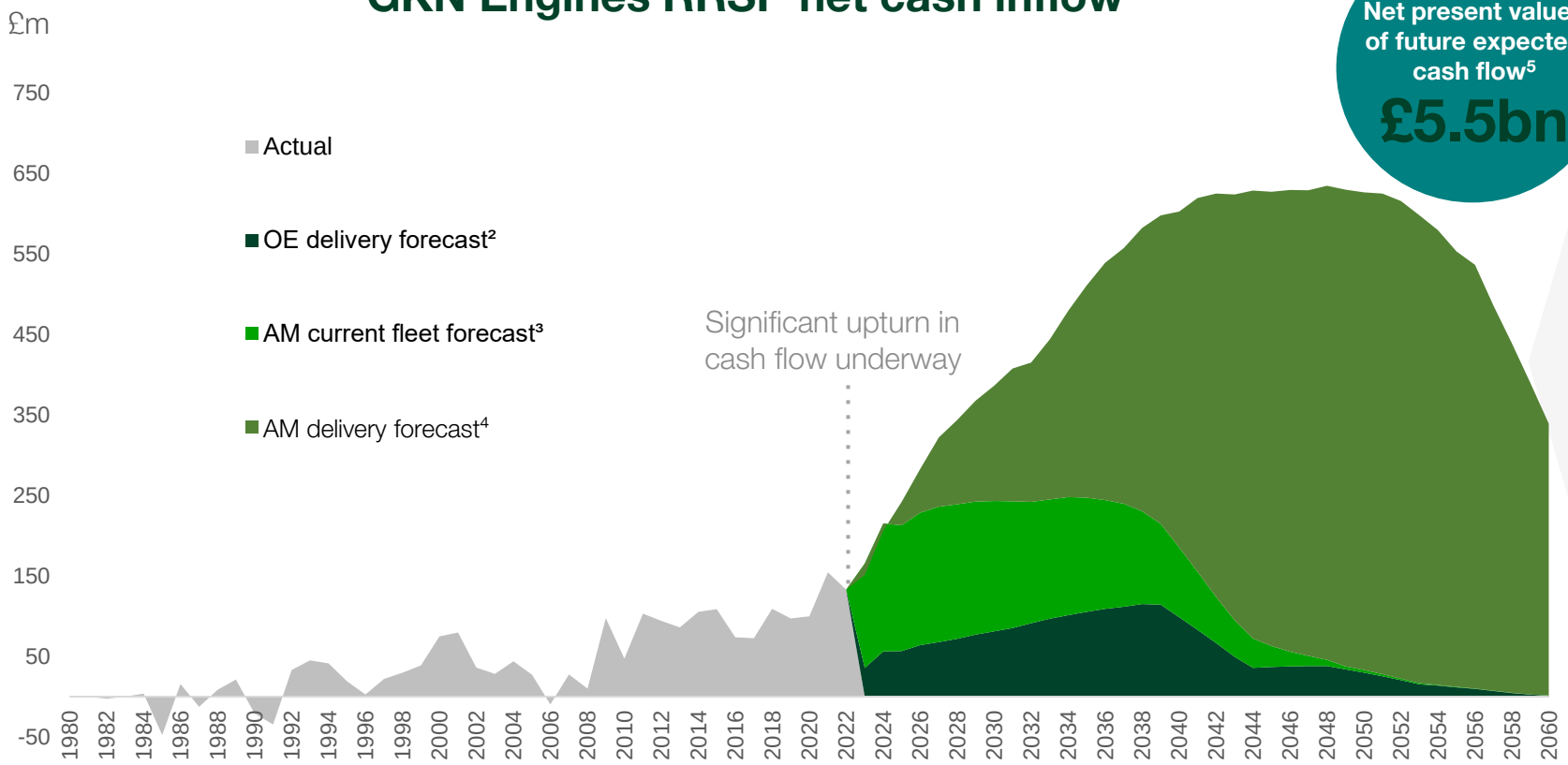
RRSP financial deep-dive

GKN Engines RRSP net cash inflow[1]



Net present values of future expected cash flow[5]

£5.5bn

- Calculated using industry forecasts with conservative assumptions
- 17 programmes now in cash generation phase; remaining two programmes turn cash positive in next five years
- Cash and profits now rising as engines are in profitable aftermarket phase
- GKN parts typically last life-of-the-programme, limited future cost of sales after engine is sold
- Our RRSP share is recorded as revenue with minimal costs in aftermarket phase, leading to higher margins over time
- Maturity of our programmes means that commercial, technology and warranty risk has reduced and continues to do so over time
- GKN expecting to invest in next-generation engines (e.g. CFM RISE and next-gen GTF); investment and returns not modelled

Expecting to invest up to 10% of NPV in next generation of Engines, no significant funding before 2030

1. Pre-tax
2. Original equipment (OE) delivery forecast represents the OE sale of expected future engine deliveries on current programmes
3. Aftermarket (AM) current fleet forecast includes AM on delivered engines
4. Aftermarket (AM) delivery forecast represents associated AM of expected future engine deliveries on current programmes
5. Using a foreign exchange rate of USD:GBP of 1.25:1 and calculated using a discount rate of 7.5% which is between a debt related discount rate and a GKN Aerospace pre-tax weighted average cost of capital

Delivering on our Engines improvement plans

Commercial

100% complete by end of 2023

- Portfolio actions
- Price/value alignment

Restructuring

100% complete by end of 2023

- Footprint optimisation
- Product Centres of Excellence
- Best cost country growth

Operational excellence

Ongoing through 2025

- Reduced cost of poor quality
- Lean Operating Model
- Operational synergies

£75 million of annual savings – half delivered in 2023

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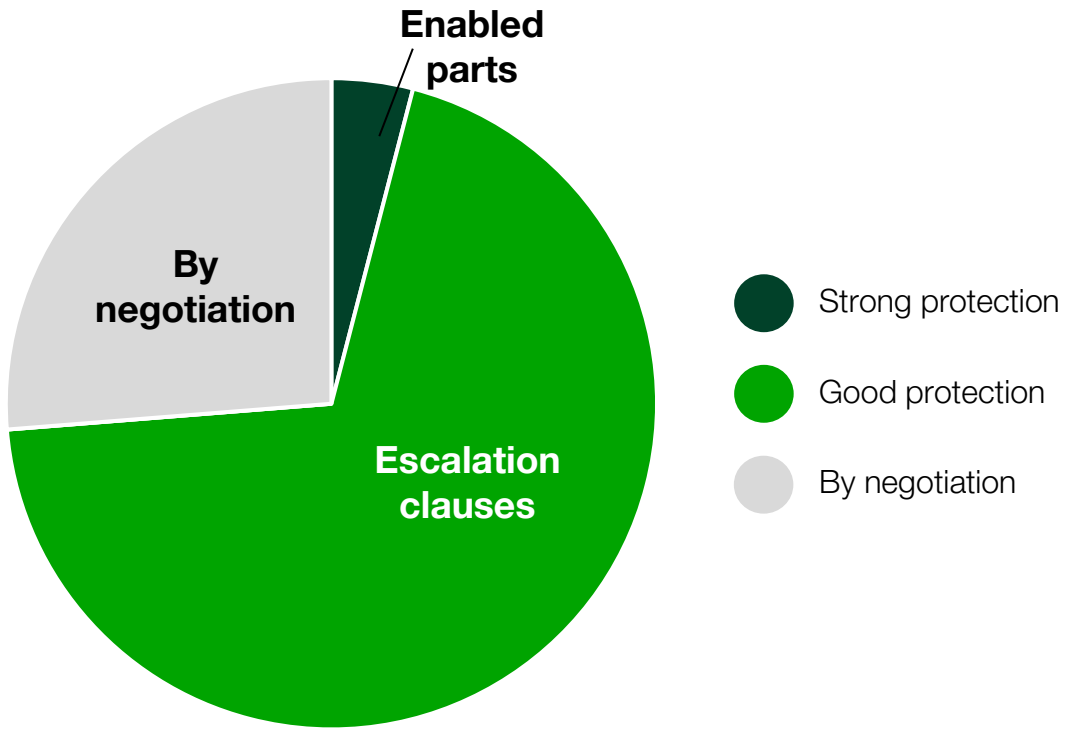
Offsetting inflation

Revenue by contractual protection



Contractual protection to offset inflation

- **Enabled parts** – inflation passed directly on to customers
- **Escalation clauses** – prices to customers adjusted as per contractually agreed indices (material, labour and/or commodities)
- **By negotiation** – where no specific contractual term is in place, cost increases are managed by negotiation, taking into account inflationary factors

2023 inflation covered by blend of mechanisms

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Break

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Design-led Structures division with excellent platform positions

Structures - Executive Summary

- Design-led Structures division with excellent customer positions
  - Diversified customer portfolio with strong content on Airbus aircraft and F-35
  - Super-Tier 1[1] position on 50% of sales
  - >90% of products aligned to Net Zero roadmap
- On track to 9% operating margin by 2025
  - Civil volume ramp-up drives growth
  - Defence portfolio repricing and rationalisation well underway
  - Footprint consolidation and quality improvements progressing well
- Strongly positioned through technology for next-generation aircraft
  - High-rate composite wing technology and advanced thermoplastics
  - Advanced defence programmes underpinning ~60% design-to-build sales by 2025

Clear trajectory to double digit margins beyond 2025[2]

1. Super-Tier 1 is defined as having the ability to design, validate and build the majority of core work, across multiple OEMs
2. Further margin expansion from widebody recovery, repricing and volume growth

Strong positions across customers and platforms

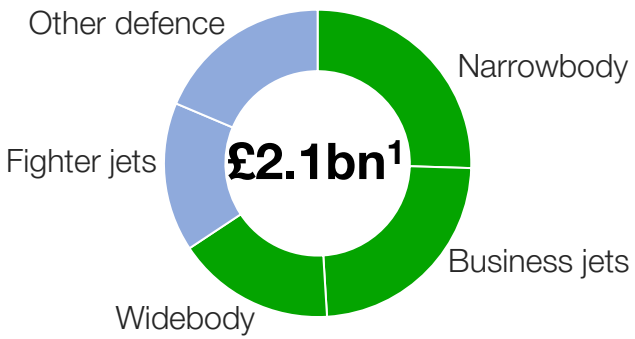
Core products

Lightweight composite structures

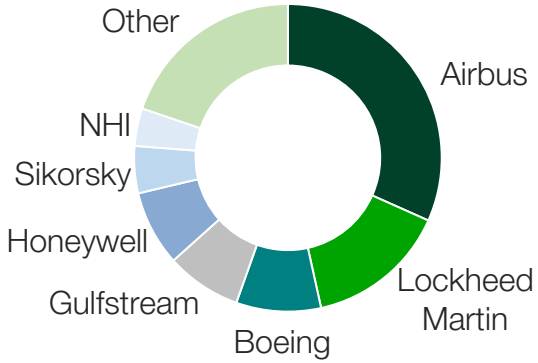
Electrical distribution systems

Advanced metallic structures

2023 revenue by segment



Customers



Strong position today

- 67% Civil, 33% Defence
- Super-Tier 1 capability
- Great product portfolio
- Global industrial footprint
- Well positioned on all major platforms
- Civil portfolio strongly aligned to Airbus
- Particular strength on narrowbody and F-35

Unlocking future value

- Civil volume recovery
- Defence repricing and rationalisation
- Footprint consolidation
- Next-generation composite technologies

1. Including c.£150 million of Structures revenue from planned site closures to be exited in 2024

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A long history of airframe technology leadership

More than 100 years of aircraft development


Fokker II


Fokker VII


G-I


S-14


Fokker 28


Fokker 50


Fokker 100


Fokker 70

- Structures business established from OEM heritage
- System-level capability underpins Super-Tier 1 position
- Industrial champion in both The Netherlands and UK

30+ years customer partnerships

AIRBUS

BOEING

LOCKHEED MARTIN

NORTHROP GRUMMAN

- Strong technology partnerships with all major OEMs
- Unique capability in both major structures and electrical distribution systems
- Sole source position on >70% of structures sales today

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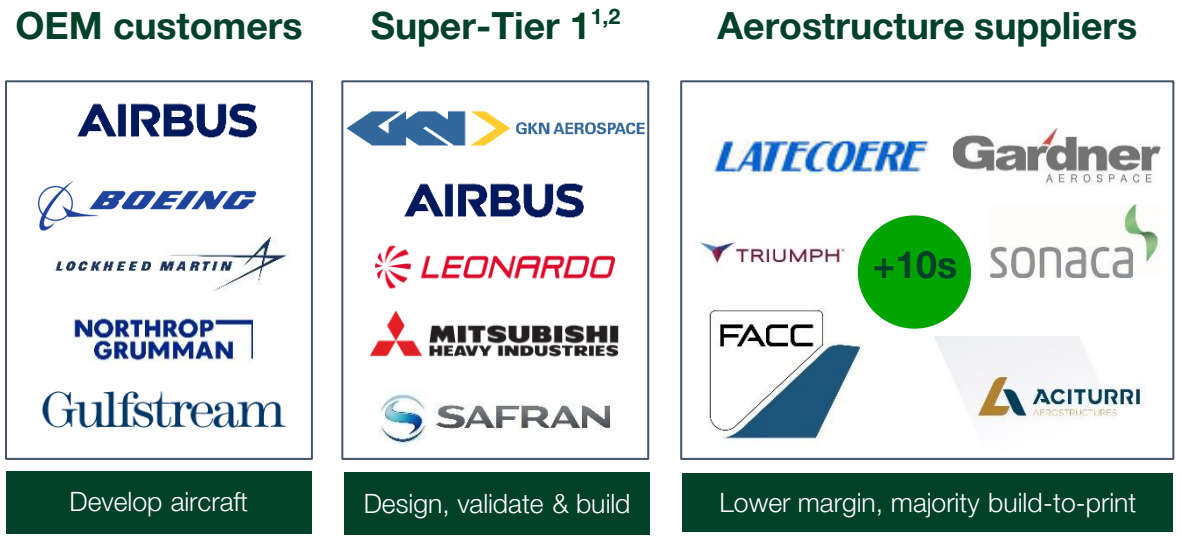
Differentiated position in the value chain as Super-Tier 1



Super-Tier 1

- Super-Tier 1s bring IP and proprietary technology
- Capable of sophisticated design-to-build work, including ability to define allowables and validate
- Embedded positions across multiple OEMs with life of programme contracts
- Early access to technology demonstration programmes for next-generation platforms

Aerostructure suppliers

- Dozens of players provide manufactured products
- Focus on build-to-print work
- Competitive environment with lower margins

GKN Aerospace has embedded positions across multiple customers, underpinned by technology

1. Super-Tier 1 is defined as having the ability to design, validate and build the majority of core work, across multiple OEMs
2. Example Super-Tier 1s shown covering both aerostructure and electrical distribution markets

Super-Tier 1 capability

GROW | **REDUCE**

	SUPER-TIER 1	TIER 1	COMMODITY SUPPLIER
Manufacturing process	✓	✓	✓
Product design	✓	✓	
Allowables definition[1]	✓		
Specification and supply chain ownership	✓		
Certification testing and verification	✓		
	Structures sales[2] 50%	Structures sales[2] 30%	Structures sales[2] 20%
	Design + Validate + Build	**Design + Build**	**Build**

80% of GKN Aerospace structures in Super-Tier 1 or Tier 1 differentiated position by 2025

1. Develop and certify aerospace material properties' characteristics
2. Refers to projected split of Structures sales in 2025

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Leading-edge research underpins Super-Tier 1 status

Bristol, UK – 10,000m²

- At the heart of the UK Aerospace ecosystem
- Partnering with academia e.g. Cranfield and Bath University
- Leading multi-company programmes e.g. WoT[1] and H2GEAR[1]
- Access to ATI government funding
- Next-generation wing technology and hydrogen propulsion

Hoogeveen, The Netherlands – 3,000m²

- At the heart of the Dutch Aerospace ecosystem
- Partnering with leading academia e.g. Delft University and NLR
- Leading multi-partner programmes e.g. STUNNING[2]
- Access to EU funding and LiT[3]
- Advanced thermoplastics and high-voltage electrification

Dallas, US – 10,000m²

New H2 2023

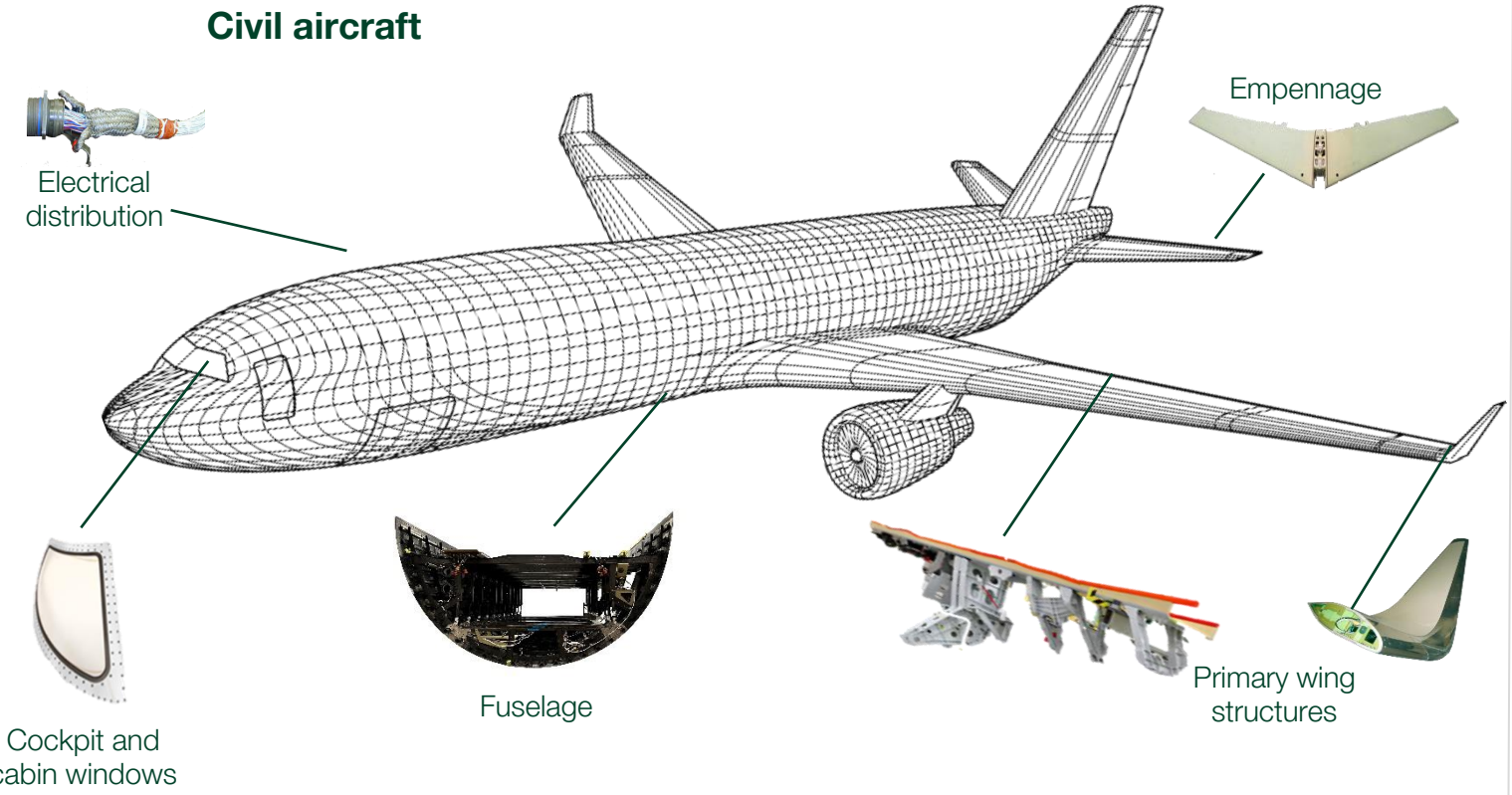
- At the heart of the US defence ecosystem
- Partnering with leading academia e.g. Oak Ridge Labs
- Partnering with Northrop Grumman
- Industry-leading additive manufacturing technology
- Positioned for access to US government funding

World-class capabilities with access to funding at the heart of university and industry ecosystems

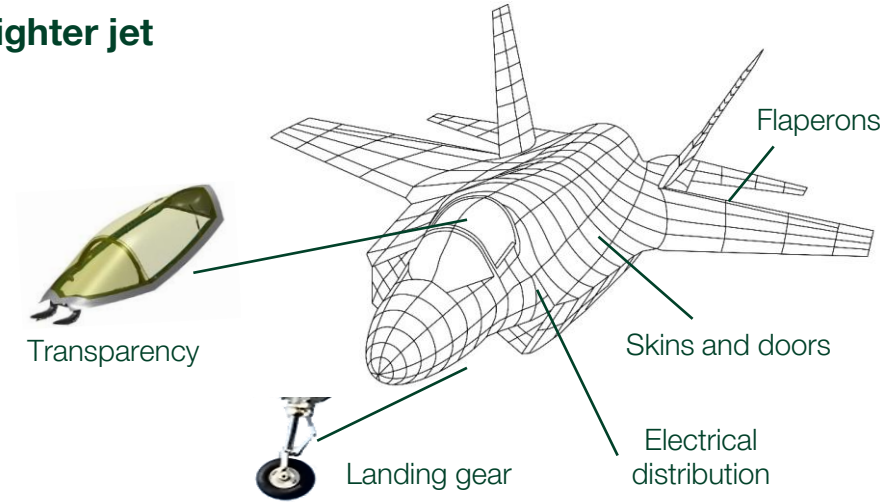
1. WoT = 'Wing of Tomorrow' programme with Airbus; H2GEAR = UK-led project to develop ground demonstrator for hydrogen power for aerospace sector
2. STUNNING = project to produce world's largest thermoplastic structure (based in The Netherlands)
3. Sustainable aerospace technology fund in The Netherlands

Structures product portfolio

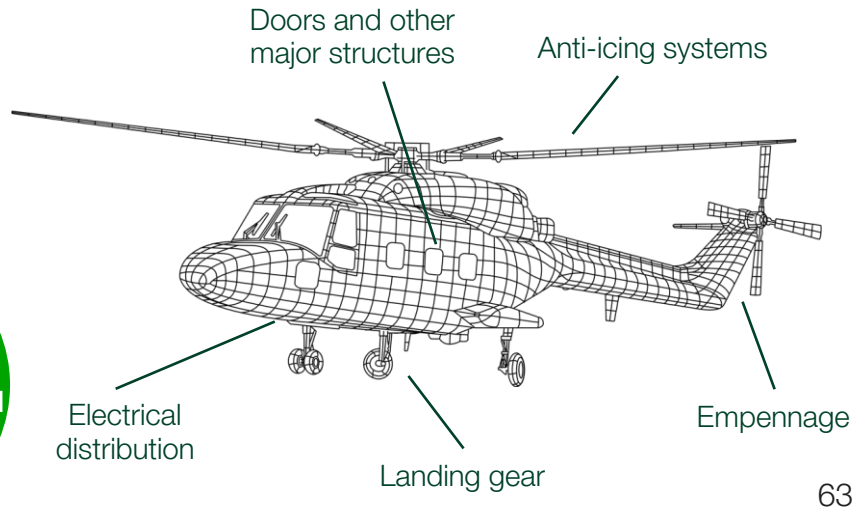
Civil aircraft



Fighter jet



Rotorcraft



Products	% Sales
Structures	78%
Electrical distribution systems	15%
Other	7%

>90%
of products aligned to Net Zero roadmap

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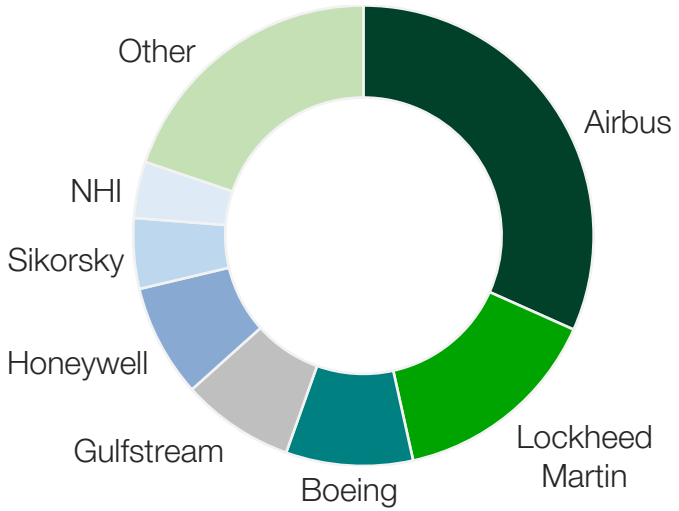
Present across all major growth platforms

Revenue by customer



	Platform	OE content per aircraft
Narrowbody	▪ A320	£0.5m
	▪ B737MAX	£0.2m
Widebody	▪ A350	£2.2m
	▪ B787	£1.1m
Business jets	▪ G650	£1.9m
	▪ Honeywell HTF	£0.7m
Defence	▪ F-35	£2.6m
	▪ C-130	£2.0m
	▪ Black Hawk	£0.6m

Comprehensive and diverse portfolio of positions

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Different improvement levers across Civil and Defence

Civil

40%
rooftop reduction to create centres of excellence[1]

- Meet volume ramp-up
- Realise benefits from site consolidation
- Strengthen embedded technology positions on wings, electrical distribution and empennage
- Leverage footprint in China to accelerate growth
- Position for next-generation narrowbody platforms

Defence

~70%
of core contracts to be repriced by 2025

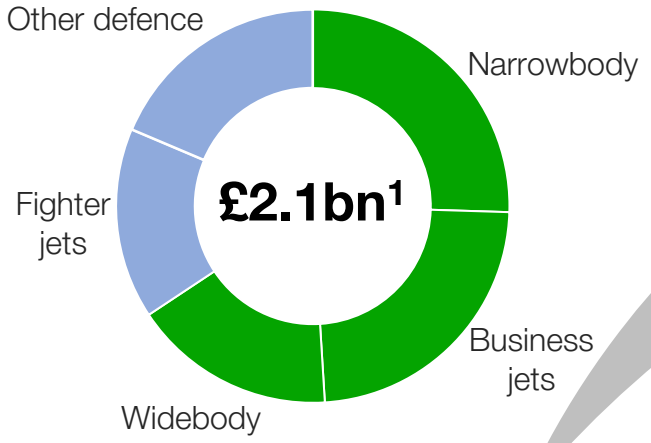
- Exit ~15% of unprofitable business
- Reprice ~70% of remaining portfolio
- Profitable growth and productivity on existing flagship programmes (F-35)
- Leverage national positions to gain European industrial participation work[2]
- Re-focus on higher margin design-to-build work

Clear path to profitable growth for Civil and Defence portfolios

1. Based on reduction in sites from 2018 to the end of 2023
2. Industrial participation work refers to services provided within selected nations that procure global/US platforms

Multipronged strategy to deliver full business potential

2023 Structures revenue



3% operating margin

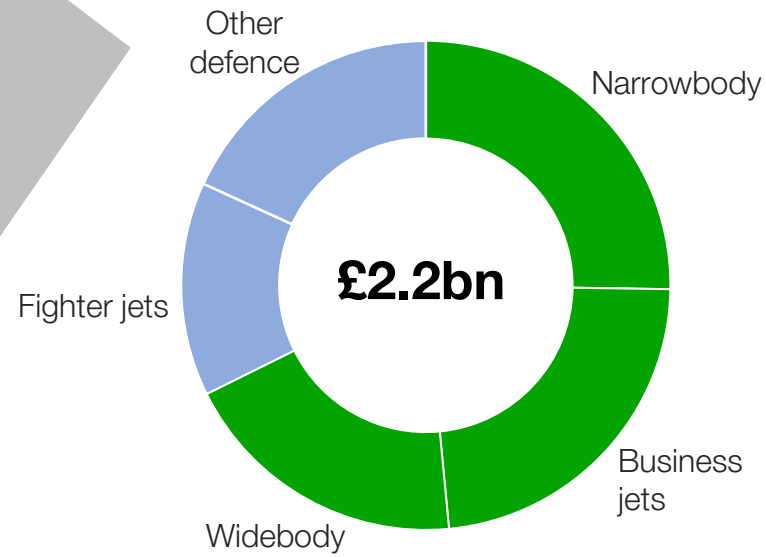
1 Civil ramp-up

2 Defence repricing and rationalisation

3 Restructuring and operational excellence

6%
sales CAGR to 2025[2]

2025 Structures revenue



9% operating margin

Strong growth trajectory to exceed pre-pandemic profitability

1. Including c.£150 million of Structures revenue from planned site closures to be exited in 2024
2. CAGR excludes non-core business being exited in 2024

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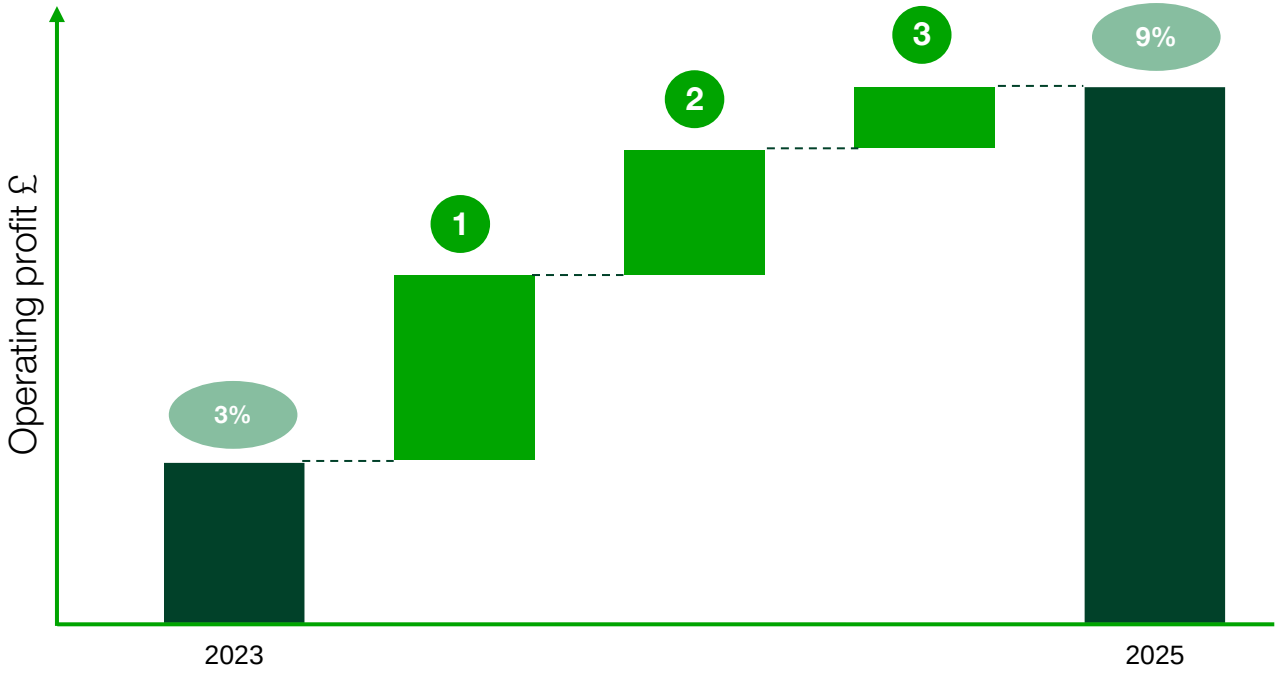
Structures operating margin target: 9%



1 Civil ramp-up

- Positive impact of narrowbody (A320 & B737) and widebody (A350 & B787) recovery

2 Defence repricing and rationalisation

- Repricing and right-sizing portfolio to be completed over the next 18 months
- Focus on increased design-to-build work

3 Restructuring and operational excellence

- Significant footprint consolidation
- Improvements in quality and scrap reductions driven by Lean Operating Model

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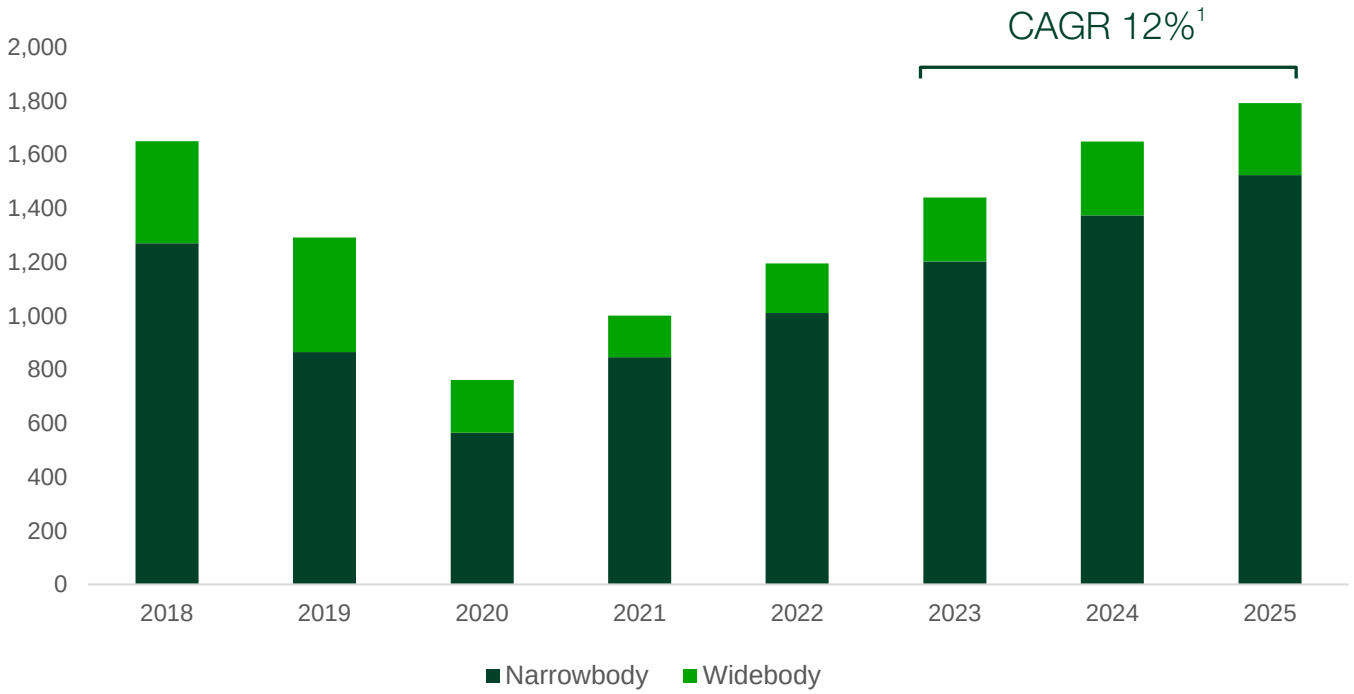
1. Civil ramp-up

Civil market dynamics

Civil – OEM deliveries



Source: Teal[2]

>50%
increase in single-aisle production rate[2]

Market drivers

- Strong volume recovery, led by narrowbody
- Widebody recovery more steady, unlikely to reach 2019 levels in the near term
- Business jet more resilient than other civil segments, already above 2019 levels
- Global air travel (revenue passenger kilometres) at 85% of 2019 levels and rising
- Domestic available seat kilometres (ASK) fully rebounded, international ASK at ~90% of 2019 levels

Strong market recovery underway

1. Market CAGR excludes business jets. Industry-wide CAGR, including business jets equates to 7%
2. Teal data, based on Airbus and Boeing aircraft, as of January 2023

Market growth driven primarily by narrowbody ramp up

Aircraft firm order status

	Order book Dec 2022	2023-2025 forecast deliveries	2023-2025 expected new orders	Expected order book Dec 2025
A220	527	252	318	593
A320	6,093	1,932	2,310	6,471
A330	215	102	57	170
A350	404	240	256	420
B737	4,312	1,444	1,818	4,686
B767	106	98	57	65
B777	353	5	240	588
B787	571	279	351	643

Monthly build rates and outlook

	2019	Current rate	Airframer planned rate
A220	4	6	14 in 2025
A320	59	45	74 in 2025
A330	4.5 / 3.5	3	4 in 2025
A350	10	6	9 in 2025
B737	52 / 42	31	50 in 2025
B767	2.5	3	no change
B777	5	3	4 in 2025
B787	12 / 14	3	10 in 2025

Civil market remains strong and growing

- Civil backlog of >12,000 aircraft, underpinned by A320 and B737
- Growing demand for A220, A320, B737 and B777X
- GKN Aerospace well-placed on all key growth platforms

GKN Civil Structures sales to Airbus

4x

vs Boeing

Source: Airbus, Boeing and Teal

Established leadership in wing technology

Wings

45%
of Structures sales

A320

- A320 EIS[1] in 1994 (A320neo in 2016)
- Most successful aircraft family
- Rate 45, target to ramp up to 70+ in 2025
- GKN wing content £420k per aircraft

A350

- A350 EIS[1] in 2015
- Designed and manufacture the 3-piece, 27 metres long composite rear wing spars
- GKN wing content £2.2 million per aircraft

Wing of Tomorrow

- Wing spar EIS[1] expected in 2030s
- One piece composite wing spar, 18 metres long
- Targeting full ramp-up narrowbody rate (70+)
- Co-development with Airbus
- Targeting new content of £450k per aircraft

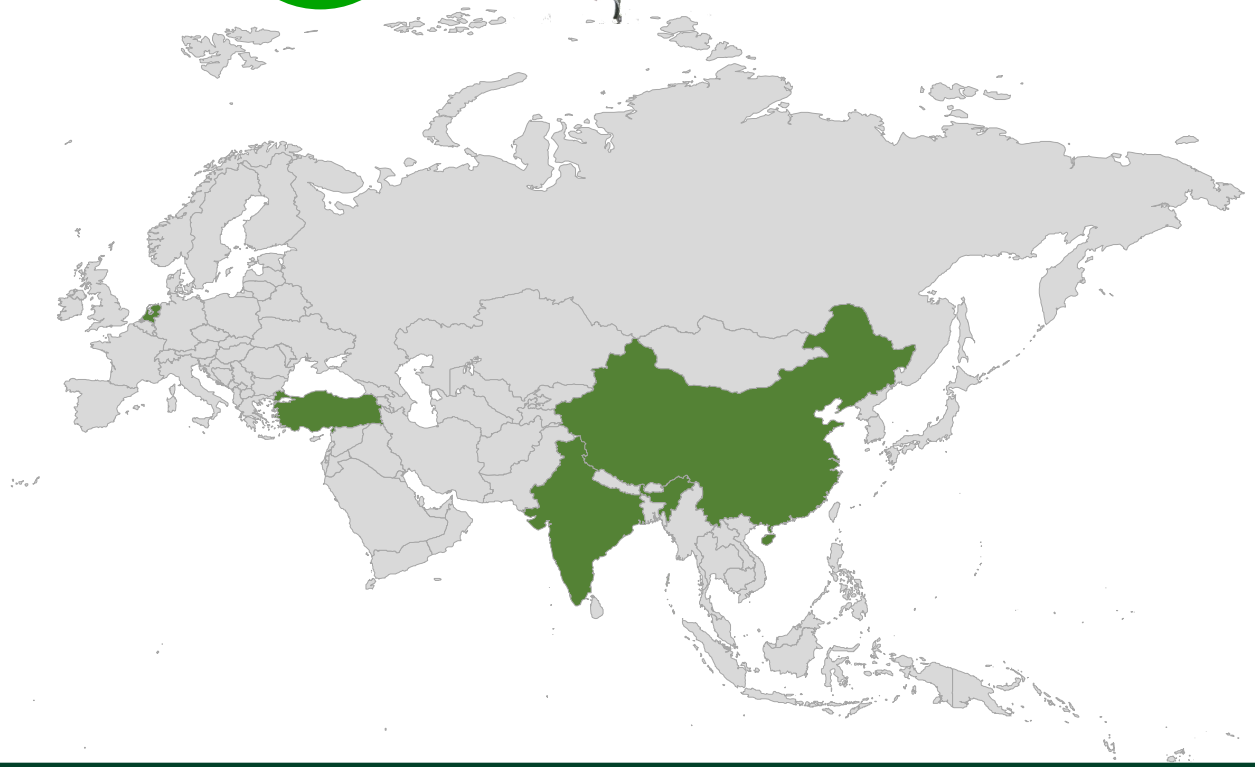
Airbus partner on wings through customer proximity and capability

1. EIS = Entry into service

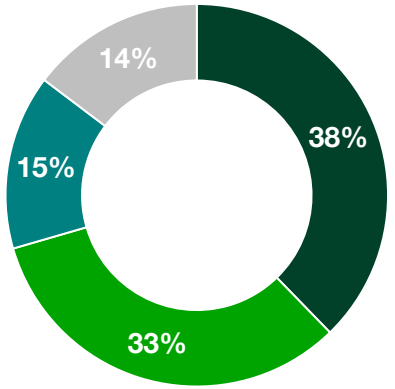
World leader in electrical distribution systems

15%
of Structures sales

EWIS[1]



Customer split



Key platforms

- A320neo
- A220
- F-35
- B737MAX

Established capability

- Super-Tier 1 provider of aircraft interconnection systems
- Amongst top 3 electrical distribution systems providers
- Single process multi-site control tower

Future growth drivers

- Increasing electric actuation
- More electric aircraft
- Electric propulsion aircraft

One of few suppliers who can design complex end-to-end systems

1. EWIS = Electrical Wiring Interconnectivity Systems

Empennage technology on-board major business jets

Empennage

10%
of Structures sales

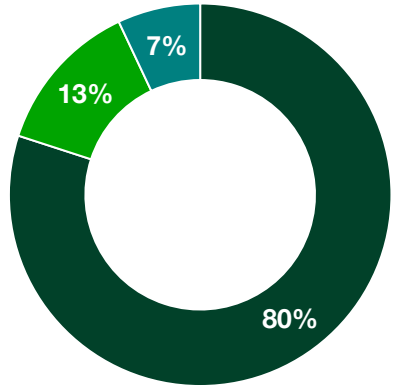
Established capability

- Super-Tier 1 provider
- Fully equipped structure
- Integrated plug-and-play delivery to customer final assembly line

Future potential

- Continued investment in sustainable thermoset and thermoplastic composite technologies
- Digitalisation and automation techniques
- Selectively exploit AAM[1] market growth

Customer split



Key platforms

- Gulfstream G650/700/800
- Dassault F6X
- Global 7500
- Gulfstream 400/500/600

Specialist product and process knowledge coupled with long-term customer partnerships

1. AAM = Advanced Air Mobility

JV[1] with COMAC and AVIC to accelerate growth in China

Two wholly owned sites

5%
of Structures revenue

Wiring assembly, Langfang (1997)

12,000m²
850 people

Front and cabin windows, Jingjiang (2021)

JV[1] site with COMAC and AVIC

100,000m²
site opening end 2023

Aerostructures JV[1] with COMAC and AVIC, Jingjiang

- China to become the largest aviation market by 2040
- Opening 150 new airports by 2035
- COMAC >1,200 orders for narrowbody aircraft C919 and ARJ21[2]
- Joint venture unlocks path to indigenous Chinese market

GKN Aerospace China revenue[3]

Today	2030
~£100m	£270m+

Joint venture[1] with COMAC and AVIC underpins future growth in China

1. GKN Aerospace has 40% share in joint venture
2. Source: Simple Flying, November 2022
3. 2030 revenue includes £144 million of sales from the joint venture with COMAC and AVIC

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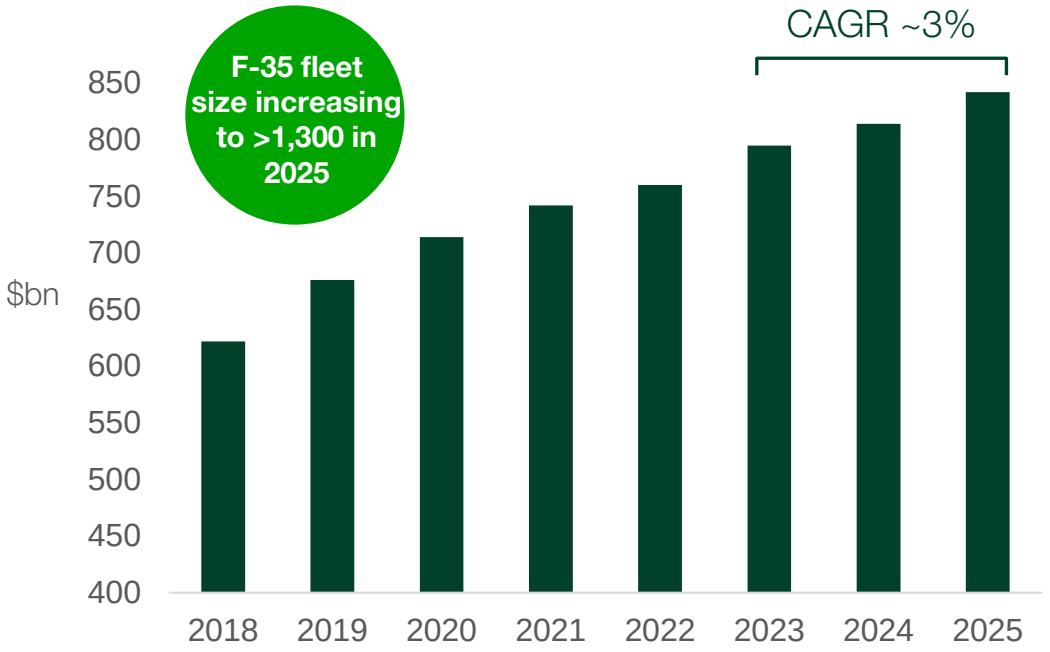
2. Defence repricing and rationalisation

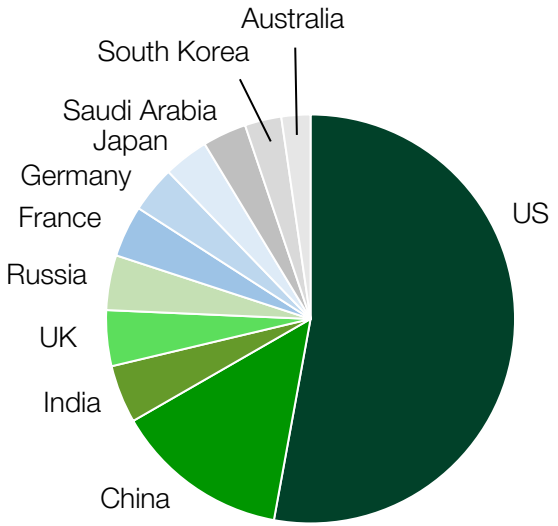
Defence market dynamics

Defence - US budget



Source: Statista

Global defence budgets[1]



Source: International Institute of Strategic Studies (IISS)

Market drivers

- US budget larger than the next 10 countries' budgets combined
- US spend set to increase 3% CAGR to 2025
- F-35 near full production phase, with fleet size increasing to >1,300 in 2025; 156/year production rate
- EU spend rising in response to Ukraine conflict; NATO countries stepping up to 2% of GDP commitment

US accounts for ~40% of global defence spend

1. Includes largest 10 spend countries outside US

Defence portfolio repricing and rationalisation

- ~15% of sales from non-core business, to be exited
- ~25% of programmes sustainably priced taking into account inflation
- Significant repricing work underway; ~50% of sales in embedded design-to-build positions

- Exit ~£150m of non-core work
- ~85% of programmes sustainably priced
- ~60% of defence sales design-to-build

Confident in ability to reprice, negotiations underway

1. Sustainably priced based on 10%+ margin with appropriate cost base and inflation assumptions

Defence multi-year contract cycle enables repricing

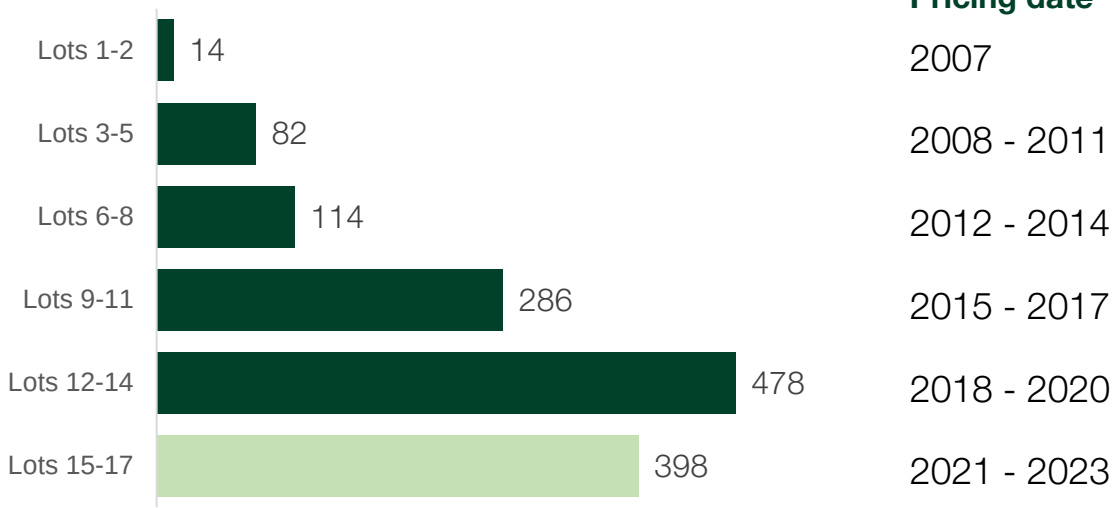
US DoD[1] multi-year buy process

- Runs on a 2 to 5 year contract cycle
- Provides production demand signal to industry
- Streamlines cost for government
- Offers risk mitigation for supply base

Implications to GKN Aerospace

- 100% of defence sales on fixed price contract
- Can reprice contracts at each multi-year start
- Based on actual costs baseline
- 25% of sales sustainably priced today, ~85% by 2025

Example: F-35 lots and pricing dates



>50% of upcoming repricing opportunity on design-to-build work

- Executing lots 15-17, deliveries completing in 2023 and 2024
- Proposing lots 18-19 in June 2023; enables full re-pricing
- Next multi-year lot includes all cost increases and inflation, per US regulations

Vast majority of defence programmes have repricing windows before 2025

1. DoD = Department of Defense

Well positioned for future differentiated defence work

Unmanned Aerial Systems (2024+)

- Co-developing with General Atomics on MQ-9 programme for 10+ years
- GKN Aerospace provides V-tails for RAF Protector platform, EIS[1] 2024

Future Vertical Lift (2030s)

- Down-selected by Bell on differentiated thermoplastic technologies for V-280
- Targeting >£0.5 million content per aircraft (expected fleet 2,000+), EIS[1] 2030

Next-generation fighters (2030s)

- Partnership with Northrop Grumman on additive technology for large safety-critical structures
- Targeting next-generation US air dominance; well-positioned for GCAP[1] and FCAS[1] in Europe

Differentiated technology critical for next-generation defence platforms

~70%
design-to-build work by 2030

1. EIS = Entry into service. GCAP = Global Combat Air Programme. FCAS = Future Combat Air System

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Operational footprint key for European industrial participation work[1]

Upcoming opportunities

Future Vertical Lift


Embraer C-390

46%
of GKN F-35 work based on industrial participation

Industrial participation

- NATO members committed to meeting 2% GDP spending on defence
- US, The Netherlands and UK Defence prioritise national interests when awarding contracts; GKN has product Centres of Excellence in all three countries
- F-35 industrial participation is model for future fighter jets, rotorcraft and unmanned systems
- GKN well positioned to capture work driven by industrial participation targets and national interest

Ministry of Defence

National champion position in multiple countries gives GKN access to growth opportunities

1. Industrial participation work refers to services provided within selected nations that procure global/US platforms

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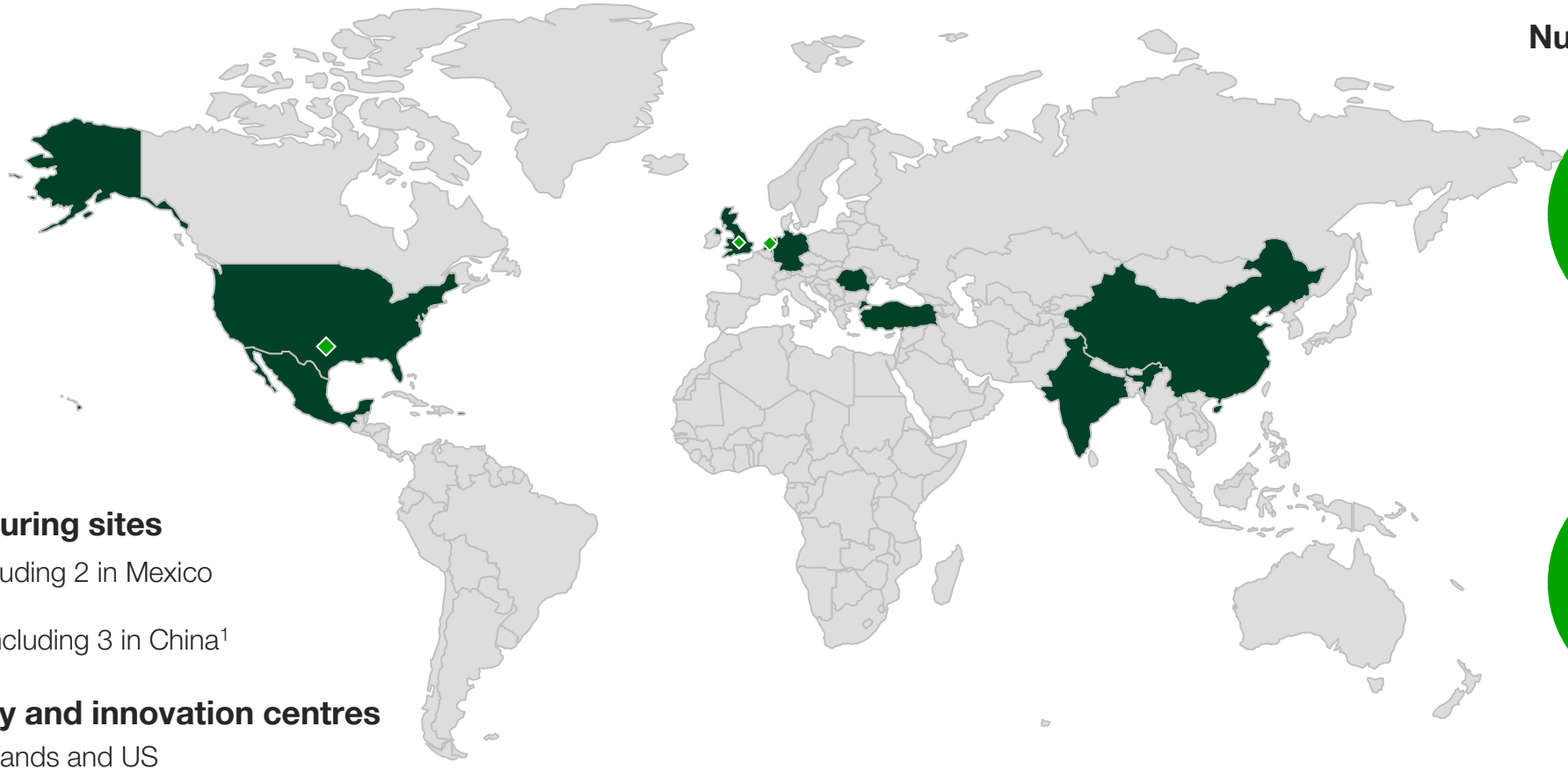
3. Restructuring and operational excellence

Restructuring: Footprint consolidation in Structures



2024

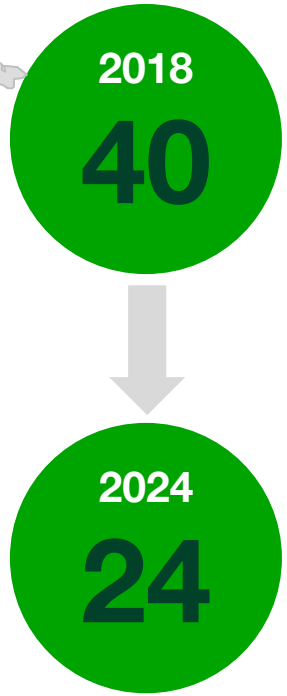
24 Manufacturing sites

9 Americas, including 2 in Mexico
9 Europe
6 Asia Pacific, including 3 in China[1]

3 Technology and innovation centres

UK, The Netherlands and US

Number of sites

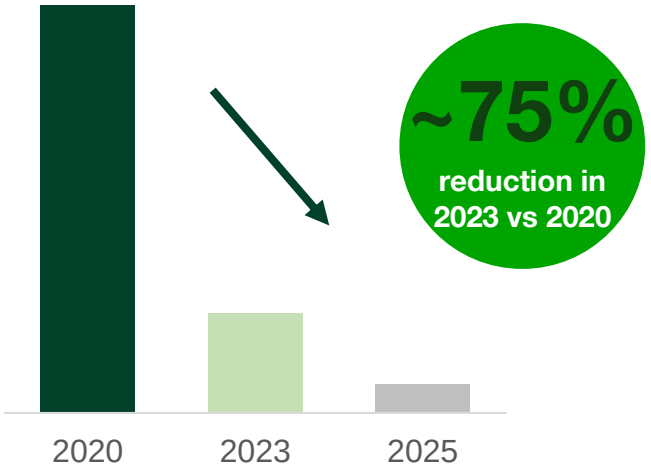


Eliminated 40% of sites through sale or closure; ready with high-class cost-efficient footprint as volumes recover

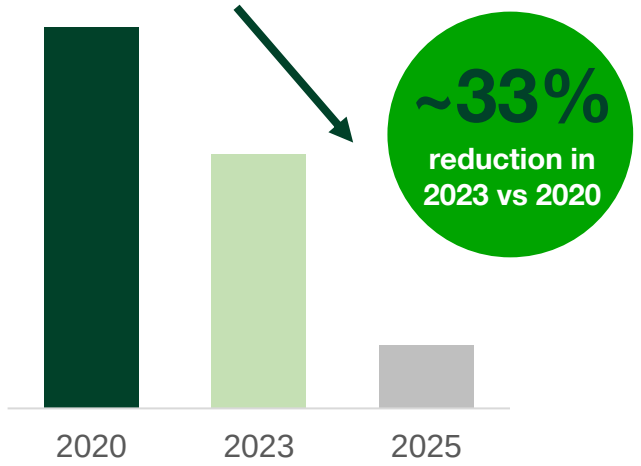
1. Third site to open in China by end 2023 but already included in the baseline

Operational excellence

Customer quality escapes[1]



Scrap as % of sales



- Major business wide focus on Cost of Poor Quality (COPQ)
- Enhanced quality governance and global standardisation
- 50% of all employees (>7,000 people) now Lean certified
- Increased focus on zero-defect manufacturing and problem solving

On track to leading quality performance and productivity

1. Escapes relate to product that is shipped to customer that does not meet all quality criteria

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Reinforcing our technology leadership for next-generation aircraft

Lightweight composite technology for next-generation narrowbody wings

A350
50%
composite content

A320
10%
composite content

Current composite technology not fit for high rate / low-cost narrowbody production

Current manufacturing process – A350 composite wing

Batch oven

Large dedicated assembly

Future manufacturing process – narrowbody composite wing

HIGH RATES: Out of oven process

SCALABLE: Modular generic assembly

~£450k
WoT content expected per A320 shipset

Benefits[1]

1. Production cost -30%
2. Cycle time -60%
3. Energy usage -80%

Airbus 'Wing of Tomorrow' (WoT)

- Joint development programme with Airbus
- Target next-generation Airbus aircraft
- Supported from two Global Technology Centres in the UK and The Netherlands
- £25 million joint investment between GKN Aerospace and Aerospace Technology Institute
- £2.3 billion commercial opportunity with Airbus

1. Long-term benefits not completed in full until after 2030

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Thermoplastic technology leadership

Gulfstream G400 and G800

10% lower weight vs traditional technology

- Design-and-build partner to Gulfstream, with thermoplastics already flying
- Thermoplastic rudders, elevators and floor panels
- Saves 10% weight vs traditional materials
- Advanced shaping, welding and automation

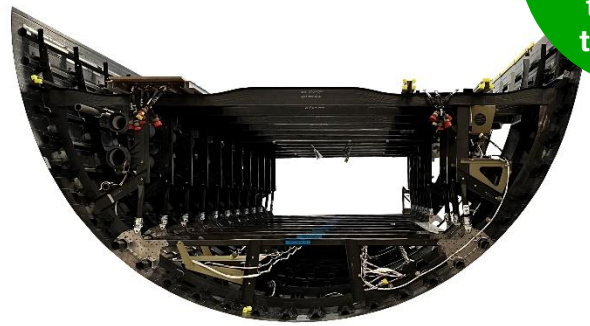
Bell V-280

Demonstrating **recycled** composite material

- Design and build partner to Bell, EIS[1] 2030
- Ruddervators from recycled material
- One of first Defence uses of thermoplastic
- Significant sustainability benefits

Next-gen narrowbody

20% lower costs vs traditional technology



- GKN-led EU funded research programme
- Largest thermoplastic assembly to date
- 400 parts, 1,000s spot welds, 100s metres weld
- Weight -10% (1 ton saving), unit cost -20%

Recyclable and weldable material delivering substantial cost reduction and sustainability benefits

1. EIS = Entry into service

Electrical distribution capability key for the future of flight

E-VTOL mobility

GKN capability

- Integration of electrical distribution into wing and fuselage structures reduces manufacturing time
- Multi-layered bundles drive weight saving
- *Proven in:* **Vertical VX4**

Regional electric

GKN capability

- High voltage AC and DC component design
- Novel design capability to balance weight and thermal behaviour for airworthiness validation
- *Proven in:* **Eviation ALICE**

Hydrogen propulsion

GKN capability

- Very high power distribution without high voltage
- Cryogenically cooled network
- Critical part of H2GEAR hydrogen propulsion system
- *Use case:* **H2GEAR** ground-based demonstrator

Super-Tier 1 capability positions GKN as partner of choice

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Clear path to 9% operating margin in Structures

Structures 2025 targets

£2.2bn

6% REVENUE CAGR TO 2025[1]

9%

OPERATING MARGIN

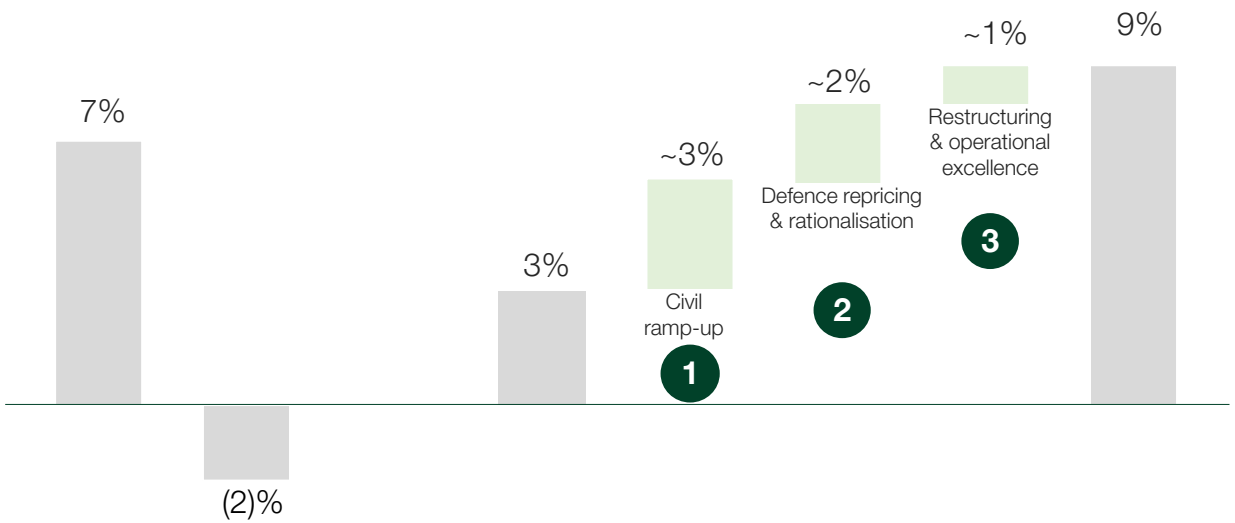
	2019	2020	2023	2025	2023 to 2025
Revenue	£2.4bn[2]	£1.8bn[2]	£2.1bn[3]	£2.2bn	CAGR 6%[1]
Operating profit	£180m	(£30m)	£60m	£200m	>3x
Operating margin	7%	(2%)	3%	9%	+600bps
	Previous peak	**COVID low**	**Today**	**On track**	

Structures – a higher quality business, more profit on refocused revenue

1. CAGR excludes non-core business being exited in 2024
2. Excludes revenue from Fokker Services and Fokker Techniek, divested in 2021
3. Including c.£150 million of Structures revenue from planned site closures to be exited in 2024

Structures operating margin growth

Operating margin (%)



	2019	2020	2023	2025
Full-year revenue	**£2.4bn[1]**	**£1.8bn[1]**	**£2.1bn[2]**	**£2.2bn**

1. Civil volume recovery and better utilisation drives growth
2. Defence repricing over next 18 months yields significant margin uplift
3. Footprint consolidation lowers fixed costs, alongside operational excellence initiatives

Well-positioned Structures division also set for further margin expansion after 2025[3]

1. Excludes revenue from Fokker Services and Fokker Techniek, divested in 2021
2. Including c.£150 million of Structures revenue from planned site closures to be exited in 2024
3. Further margin expansion from widebody recovery, repricing and volume growth

Delivering on our Structures improvement plans

Commercial

80% complete by end of 2023

- Portfolio actions
- Price/value alignment
- Supplier consolidation

Restructuring

100% complete during 2024

- Footprint rationalisation
- Product Centres of Excellence
- Best cost country growth

Operational excellence

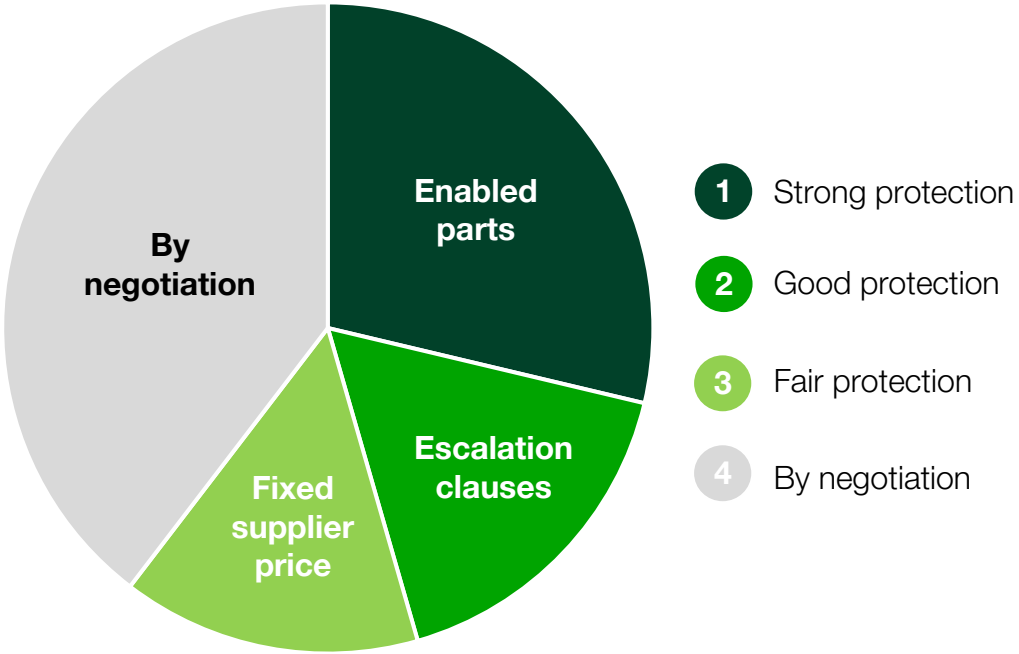
Ongoing through 2025

- Reduced cost of poor quality
- Lean Operating Model
- Operational synergies

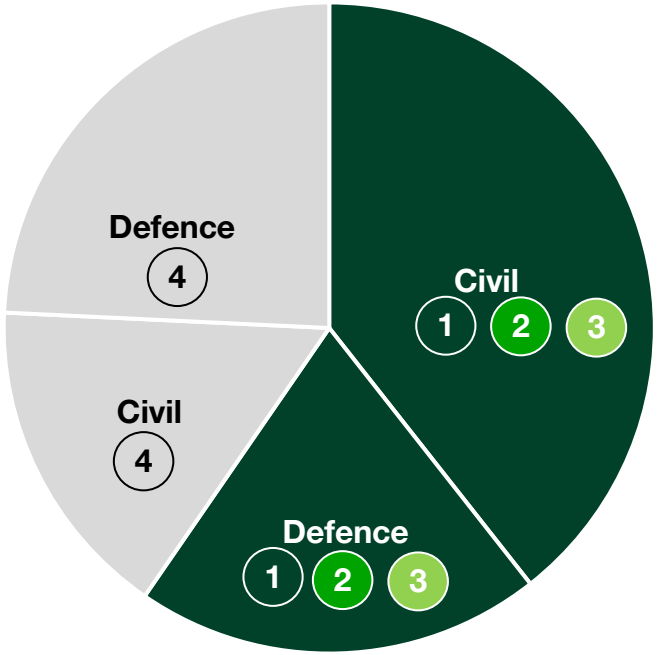
Plans well underway and on track to deliver £70 million of annual savings

Offsetting inflation

Revenue by contractual protection[1]



Protection by market



- **Civil** – typically long-term contracts with good levels of protection
- **Defence** – lower contractual protection. Contracts generally bid every 3 years based on actual costs, so inflation recovered over time

2023 inflation covered by blend of mechanisms

1. Data shown is contractual protection relating to direct materials based on 2022 actuals

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Aerospace targets summary

GKN Aerospace 2025 targets

£4.0bn
11% REVENUE CAGR TO 2025[1]

17-18%
OPERATING MARGIN

CASH METRICS

Capex: Depreciation	1–1.2x
Working capital as % sales[2]	c.13%

	2019	2020	2023	2025	2023 to 2025
Revenue	£3.7bn[3]	£2.7bn[3]	£3.4bn[4]	£4.0bn	CAGR 11%[1]
Operating profit	£405m	Breakeven	£350m	£700m	2x
Operating margin	11%	0%	10%	17-18%	+700-800bps
	Previous peak	**COVID low**	**Today**	**On track**	

Profitability doubles by 2025 with superior margins

1. CAGR excludes non-core business being exited in 2024
2. Calculated using trade working capital as a percentage of annual revenue
3. Excludes revenue from Fokker Services and Fokker Techniek, divested in 2021
4. Including c.£150 million of Structures revenue from planned site closures to be exited in 2024
5. 10 May 2023 Trading Update guidance of £3.35bn-£3.45bn revenue and £340m-£360m operating profit, middle of the range assumed here

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Foreign exchange environment

Transactional hedging position[1]

EUR:USD (figures are USD)	2023	2024	2025	2026	2027	2028
Exposure in $m	537	501	431	303	254	194
Hedged	94%	88%	76%	62%	53%	42%
Hedged rate	1.16	1.15	1.19	1.23	1.15	1.16
Unhedged	6%	12%	24%	38%	47%	58%
Effective rate[2]	1.16	1.15	1.16	1.18	1.12	1.12

GBP:USD (figures are USD)	2023	2024	2025	2026	2027	2028
Exposure in $m	236	225	233	190	172	134
Hedged	93%	87%	74%	63%	51%	49%
Hedged rate	1.32	1.35	1.38	1.38	1.33	1.26
Unhedged	7%	13%	26%	37%	49%	51%
Effective rate[2]	1.31	1.34	1.35	1.33	1.29	1.25

Transactional FX exposures and approach

- Main currency pairs are EUR:USD and GBP:USD
- Additionally SEK and NOK hedged vs USD[1]
- Policy to hedge our exposures to allow greater planning stability
- Assessed on a quarterly basis
- Exposure is risk-assessed according to the level of certainty (3 categories with progressive likelihood)
- FX environment is favourable to current hedged rates

Translational FX

- 1c change in USD equates to £17 million revenue and £3 million operating profit
- 1c change in EUR equates to £7 million revenue and £1 million operating profit

1. US dollars are being sold
2. In calculating the effective rate the unhedged portion is assumed to have a spot rate of GBP:USD of 1.25 and EUR:USD of 1.09

Melrose

Melrose

Sustainability is at the heart of our mission

Approach to sustainability

At the heart of GKN Aerospace with strong advantages and momentum:

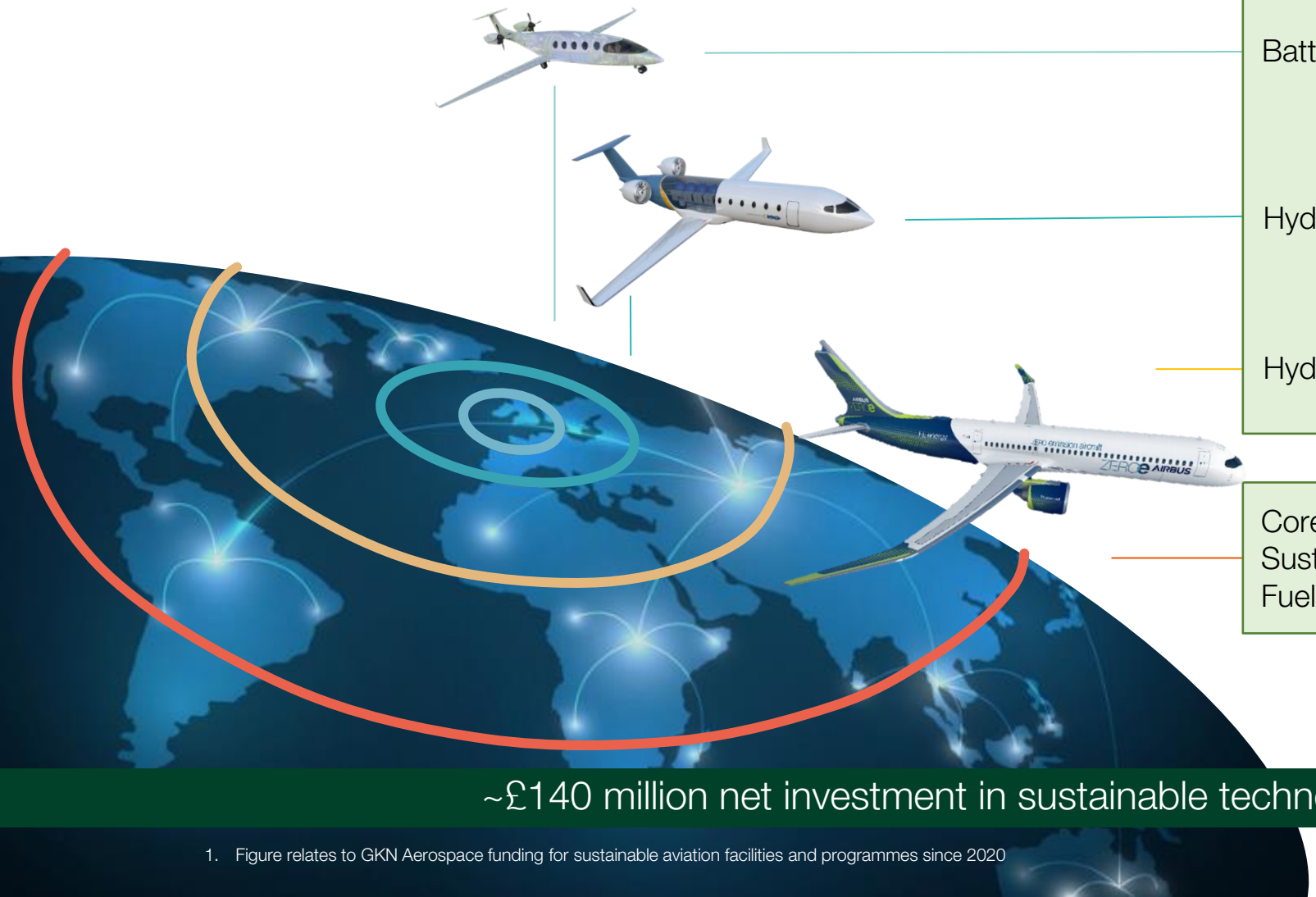
- Improve current technology
- Next-generation technology development for ‘zero emission’ flight
- Operating in a truly sustainable way, including through the supply chain

Sustainability

- Required by customers
- Supported by governments
- Expected by stakeholders

Becoming the most trusted and sustainable partner in the sky

GKN Aerospace technology is on every route to net zero



Range	Future propulsion	GKN Aerospace position	
	Battery electric	Electrical distribution expertise	
	Hydrogen electric	£54 million H2GEAR programme	15% of R&D
	Hydrogen combustion	H2JET H_2 combustion development project	
	Core technology & Sustainable Aviation Fuel (SAF)	Lightweight composites and more efficient engines	85% of R&D

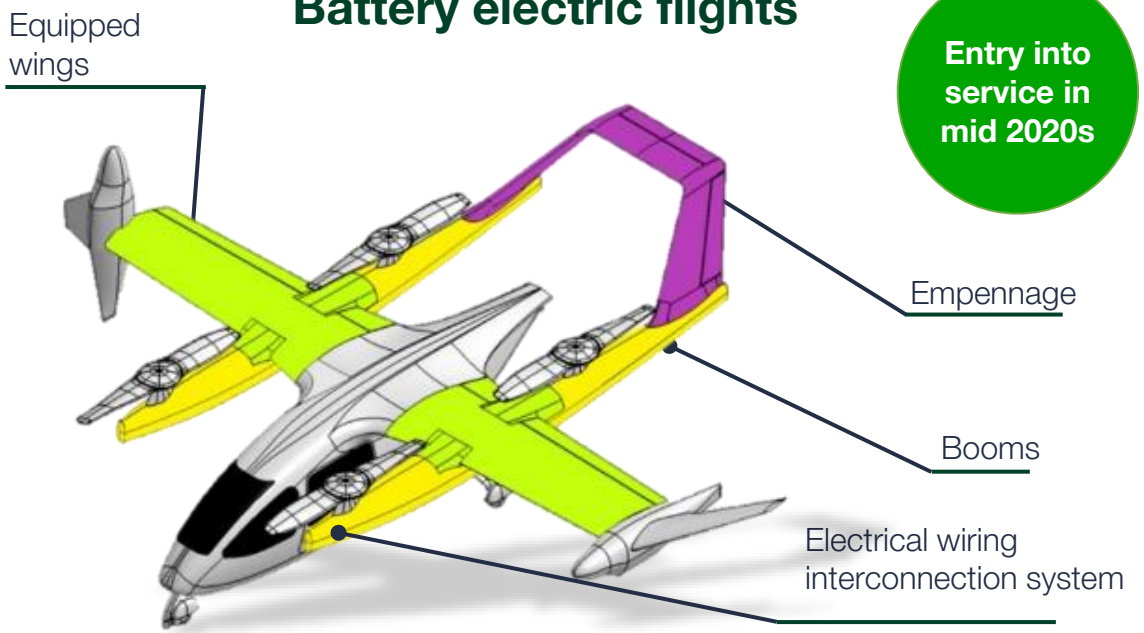
~£140 million net investment in sustainable technology since 2020[1]

1. Figure relates to GKN Aerospace funding for sustainable aviation facilities and programmes since 2020

Enabling the future of electric flight

Battery electric flights

Entry into service in mid 2020s

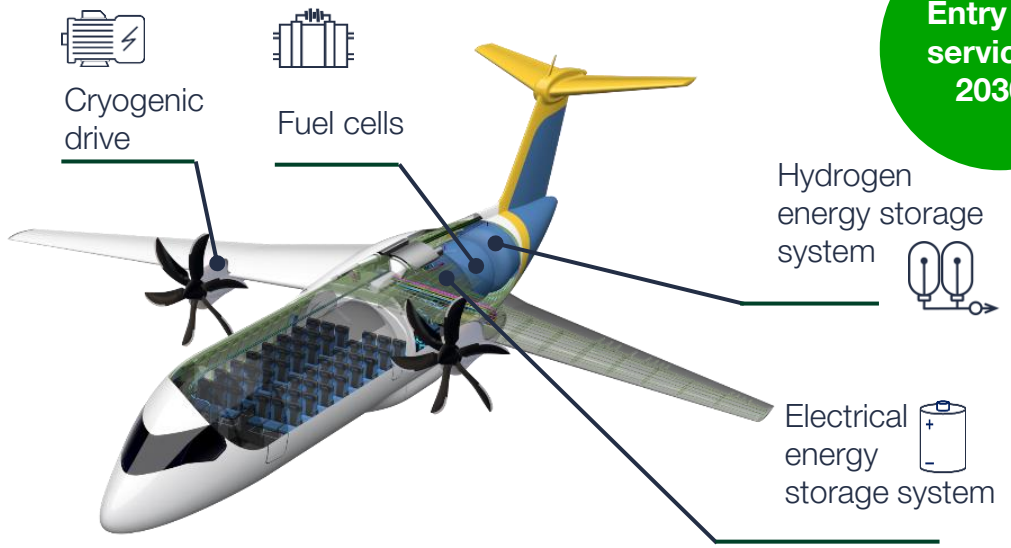


GKN content

- Series production contracts with Vertical, Archer, Beta and Supernal; selective commercial strategy
- GKN content covers wings, empennage and electrical distribution system
- EIS from mid-2020s
- Most engineering spend is customer funded

Hydrogen electric propulsion

Entry into service in 2030s



H2GEAR

- £54 million collaboration project, led from UK GTC
- 1MW ground demonstrator by 2026

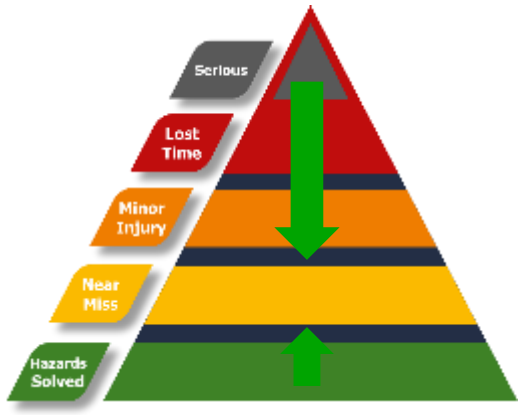
Target applications:

- Sub-regional (~40 person) flights from late 2020s
- Regional (~100 person) flights in 2030s

GKN technology has potential to address up to 60% of total CO_2 emissions

Supporting our employees and enriching our communities

Safety

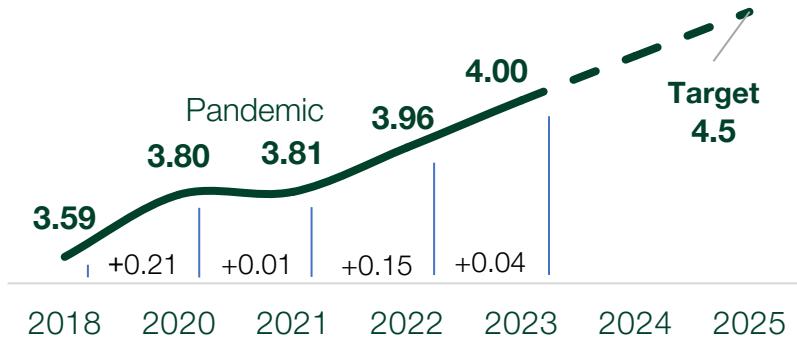


- 10 Golden Safety Rules
- Behavioural-based safety culture
- 50% reduction in lost time accidents in 2022
- +62% hazards solved in 2022

Targeting zero lost time accidents

Employee engagement

Path to world-class engagement levels[1]



~500k training hours completed in 2022

Diversity, Inclusion & Belonging

- 4th cohort of 'Women's Leadership Development Programme' running
- Six employee resource groups (ERGs):
  - Connected Women
  - LGBTQ+
  - African Black Caribbean
  - Neuro-diverse strengths
  - Future GKN
  - Veterans & Reservists

1,000+ Employee Resource Group members

Community outreach

Supporting health charities in the UK

Environmental outreach in Romania

GKN STEM ambassadors in schools

- **~£200k cash donations to not for profit organisations in 2022**
- **~£600k of community investment in 2022**

1. World-class engagement levels recognised by Gallup as companies within the top quartile of the Gallup© Q12 EngageMe survey. Score out of 5

Operating sustainably and protecting the natural environment

Priorities	Reduce GKN Aerospace emissions as a business		Conserve our planet's natural resources		Enable aviation's route to Net Zero 2050	
	Scope 1&2 Emissions intensity	Renewable energy %[1]	Waste diverted from landfill[2]	Water withdrawal intensity[3]	R&D on sustainable technology	New products sustainable
2020 baseline	N/A	14%	95%	N/A	73%	N/A
2022 achieved	-29%	29%	96%	-11%	79%	45%
2025 target[4]	-20%	50%	95%	-25%	50%	50%

SCIENCE BASED TARGETS

Commitment letter signed

- 12 sites now 100% renewable
- Solar power at Dutch sites

- New recycling schemes being implemented in UK and US

- Zero emissions tech
- Wing of Tomorrow
- Additive technology

- Electric flight
- Additive mount ring

1. Where renewable electricity is commercially and reasonably available in the relevant jurisdiction
2. Diverting solid waste from landfill, excluding hazardous waste
3. Target baseline set on full year 2021 performance
4. 2025 targets are pre-demerger Melrose targets; new targets to be defined for GKN Aerospace only

Melrose

In summary

- Industry-leading Engines division with exceptional profit growth
  - Portfolio of RRSPs entering the aftermarket ‘sweet spot’
  - Forecast long-term cash inflow of £20 billion or £5.5 billion NPV[1]
  - On track to achieve 28% operating margin by 2025
- Design-led Structures division with strong customer positions
  - Diversified customer portfolio with strong content on narrowbody, widebody and F-35
  - Super-Tier 1 position on 50% of sales
  - On track to achieve 9% operating margin by 2025
- GKN Aerospace profits expected to double from 2023 to 2025
- Next-generation technology development enabling zero emission flight

Industry-leading aerospace business with exceptional financial potential

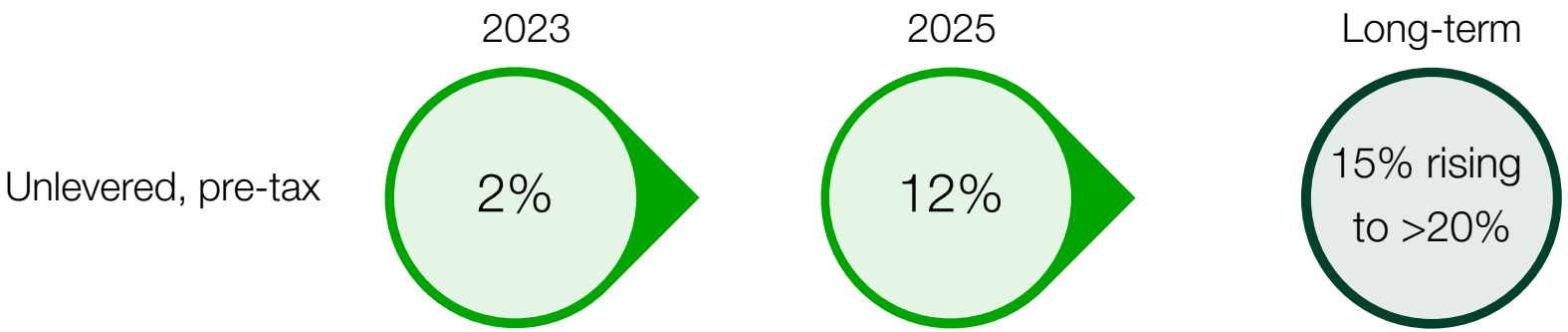
1. Using a foreign exchange rate of USD:GBP of 1.25:1 and calculated using a discount rate of 7.5% which is between a debt related discount rate and a GKN Aerospace pre-tax weighted average cost of capital

Melrose

Melrose cash generation and capital allocation

Melrose free cash flow significantly increasing

Free cash flow (FCF) as a percentage of revenue[1]



- Free cash flow increases by 7x between 2023 and 2025
- 2023 to 2025 free cash flow includes requirements to fund growth and complete the restructuring
- Long-term the free cash flow margin becomes 15% rising to >20%
- Post-tax unlevered free cash flow, as a percentage of revenue, is c.2 percentage points lower

1. Calculated as free cash flow post working capital, CAPEX, pensions, restructuring, pre-interest and tax, as a percentage of revenue

Melrose strategy and capital allocation

Melrose strategy

- Melrose to continue as a pure play Aerospace business. No general industrial business will be acquired into Melrose
- No material Aerospace acquisition to be made in the near-term

Capital allocation

Business requirements

- Some working capital and capital expenditure to fund sales growth, per Aerospace guidance
- Restructuring to be substantially complete within 12 months
- Net debt leverage for Melrose is expected to end 2023 at just over 1x EBITDA, but is comfortable up to 2.5x

For shareholders

- This will create significant surplus capital for shareholders to enjoy
- This capital will initially come from leveraging the fast increase in profits and then from long-term future cash generation
- A progressive annual dividend to be paid
- Melrose is well placed to buy back 5% to 10% of its market capitalisation each year from 2024 onwards

Melrose

Conclusion

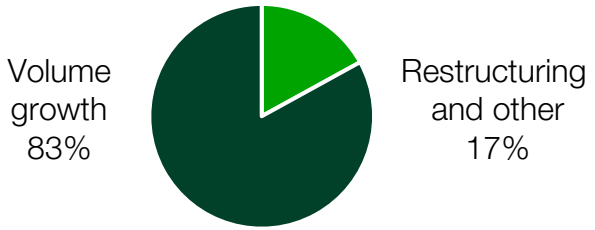
Putting the 2025 performance into context

- Profit bridges have been shown from 2023 to all 2025 announced targets
- These rely on market growth and successful completion of restructuring and improvement projects

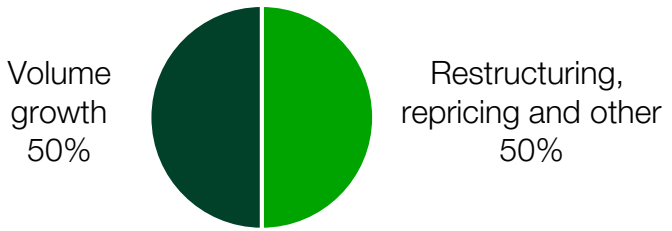
Engines	2023[1]	2025
Revenue	£1.3bn	£1.8bn
Operating profit	£290m	£500m
Operating margin	22%	28%
EBITDA	£350m	£580m
EBITDA margin	27%	32%

Structures	2023[1]	2025
Revenue	£2.1bn[2]	£2.2bn
Operating profit	£60m	£200m
Operating margin	3%	9%
EBITDA	£155m	£290m
EBITDA margin	7%	13%

Route to operating profit growth (2023 to 2025)



Route to operating profit growth (2023 to 2025)



1. Consistent in total with guidance given on 10 May 2023 trading update
2. Including c.£150 million of Structures revenue from planned site closures to be exited in 2024

Melrose

A compelling equity case

Strong market growth

- Rapid aerospace market recovery, followed by long-term structural growth
- Technology embedded on the world's most successful, highest volume platforms

Huge Engines aftermarket

- RRSP work largely done on engine build, but with entitlement to lifetime share of aftermarket profits
- £20 billion of lifetime net cash inflow (£5.5 billion NPV[1]) coming increasingly from Engines aftermarket

Multiple profit growth

- Profit virtually doubles in 2023; and then expected to double again by 2025
- Increasingly higher profit drop through from strong Engines aftermarket growth

Regular share buy backs

- Shareholders to enjoy decades of harvesting cash flows from Engines aftermarket
- Melrose is well placed to buy back 5% to 10% of its market capitalisation each year from 2024 onwards

A highly attractive shareholder investment

1. Using a foreign exchange rate of USD:GBP of 1.25:1 and calculated using a discount rate of 7.5% which is between a debt related discount rate and a GKN Aerospace pre-tax weighted average cost of capital

Melrose

Q&A

Melrose

Appendix

Some helpful data

Income Statement	2023	2025 targets
Adjusted[1] revenue:		
Engines	£1.3 billion	£1.8 billion
Structures	£2.1 billion	£2.2 billion
Aerospace	**£3.35 billion to £3.45 billion**	**£4.0 billion**
Adjusted[1] operating profit (pre-PLC costs):		
Engines	£290 million	£500 million
Structures	£60 million	£200 million
Aerospace	**£340 million to £360 million**	**£700 million**
Adjusted[1] EBITDA (pre-PLC costs):		
Engines	£350 million	£580 million
Structures	£155 million	£290 million
Aerospace	**£495 million to £515 million**	**£870 million**
PLC costs	c.£30 million	c.£25 million
Adjusted effective tax rate	c.21%	c.21%
Income Statement cash interest:		
Interest cost of gross drawn debt	c.5%	c.5%
Commitment fee on undrawn debt	c.0.5%	c.0.5%
Other cash interest	£8 million	£8 million
Income Statement non-cash interest:		
Amortisation of financing fees	£4 million	£4 million
Other non-cash interest[2]	£9 million	£9 million

Cash flow	2023	2025 targets
Depreciation:		
Owned assets	£130 million	£145 million
Leased assets (pre-PLC)	£25 million	£25 million
Total depreciation	£155 million	£170 million
Trade working capital as a percentage of sales	13%	13%
Capital expenditure ratio to owned asset depreciation	1.0x to 1.2x	1.0x to 1.2x
Restructuring	c.£130 million (2024: c.£100 million)	c.£20 million
Defined benefit pension contributions	c.£20 million	c.£20 million
Free cash flow margin (unlevered and before tax)[3]	2%	12%

Bank facilities and bond	£m at US$1.25 and €1.15
3 year term loan:	
$300 million	240
€100 million	87
3 year revolving credit facility:	
$250 million	200
3-5 year revolving credit facility[4]:	
£300 million	300
$550 million	440
€300 million	261
£130 million bond due to mature in May 2032	130
	1,658

1. Described in the glossary included in the Melrose Industries PLC Annual Report
2. Includes pension interest, lease interest and unwind of discount on provisions
3. Calculated as free cash flow post working capital, CAPEX, pensions, restructuring, pre-interest and tax, as a percentage of revenue
4. Three year facility that can be extended for two one-year periods at the company's option

Melrose