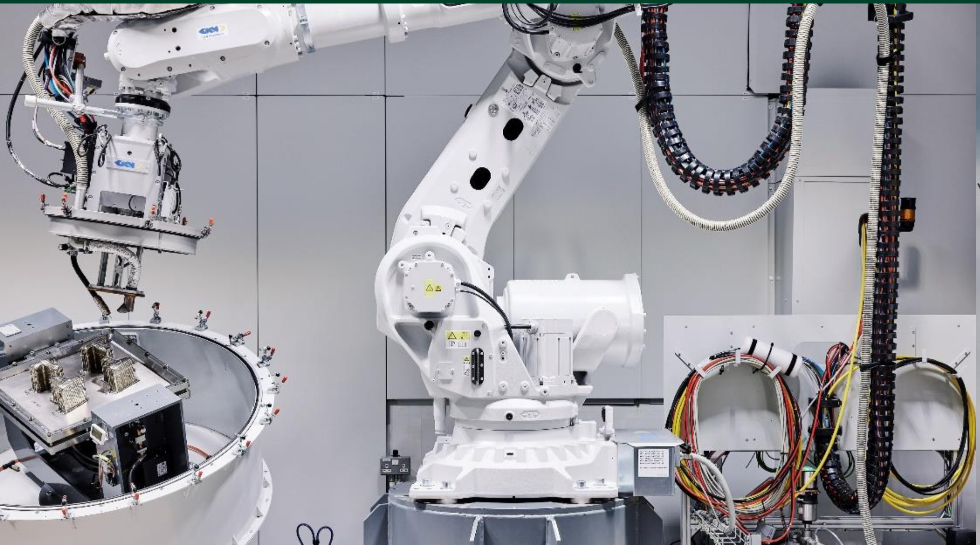
Melrose

Strictly private and confidential



Melrose Industries PLC

Half Year Results

Six months ended 30 June 2023

7 September 2023

Disclaimer

This presentation has been prepared by or on behalf of Melrose Industries PLC ("Melrose"). The information set out in this presentation is not intended to form the basis of any contract. By attending (whether in person, by telephone or webcast) this presentation or by reading the presentation slides, you agree to the conditions set out below. This presentation (including any oral briefing and any question-and-answer session in connection with it) is for information only. The presentation is not intended to, and does not constitute, represent or form part of any offer, invitation, inducement or solicitation of any offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities or the solicitation of any vote or approval in the US or any other jurisdiction. Securities may not be sold in the U.S. absent registration or an exemption from registration. This presentation must not be acted on or relied on in connection with any contract or commitment whatsoever. It does not constitute a recommendation regarding any securities. Past performance, including the price at which Melrose's securities have been previously bought or sold and the past yield on Melrose's securities, cannot be relied on as a guide to future performance. Nothing herein should be construed as financial, legal, tax, accounting, actuarial or other specialist advice. The release, presentation, publication or distribution of this presentation in jurisdictions other than the United Kingdom may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about and observe any applicable requirements. It is your responsibility to satisfy yourself as to the full observance of any relevant laws and regulatory requirements. Any failure to comply with applicable requirements may constitute a violation of the laws and/or regulations of any such jurisdiction. Nothing in this presentation constitutes investment advice and any recommendations that may be contained herein have not been based upon a consideration of the investment objectives, financial situation or particular needs of any specific recipient. None of Melrose, its shareholders, subsidiaries, affiliates, associates, or their respective directors, officers, partners, employees, representatives and advisers (the "Relevant Parties") makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this presentation, or otherwise made available, nor as to the reasonableness of any assumption contained in such information, and any liability therefor (including in respect of direct, indirect, consequential loss or damage) is expressly disclaimed. No information contained herein or otherwise made available is, or shall be relied upon as, a promise, warranty or representation, whether as to the past or the future and no reliance, in whole or in part, should be placed on the fairness, accuracy, completeness or correctness of such information. Unless expressly stated otherwise, no statement in this presentation is intended as a profit forecast or estimate for any period and no statement in this presentation should be interpreted to mean that cash flow from operations, free cash flow, earnings or earnings per share for Melrose for the current or future financial years would necessarily match or exceed the historical published cash flow from operations, free cash flow, earnings or earnings per share of Melrose. Statements of estimated cost savings relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, any cost savings referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. By attending the presentation to which this document relates and/or by accepting this document you will be taken to have represented, warranted and undertaken that you have read and agree to comply with the contents of this notice. This presentation contains forward-looking statements concerning the financial condition, results of operations and businesses of Melrose. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among other things, statements concerning the potential exposure of Melrose to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions including as to future potential cost savings, synergies, earnings, cash flow, return on average capital employed, production and prospects. These forward-looking statements are identified by their use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "objectives", "outlook", "probably", "project", "will", "seek", "target", "risks", "goals", "should" and similar terms and phrases. There are a number of factors that could affect the future operations of Melrose and could cause those results to differ materially from those expressed in the forward-looking statements included in this presentation, including (without limitation): (a) changes in demand for Melrose's products; (b) currency fluctuations; (c) loss of market share and industry competition; (d) risks associated with the identification of suitable potential acquisition properties and targets, and successful negotiation and completion of such transactions; and (e) changes in trading conditions. All forward-looking statements contained in this presentation are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Readers should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as at the specified date of the relevant document within which the statement is contained. Melrose does not undertake any obligation to publicly update or revise any forward-looking statement as a result of new information, future events or other information. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this presentation. Certain financial data has been rounded. As a result of this rounding, the totals of data presented in this presentation may vary slightly from the actual arithmetic totals of such data.

Contents

Melrose

The revenue and profit numbers included in this presentation are shown in round millions and unless otherwise stated growth metrics are at constant currency

Highlights

Trading ahead, upgraded outlook; buyback to start early

Highlights: trading ahead, upgraded outlook; buyback to start early

- **Melrose performing very well**
  - Upgrading 2023 expectations – new guidance
  - Promises being delivered and future very exciting
  - Full quality of Aerospace being realised and value released
  - Further underpins 2025 guidance
- **Buyback to be started early**
  - £500 million in next 12 months and well placed to continue thereafter
  - Decades of strong cash flow to come; comfortable leverage
  - Disciplined approach to capital
- **In addition, a progressive dividend policy is continued**
- **Restructuring, repricing and reorganising of Aerospace on track and on plan**
- **GTF**
  - P&W part as they were very clear about – historical issue
  - P&W are working on assessing this
  - Will be a successful engine with great future
- **Management**
  - Right time and team for change to a "pureplay" aerospace business
  - Seamless transition
  - Acknowledgement of the contribution of all those involved over 20 years
  - Confidence in the tremendous future ahead for Melrose

Melrose

Group results

Trading ahead of expectations and upgraded outlook

Results overview: trading ahead of expectations

£m	Adjusted[1] results H1 2023	Growth vs H1 2022
Revenue	1,633	19%[2]
EBITDA (pre-PLC costs)	245	68%
EBITDA margin %	15.0%	4.8ppts
Operating profit (pre-PLC costs)	175	146%
Operating margin %	10.7%	5.8ppts
PLC costs	(16)	£6m less
Operating profit (post-PLC costs)	159	220%

Trading ahead of expectations

End markets enjoying strong structural growth

Restructuring and Defence repricing going well

Engines 2023 margins outperforming

Melrose

1. Described in the glossary to the 2023 Interim Financial Statements and considered by the Board to be a key measure of performance
2. At constant currency and excluding businesses being exited

Melrose Group cash generation: leverage[1] reducing

Free cash flow[1]

Cash flow £m	H1 2023
Adjusted[1] operating profit	159
Depreciation and amortisation	71
Lease obligation payments	(16)
Non-cash impact from loss-making contracts	(13)
Movement in working capital:	
Inventory	(53)
Receivables & payables	(116)
Adjusted operating cash flow (pre-capex)[1]	**32**
Net capital expenditure	(40)
Defined benefit pension contributions – ongoing	(2)
Trading net other	(6)
Restructuring	(53)
Free cash flow pre-interest and tax[1]	**(69)**
Net interest and net tax paid	(49)
Free cash flow[1]	**(118)**
Adjusted free cash flow[1]	**(65)**

Reconciliation of net debt[1] £m	H1 2023
Net debt[1] as at 1 January 2023	(1,139)
Net cash outflow from Dowlais businesses to date of demerger[2]	(54)
Reduction in net debt following the demerger of Dowlais	885
Demerger related costs and pension buy-in[3]	(118)
Dividends paid to shareholders	(61)
Proforma net debt[1] as at 1 January 2023	**(487)**
Free cash flow in the period	(118)
Foreign exchange and other non-cash movements[3]	52
Net debt[1] at 30 June 2023	**(553)**

- Net debt of £553 million in line with expectations
- Leverage[1] reduced to 1.5x at 30 June 2023 in line with expectations, and moving towards 1x at 2023 year end (prior to share buybacks)
- Working capital movements consistent with sales growth of 15%: inventory up 10%, receivables & payables up 6%

1. Described in the glossary to the 2023 Interim Financial Statements and considered by the Board to be a key measure of performance
2. Includes £17 million of finance costs on demerger settled net debt
3. Includes £16 million of demerger related costs unpaid at 30 June 2023, reversed through non-cash movements

Upgraded 2023 full year guidance

£m	Adjusted[1] results H1 2023	Aerospace total (assuming US$ = 1.25) 2023 upgraded guidance	2025 unchanged guidance
Revenue	1,633	3,350 to 3,450	4,000
Adjusted[1] operating profit	175	375 to 385	700
Adjusted[1] operating margin	10.7%	11.2%	17% to 18%
EBITDA[1]	245	525 to 535	870
Margin by division:			
Engines	24.5%	-	28%
Structures	2.5%	-	9%
Total Aerospace	**10.7%**	**11.2%**	**17% to 18%**

Profit upgrade of >8%

Further underpins 2025 targets

New target for Engines margins >30% post 2025

1. Described in the glossary to the 2023 Interim Financial Statements and considered by the Board to be a key measure of performance

Early share buyback and annual dividend

Early share buyback

- Higher confidence and strong progress
- Early start of October 2023
- Starting with a £500 million buyback over 12 months and being well placed to continue thereafter
- Leverage comfortably within previous guidance of up to 2.5x

Annual dividend policy

- A continuation of the progressive annual dividend
- An interim dividend of 1.5 pence per share declared

Business overview

Strong margin progression and structurally growing aftermarket

Unique Tier 1 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) and using a foreign exchange rate of USD:GBP of 1.25:1

Encouraging H1 progress

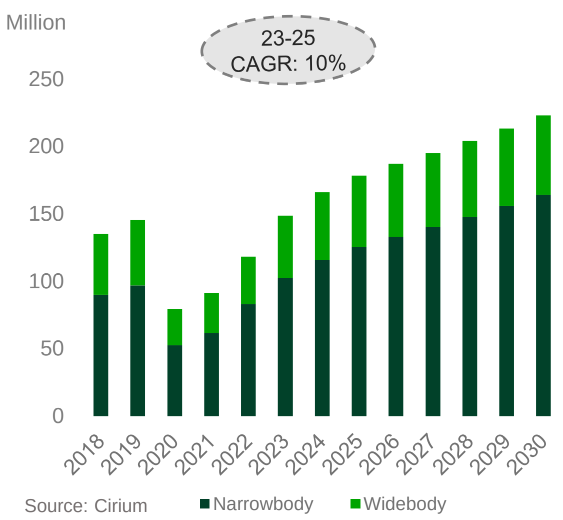
Key themes from recent Capital Markets Event[1]	H1 2023 update
▪ **Two market-leading Aerospace divisions:** exceptional Engines portfolio and design-led Structures business	▪ Strong growth and margin progression from both divisions ▪ Good commercial and operational progress
▪ **Strong market growth:** accelerated recovery with long-term structural growth expected to follow	▪ Global air travel at 94% of 2019 levels ▪ Record order book levels following Paris Air Show
▪ **Huge Engines aftermarket:** entitlement to share of aftermarket profits with £20 billion of lifetime net cash inflow[2]	▪ Aftermarket delivered 46% revenue growth vs H1 2022 ▪ On track for Engines margins to exceed 30% post 2025
▪ **Significant positive momentum:** profit expected to double from 2022 to 2023, and then double again from 2023 to 2025	▪ Operating margin above 2019 levels on lower sales ▪ Upgraded guidance issued for 2023 ▪ Confidence reflected in share buybacks starting early

World-class business with superior margins and strongly growing aftermarket

1. Capital Markets Event showcasing Aerospace business held on 17 May 2023
2. Forecast (undiscounted) pre-tax future cash flow from 19 RRSP engines contracts (based on OEM projections) and using a foreign exchange rate of USD:GBP of 1.25:1

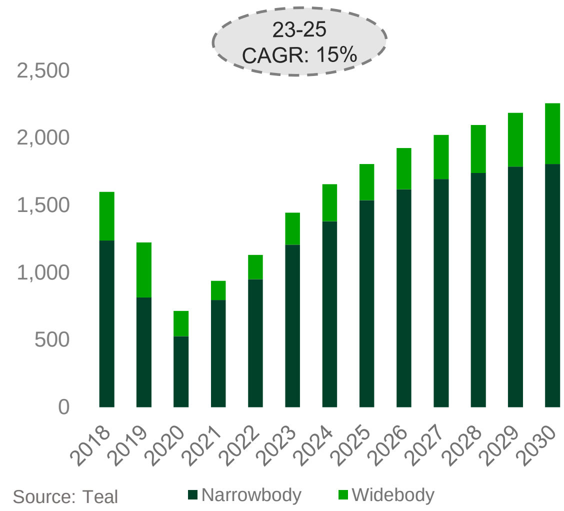
Structurally growing market

Flight hours returning strongly



- Full recovery expected during 2023 with strong structural growth thereafter
- In H1 2023, domestic available seat kilometres were at 106% of 2019, international at 84%
- Global air travel (revenue passenger kilometres) 94% of 2019 levels with domestic travel surpassing 2019 levels by 5%

OEM deliveries ramping up fast



- Airline demand for new aircraft increasing as flight hours ramp-up on ageing fleet
- Airbus net new orders increased fourfold versus H1 2022, Boeing more than doubled
- OEM ramp-up underway, still constrained by supply chain issues
- Civil backlog of >12,000 aircraft, underpinned by A320 and B737

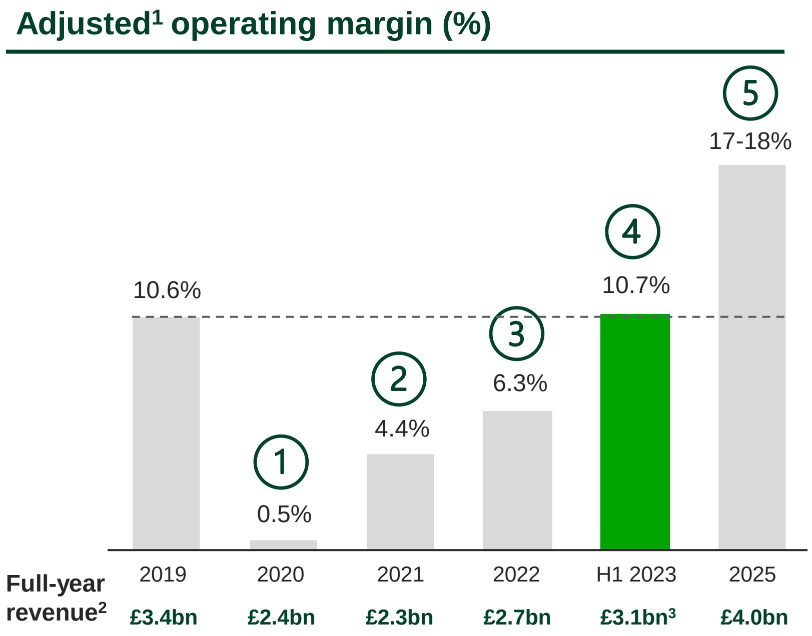
Defence spending increasing[1]

- US State Department has approved Foreign Military Sales c.40% up year-on-year
- EU spend rising in response to Ukraine conflict; NATO countries stepping up to 2% of GDP commitment
- F-35 near full production phase, with 156/year rate and slots being booked into 2030s
- Development of new platforms such as US Army helicopter, Bell V-280

Melrose

1. Estimated US defence budget

Positive earnings momentum



1 Achieved breakeven on 27% lower sales
- Immediate actions to reduce costs based on lower demand

2 Delivered 390bps operating margin expansion on broadly flat sales
- Accelerated restructuring and focused cost reduction

3 Margin expansion of 190bps on 11% sales growth
- Ramping up production while overcoming challenging supply chain
- Extensive restructuring and operational improvements underway

4 580bps margin expansion in H1 2023 v H1 2022
- Strong margin progression from 19%[4] sales growth and business improvements initiatives
- Margin above 2019 levels on lower revenue

5 Clear path to 17-18% operating margin target
- Increased confidence in margin expansion from market recovery, platform positions and business improvements

On track to achieve 2025 margin targets

Melrose

1. Described in the glossary to the 2023 Interim Financial Statements and considered by the Board to be a key measure of performance
2. Total revenue adjusted for divestments of Fokker Services, Fokker Techniek and Santa Ana and the future site closure of St Louis
3. Based on H1 2023 revenue annualised for the full year and adjusted for the future site closure of St Louis
4. At constant currency and excluding businesses being exited

Divisional results

Adjusted[1] results H1 2023

£m	H1 2023 Revenue	H1 2023 Operating profit	H1 2023 Operating margin	H1 2022 Revenue	H1 2022 Operating profit/(loss)	H1 2022 Operating margin	Growth vs H1 2022 Operating profit	Growth vs H1 2022 Operating margin
Engines	608	149	24.5%	484	77	15.9%	82%	8.6ppts
Structures	1,025	26	2.5%	880	(10)	(1.1)%	n/a	3.6ppts
Aerospace	**1,633**	**175**	**10.7%**	**1,364**	**67**	**4.9%**	**146%**	**5.8ppts**

Aerospace

- Sales growth of 19%[2], largely from civil OEM engines aftermarket and ramp-up
- 146% increase in operating profit, margins more than doubled to 10.7%

Engines

- Sales growth of 19% despite supply chain challenges constraining sales; 82% increase in operating profit
- Continued RRSP growth, specific growth initiatives and business improvements reading through

Structures

- Sales growth of 18%[2] as customer deliveries ramp-up; returned to profit versus H1 2022
- Good progress with operational improvements, restructuring and new Defence pricing

Strong margin progression in both divisions

Melrose

1. Described in the glossary to the 2023 Interim Financial Statements and considered by the Board to be a key measure of performance
2. At constant currency and excluding businesses being exited

Engines: results

£m	Adjusted[1] results H1 2023	Growth vs H1 2022
Revenue	608	19%
EBITDA	173	60%
EBITDA margin %	28.5%	7.4ppts
Operating profit	149	82%
Operating margin %	24.5%	8.6ppts

- Sales growth of 19% including strong RRSP market growth and growing aftermarket repair
- Aftermarket sales up 46% led by 56% growth in civil engines aftermarket
- 82% increase in operating profit and 24.5% operating margin delivered
- Improvements in quality and productivity being realised, driving H1 margin expansion
- Restructuring plans well advanced and on track to be largely completed this year
- Market outlook strong with global flight hours already approaching pre-COVID-19 levels

Path to 28% target margin in 2025

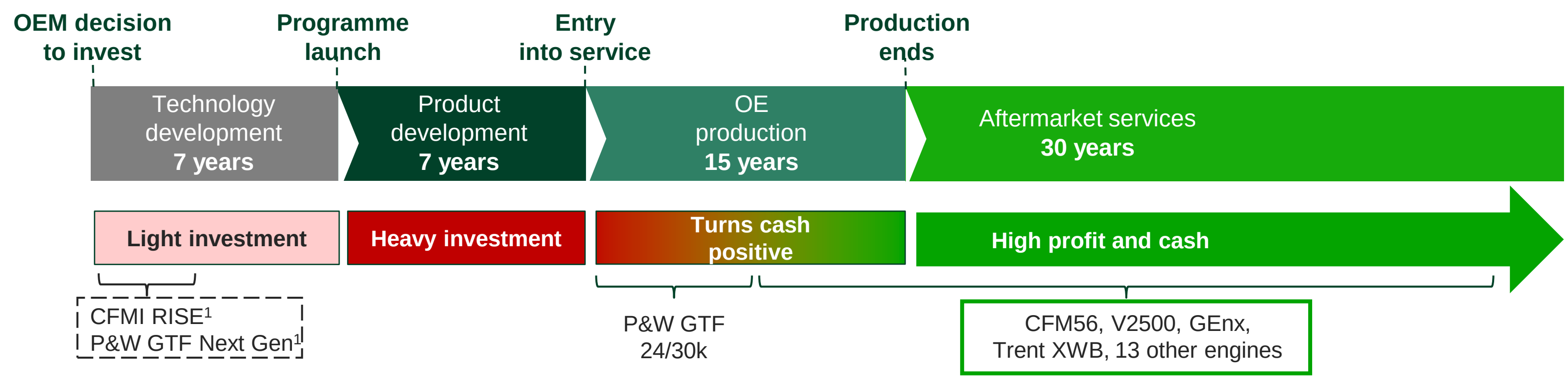
Driver	1 RRSP market growth	2 Growth initiatives	3 Business improvements
Explanation	Impact of 19 RRSP contracts entering highly profitable aftermarket phase	Growth from target expansion opportunities	Restructuring gains and productivity improvements
H1 2023 progress	Aftermarket ahead of expectations with margins reading through	On track with parts repair growth of 21% in H1 2023	On track for one further closure before year-end, resulting in footprint reducing to 9 sites

1. Described in the glossary to the 2023 Interim Financial Statements and considered by the Board to be a key measure of performance

Engines: increasing RRSP contribution

① RRSP market growth

RRSP lifecycle



Portfolio value

Portfolio of RRSPs hitting aftermarket 'sweet spot'

- RRSPs provide GKN Aerospace entitlement to aftermarket profits
- GKN Aerospace has an exceptional RRSP portfolio
  - Diverse mix of contracts with all major OEMs
  - Engines are maturing and majority are de-risked
  - Highly accretive to margins in the years to come
- Long-term predictable cash flows for decades to come

H1 2023 update

- Cash positive engines driving strong performance
  - CFM56 – continues to perform well, with utilisation 4% ahead of early 2019
  - V2500 – some disruption due to fire at a supplier site, but performance strong
  - GEnx, Trent XWB – benefitting from widebody market recovery
- New engines to be cash positive in next 5 years
  - P&W GTF – fundamentally strong with issues being addressed
- Next generation engines at technology demonstration phase
  - Only tier 1 partner currently on both CFMI RISE[1] and P&W GTF Next Gen[1]; well positioned due to longstanding relationships and technology capabilities

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

Melrose

1. Future potential RRSPs
2. Remaining two RRSPs reach cash generation phase in next five years (P&W GTF 24/30k)

Engines: GTF overview

① RRSP market growth

GTF engine

Two variants:
4-7%
programme shares

Fundamentally excellent engine platform

- Powers 1,600 aircraft with 60+ operators; 10,000 engines ordered by 90+ customers[1]
- 23 million hours flown, carrying 860 million passengers[1]
- Market leading fuel efficiency makes GTF valuable, especially for longer range A320 usage and A321XLR

Issues being addressed at pace

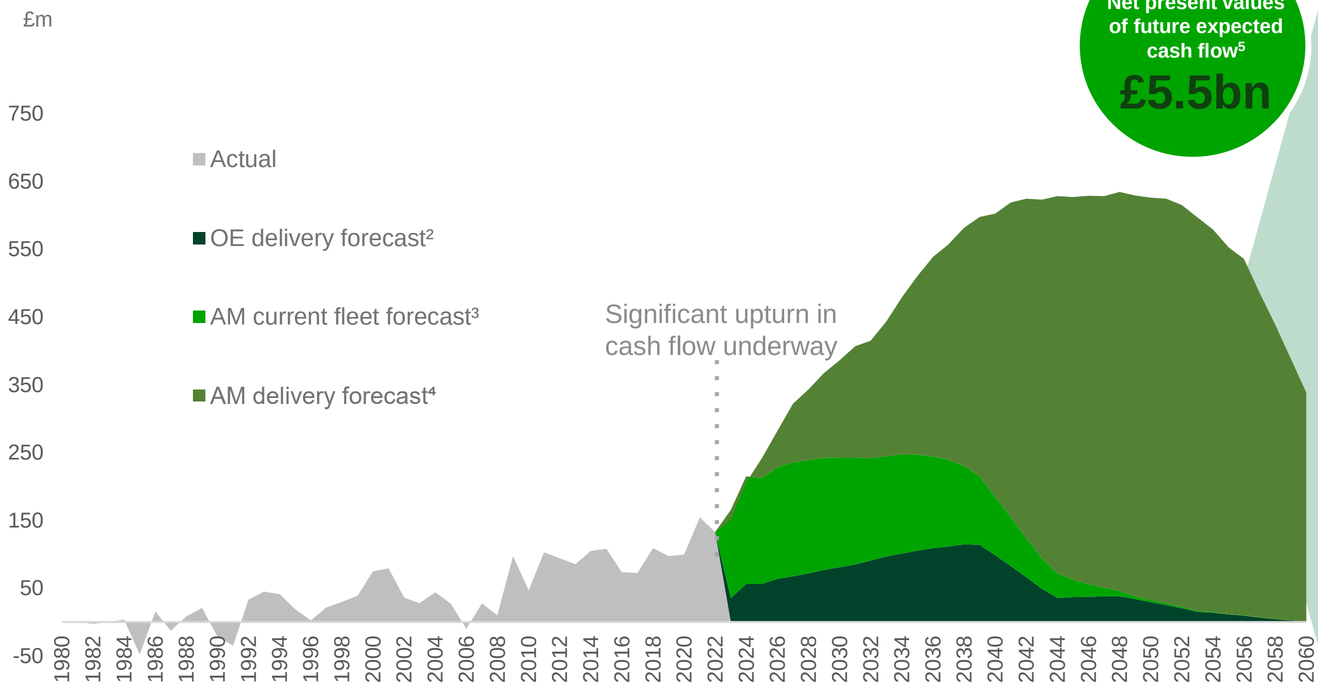
- Durability in harsh environments improved through block D upgrades and GTF Advantage
- P&W recently announced rare manufacturing process issue, which requires accelerated inspection of some PW1100G engines
- GKN Aerospace parts not directly impacted; P&W currently working through responsibilities and costs
- Issues not impacting current production; challenge is shop visit capacity and spare part availability

1. Source: Pratt & Whitney website

Engines: outstanding future cash flows

① RRSP market growth

GKN Engines RRSP net cash inflow[1]



- 19 RRSP programmes across OEMs
- 17 programmes already cash positive annually
- ~55%[6] of Engines sales from RRSPs, ~20%[6] 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[5]
- Well placed for new programmes (CFMI RISE and P&W GTF Next Gen); excluded from cash flow outlook

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
6. Based on 2023 expected sales

Melrose

Engines: expansion plan on track

② Growth initiatives

- **Outstanding growth opportunity in parts repair with 21% growth in H1 2023**
  - Johor, Malaysia facility now CAAC[1] certified, enabling rapid expansion in Asia
  - Major capacity increase underway through new standalone engine component repair centre in California, US
- **Extending defence governmental partnerships**
  - Final RM12 engine upgrade contract secured with the Swedish Armed Forces for the JAS 39 Gripen C/D
  - Swedish Armed Forces investing £16 million into an engine test facility at our Trollhättan site
- **Growing profitable commercial contract portfolio**
  - On track to bring Additive Manufacturing parts into serial production in H2 2023
  - Significant (£40+ million) investment in Additive Manufacturing to facilitate low rate initial production approved

③ Business improvements

- **Operational excellence to improve productivity**
  - Cost of poor quality reduced by 19% due to ongoing adoption of Lean practices
  - Projects to improve production flow, increase automation and implement digitalisation / Industry 4.0 ongoing
- **Commercial actions**
  - Portfolio actions to exit non-core business such as unprofitable manufacturing contracts in the US
  - Price/value alignment as demonstrated by recent pricing success on military work
- **Restructuring to optimise Engines manufacturing footprint**
  - Substantial reshaping of current footprint will be largely completed in 2023 e.g. Manchester, US, site closed
  - Consolidation of key product lines into global Centres of Excellence e.g. shaft production in Norway

Strong progress gives confidence to exceed 30% operating margin post 2025

1. CAAC = Civil Aviation Administration of China

Structures: results

£m	Adjusted[1] results H1 2023	Growth vs H1 2022
Revenue	1,025	18%[2]
EBITDA	72	92%
EBITDA margin %	7.0%	2.8ppts
Operating profit	26	n/a
Operating margin %	2.5%	3.6ppts

- Sales growth of 18%[2] as customer deliveries ramp-up despite supply chain constraints
- Structures division profitable after loss-making H1 2022
- Benefits of revised pricing arrangements and operational gains beginning to take effect, more to come
- Restructuring plans advanced and yielding benefits
- Very strong demand and backlogs building; new widebody orders returning

Path to 9% target margin in 2025

Driver	1 Civil ramp-up	2 Defence repricing and rationalisation	3 Restructuring and operations
Explanation	Positive impact of narrowbody (A320 & B737) and widebody (A350 & B787) recovery	Repricing and right-sizing portfolio and focus on increased design-to-build work	Significant footprint consolidation and improvements in quality and scrap
H1 2023 progress	On track; constrained by OEMs supply chain challenges	Ahead of plan with further 25% of required renegotiations completed	On track for two further closures before year-end

1. Described in the glossary to the 2023 Interim Financial Statements and considered by the Board to be a key measure of performance
2. At constant currency and excluding businesses being exited

Structures: margin expansion drivers on track

① Civil ramp-up	② Defence repricing and rationalisation	③ Restructuring and operational excellence
▪ Strong volume growth, led by narrowbody (40% of Civil) revenue up 24% and widebody (24% of Civil) up 29% in H1 2023 ▪ GKN Aerospace well-placed on all key platforms; Civil Structures sales to Airbus 4x vs Boeing ▪ New 5-year extension signed for sole-source production of A220 wiring ▪ New China site (JV with COMAC) under construction. Start of production expected Q2 2024 with first work packages agreed ▪ New contracts in emerging air mobility market with Supernal and Joby covering both composites and EWIS[1]	▪ Defence multi-year contract renegotiation progress ahead of schedule as further 25% completed in last few months ▪ Signed MoU with Netherlands MoD and Airbus for new helicopter developments ▪ New GTC in Fort Worth, US on track for initial operations in H2 2023 with new production scale R&D cell[2] ▪ Well positioned for future differentiated defence work in composites and Additive Manufacturing	▪ Footprint rationalisation well underway and will be complete during 2024 – Netherlands consolidation ➢ Helmond and Hoogerheide transfers on track ➢ Creates Papendrecht Centre of Excellence with ~2,000 employees – St Louis finished all non-Boeing production in August ▪ Operational gains with 15% reduction in cost of poor quality and 44% reduction in customer quality escapes[3]

On track to achieve 9% margin in 2025

Melrose

1. EWIS = Electrical Wiring Interconnectivity Systems
2. Focused on Additive Manufacturing with production cell enabling 5 metre structures to be manufactured
3. Customer quality escapes relate to product that is shipped to customers that does not meet all quality criteria

Sustainability

Refocusing as Aerospace 'pureplay'

- Improved scores with the ESG rating agencies – MSCI 'A' and Sustainalytics management score
- New targets to be set – to be published in March 2024 in alignment with UN SDG
- Evolution of TCFD report, expanded Scope 3 reporting, submitting SBTi targets for validation in H2
- Focus on improvement in operational emissions, waste, water and diversity & inclusion – progress made
- Increased R&D on products which contribute to the decarbonisation of the sector

Additive manufacturing

- GKN Aerospace selected in 2 EU Projects
  - Safran-led 'OFELIA' programme to demonstrate open fan engine concept
  - MTU-led 'SWITCH' hybrid electric and water-enhanced engine concept
- GKN Aerospace additive manufacturing capabilities are key enablers for both

Target applications:

- Next gen commercial engines in 2030s

Thermoplastics technology

- Multi-year contract covering design and build of flight control surfaces for Joby
- Advanced thermoplastic composites enable significant weight reduction and have a high recyclability
- Design and build for initial production at our all-new GTC in the Netherlands

Target applications:

- Wings and empennage for EVTOL[1] market

Hydrogen propulsion

- Successful demonstration of a ground-based liquid hydrogen fuel cell system for the first time during H1 (H2GEAR)
- New £40 million multi-partner fuel system programme 'HyFIVE' to be launched in H2 2023, benefiting from further ATI funding
- Embraer MoU signed to explore validation of these capabilities in flight

Target applications:

- Regional (~100 person) flights in 2030s

1. EVTOL = Electric Vertical Take-Off and Landing

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[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 on track to more than double in 2023; and then expected to expand significantly again to reach 2025 targets
- Increasingly higher profit drop through from strong Engines aftermarket growth

Regular share buybacks

- Shareholders to enjoy decades of harvesting cash flows from Engines aftermarket
- Melrose to commence early its share buyback programme at the start of October 2023

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

Q&A

Appendices

Reconciliation between statutory and adjusted[1] results

Continuing operations £m	Total	Cash spent H1 2023
Statutory operating loss	**(18)**	
Amortisation of intangible assets acquired in business combinations	131	-
Restructuring costs	49	53
Equity settled compensation scheme charges	26	-
Exchange movements not hedge accounted	(28)	-
Net release of fair value items	(1)	-
Adjustments to statutory operating loss	**177**	**53**
Adjusted[1] operating profit	**159**	

Statutory results

- The IFRS measure of results includes certain items which are significant in size or volatility or by nature are non-trading or non-recurring, or are items released to the Income Statement that were previously a fair value item booked on an acquisition

Adjusted[1] results

- The Melrose Board considers the adjusted results to be an important measure to monitor how the businesses are performing because they achieve consistency and comparability when all businesses are held for the complete reporting periods

Restructuring costs £m	Income Statement charge	Cash spent in H1 2023
Engines	12	12
Structures	36	40
Corporate	1	1
Total	**49**	**53**

Melrose

1. Described in the glossary to the 2023 Interim Financial Statements and considered by the Board to be a key measure of performance

Some helpful data for H1 2023

Income Statement	H1 2023
Revenue:	
Engines	£608 million
Structures	£1,025 million
Aerospace	**£1,633 million**
Adjusted[1] operating profit (pre-PLC costs)	
Engines	£149 million
Structures	£26 million
Aerospace	**£175 million**
PLC costs	£16 million
Adjusted[1] effective tax rate	c. 21%
Income Statement cash interest:	
Interest cost of gross drawn debt	c. 5%
Commitment fee on undrawn debt	c. 0.5%
Other cash interest	£3 million
Income Statement non-cash interest:	
Amortisation of financing fees	£2 million
Other non-cash interest[2]	£9 million

Cash flow	H1 2023
Depreciation:	
Owned assets	£59 million
Leased assets (pre-PLC)	£11 million
Total depreciation (pre-PLC)	£70 million
Capital expenditure ratio to owned asset depreciation	0.7x
Restructuring	£53 million
Defined benefit pension contributions - ongoing	£2 million

Bank facilities and bond	£m at US$1.27 and €1.16
3 year term loan:	
$300 million	£236 million
€100 million	£86 million
3 year revolving credit facility:	
$250 million	£197 million
3-5 year revolving credit facility[3]:	
£300 million	£300 million
$550 million	£433 million
€300 million	£259 million
£130 million bond due to mature in May 2032	£130 million
	£1,641 million

1. Described in the glossary to the 2023 Interim Financial Statements and considered by the Board to be a key measure of performance
2. Includes pension interest, lease interest and unwind of discount on provisions
3. Three year facility that can be extended for two one-year periods at the Company's option

Melrose