GKN AEROSPACE

Engines Investor Event Trollhättan

18 October 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 2023 Interim Financial Statements and considered by the Board to be a key measure of performance.

Key messages

1. GKN Engines has OEM-level capability and responsibility for selected engines which gives more technical and commercial advantages than normal for a Tier 1 supplier
2. Leading independent Tier 1 partner to all major engine OEMs with lucrative and diverse RRSP[1] portfolio, providing balance and resulting opportunities
3. Strong long-term demand for GKN proprietary breakthrough technologies which will shape new ways for the industry to improve

Trading ahead of plan with the 2023 full year Engines margin guidance raised to 24%

Significantly underpinning the 28% margin in 2025 and >30% beyond

1. Risk and revenue sharing partnerships

GKN AEROSPACE

Who we are

£1.3bn
SALES

4,000+
EMPLOYEES

POWERING
90%
OF ALL FLIGHTS[1]

90+
YEARS OF FULL ENGINE CAPABILITY

INDEPENDENT **PARTNER** TO ALL MAJOR ENGINE OEMS

2
ENGINEERING & TECHNOLOGY CENTRES

1. GKN content on ~90% of civil aircraft engines

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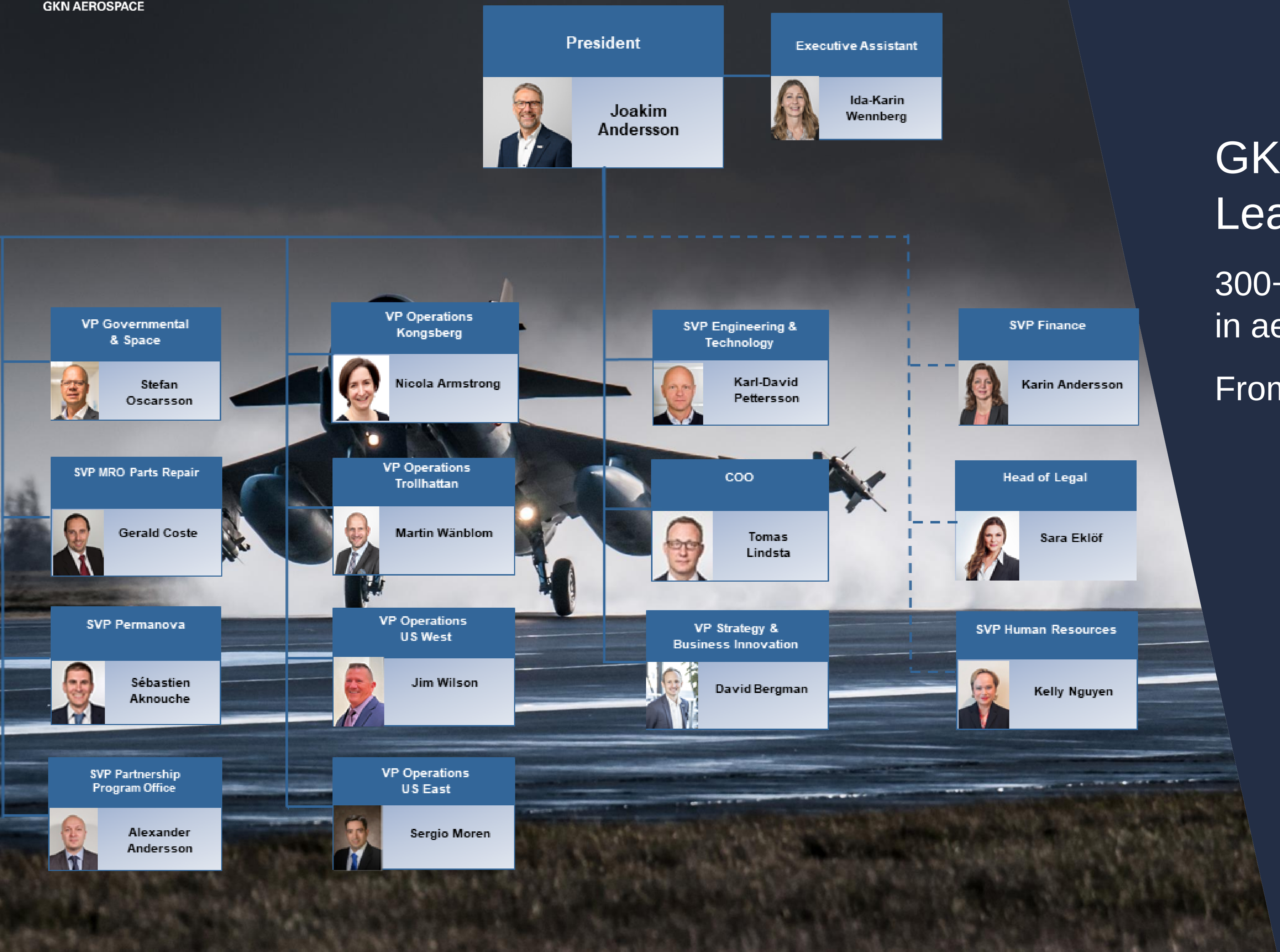

GKN Aerospace Engines Leadership Team

300+ years of combined experience in aerospace

From all OEMs, markets and regions

MAKING THINGS FLY

Market and customers

Our markets

Sales
~70%

Civil

$50 billion market

Regional, narrowbody and widebody

Sales
~25%

Defence

$10 billion market

Fighter engines

Sales
~5%

Adjacent

$4 billion market

Launcher engines and aero-derivatives

Strong core markets in civil and defence aerospace

Our customers

Civil

Sales ~70%

Pratt & Whitney GO BEYOND
GE Aerospace
SAFRAN
Rolls-Royce

500+ repair customers

Defence

Sales ~25%

FMV

Pratt & Whitney GO BEYOND
GE Aerospace

Adjacent

Sales ~5%

esa

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GE

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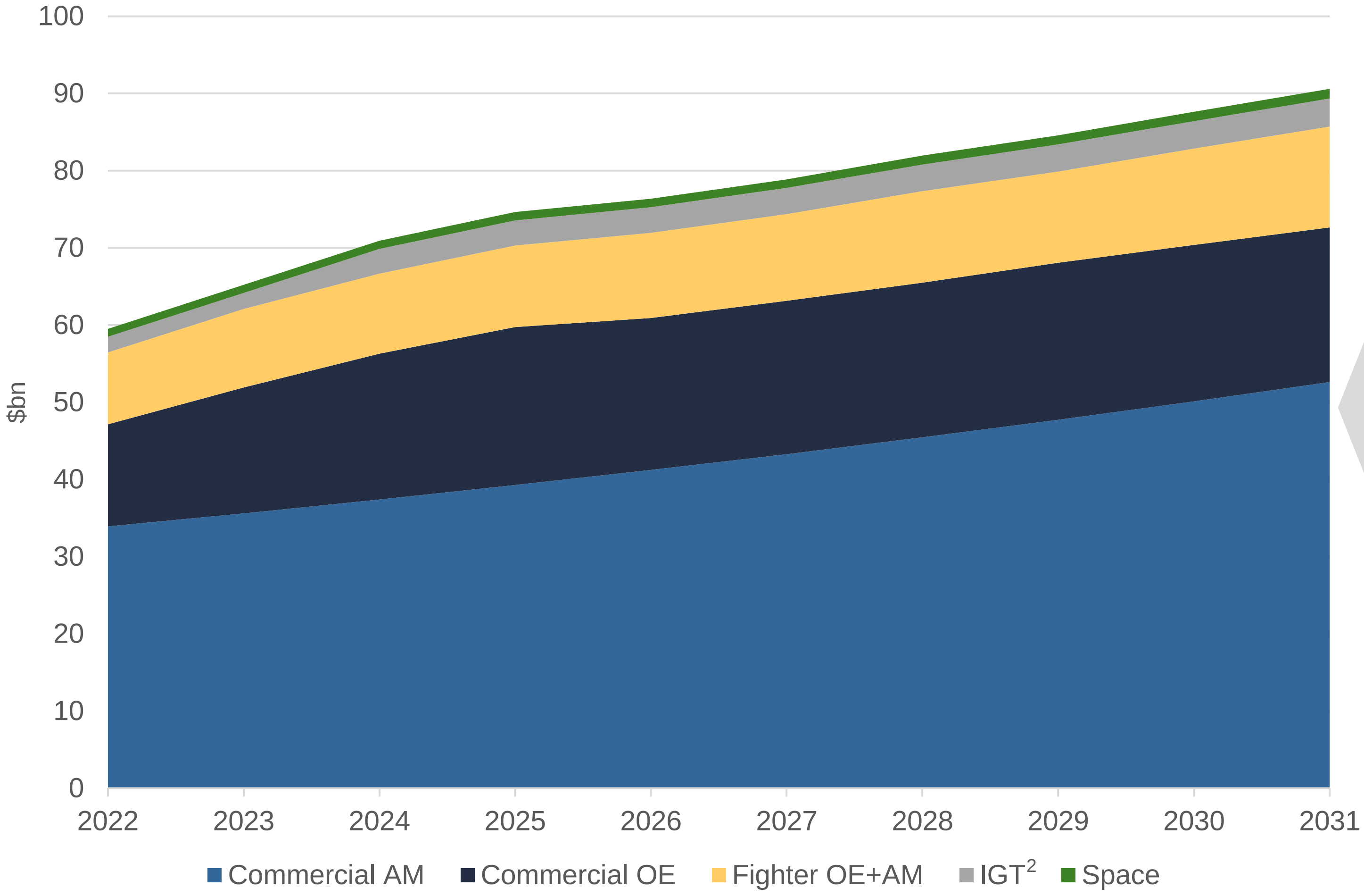
Engines market structural growth[1]



Key drivers

1. Increasing flying hours, especially in Asia
2. Current fleet needs to fly for many years to come with increasing aftermarket support required
3. Over next two decades global fleet set to double

1. External projection for markets in which GKN Aerospace operate. GKN Engines defined market; civil aircraft >100 passengers, western fighter engines, space launcher engines and aerospace derivative IGT[2]
2. IGT = Industrial gas turbine

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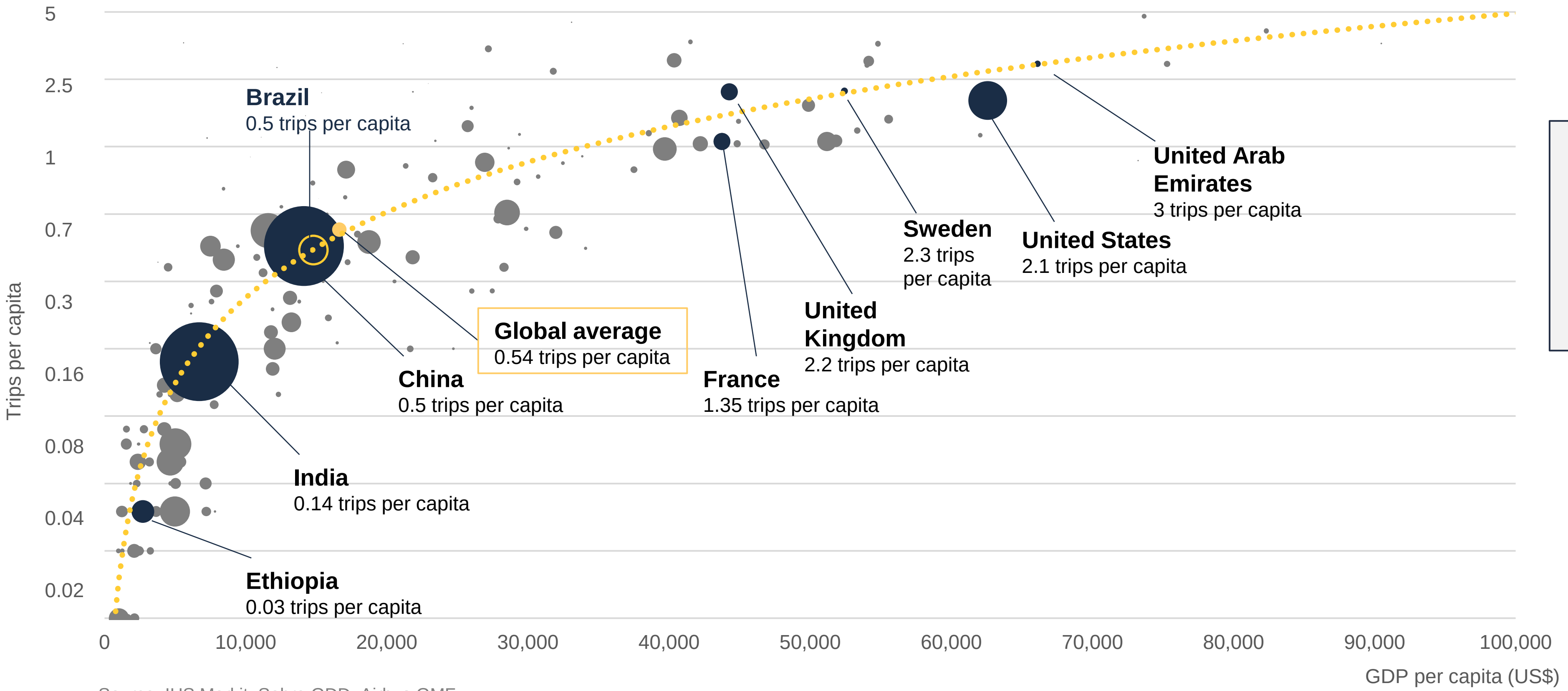
1 Increasing flights, especially in Asia

GDP per capita vs flights per capita



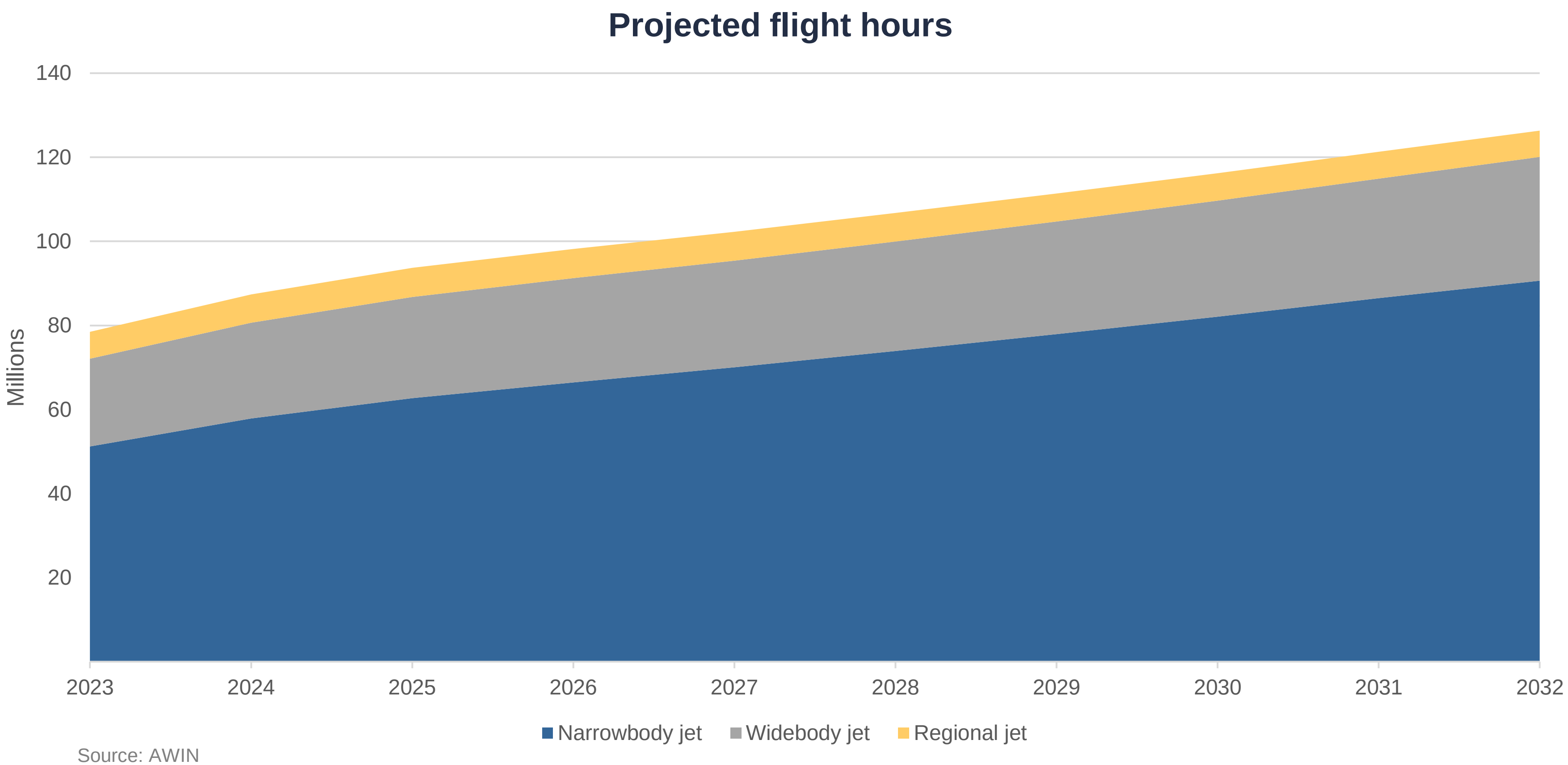
Source: IHS Markit, Sabre GDD, Airbus GMF

> Economic growth leads to increased flights

> Rapid growth in emerging markets

Growing middle class drives increase in global flights per capita

1 Flight hours growing strongly



Source: AWIN

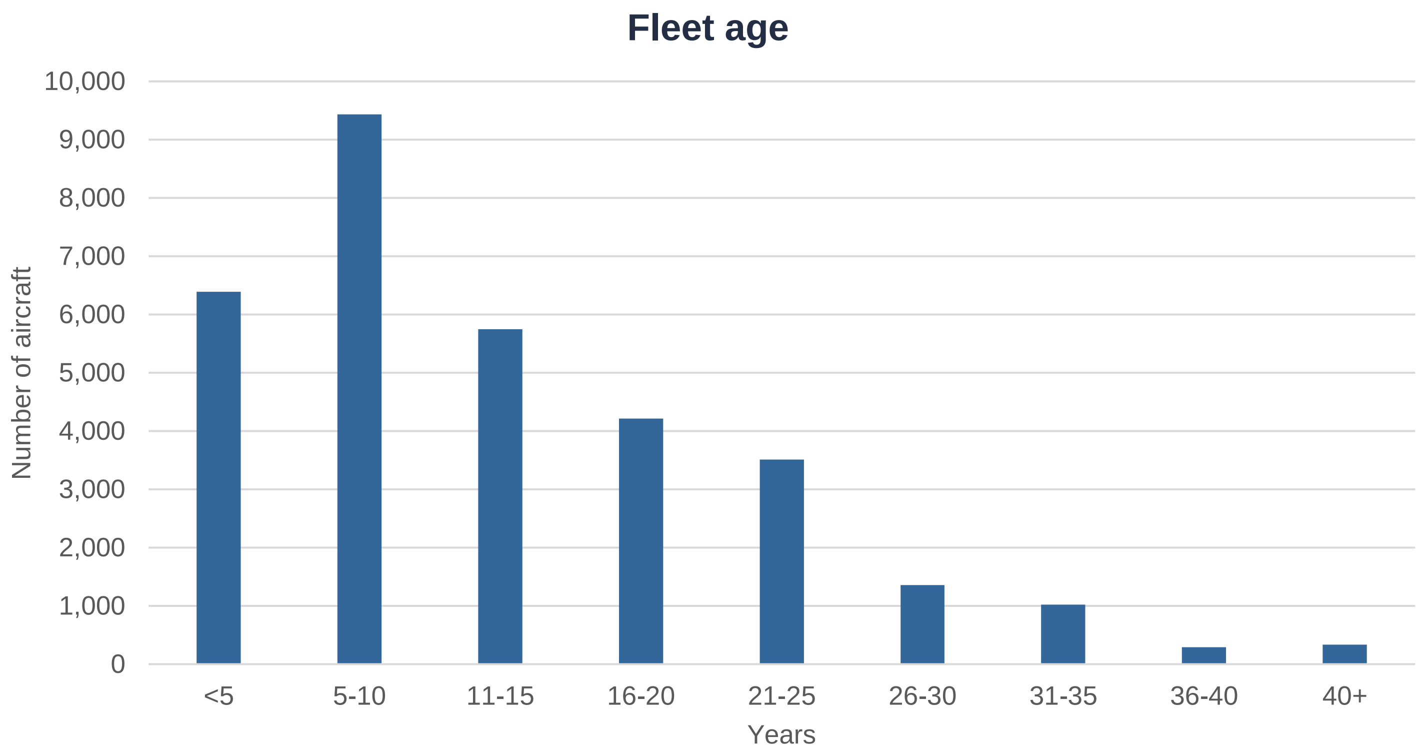
- >75% growth in narrowbody flying hours over next decade, widebody >40%

2023 – 2032 CAGR 5%

2023 – 2032 narrowbody CAGR 7%

~60% increase in flight hours in the coming decade

2 Current fleet to fly for many years to come



Source: AWIN

- Aircraft in service are relatively young and have many years flying to come
- Aircraft flying for longer due to constrained OEM deliveries
- Resulting in more aftermarket

Many years of flying and shop visits to come for current fleet

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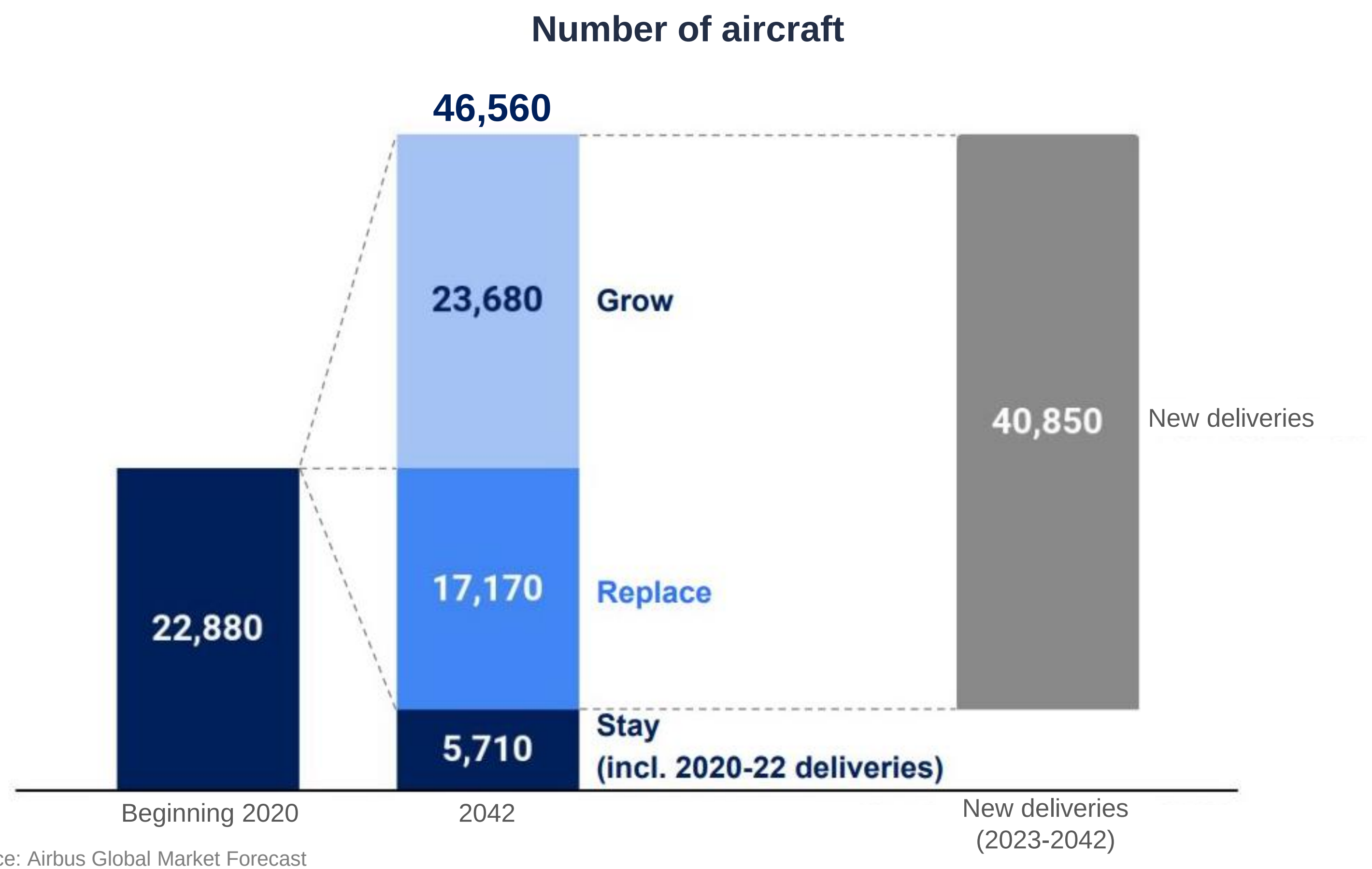
2 Growing fleet aftermarket support

- > Significant number of aircraft sold from 2009 to 2019 requiring maintenance now and in future
- > Growing aftermarket driven by:
  - – increased shop visits and higher percentage of LLP[1] replacements (which necessitate a heavy shop visit)
  - – OEM service agreements and spare part price increases

Increasing support required – greater number and complexity of shop visits

1. LLP = Life-limited part

3 Strong demand for continually growing fleet



Source: Airbus Global Market Forecast

- >40,000 new deliveries expected over next 20 years, mostly with current engine programmes
  - GTF, LEAP, XWB, GEnx
- Significant portion of current fleet need to fly for many years to come
  - V2500, CFM56, CF6, T700

Global fleet set to double in next two decades

Multiple business models provide a balanced portfolio

Sales
55%

Civil RRSP partnerships

Provides entitlement to aftermarket revenue and profit

Original equipment + Aftermarket

Sales
10%

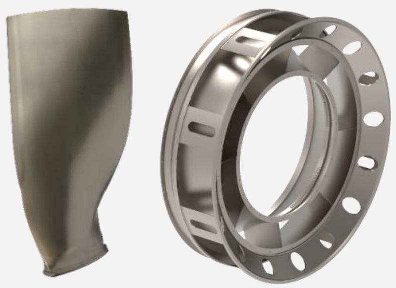
Government partnerships

Unique, system-level capability

Original equipment + Aftermarket

Sales
10%

Repairs

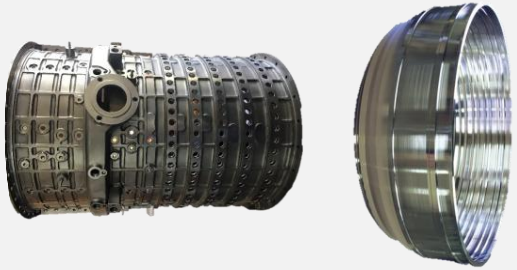


Significant growth opportunity

Aftermarket

Sales
25%

Commercial contracts



Balances profile of portfolio and supports partnerships' focus

Original equipment

A balanced business with strong foundation as a strategic partner

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Key customers per business model

Sales 55%

Civil RRSP partnerships

GO BEYOND GE Aerospace
SAFRAN Rolls-Royce

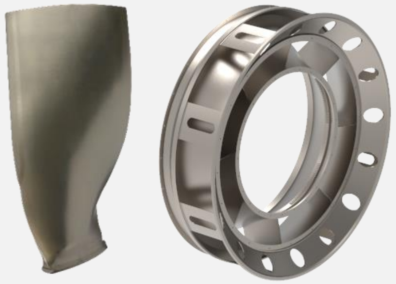
Sales 10%

Government partnerships

FMV esa

Sales 10%

Repairs

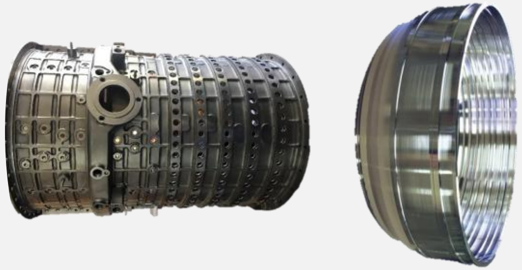


GO BEYOND GE Aerospace
SAFRAN Rolls-Royce

+500 airlines and MRO shops

Sales 25%

Commercial contracts



GO BEYOND GE Aerospace
SAFRAN Rolls-Royce

Independent partner with all major engine OEMs

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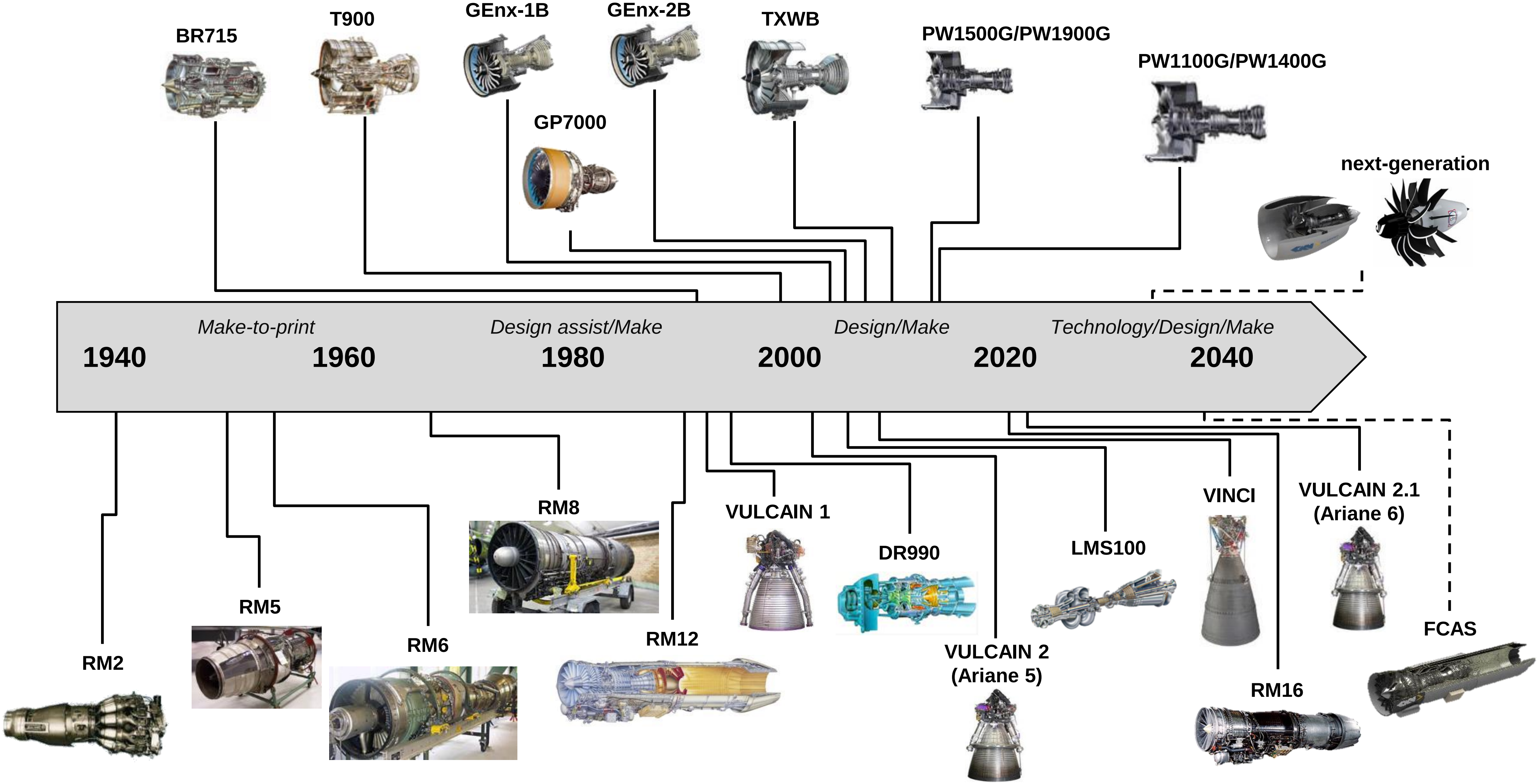
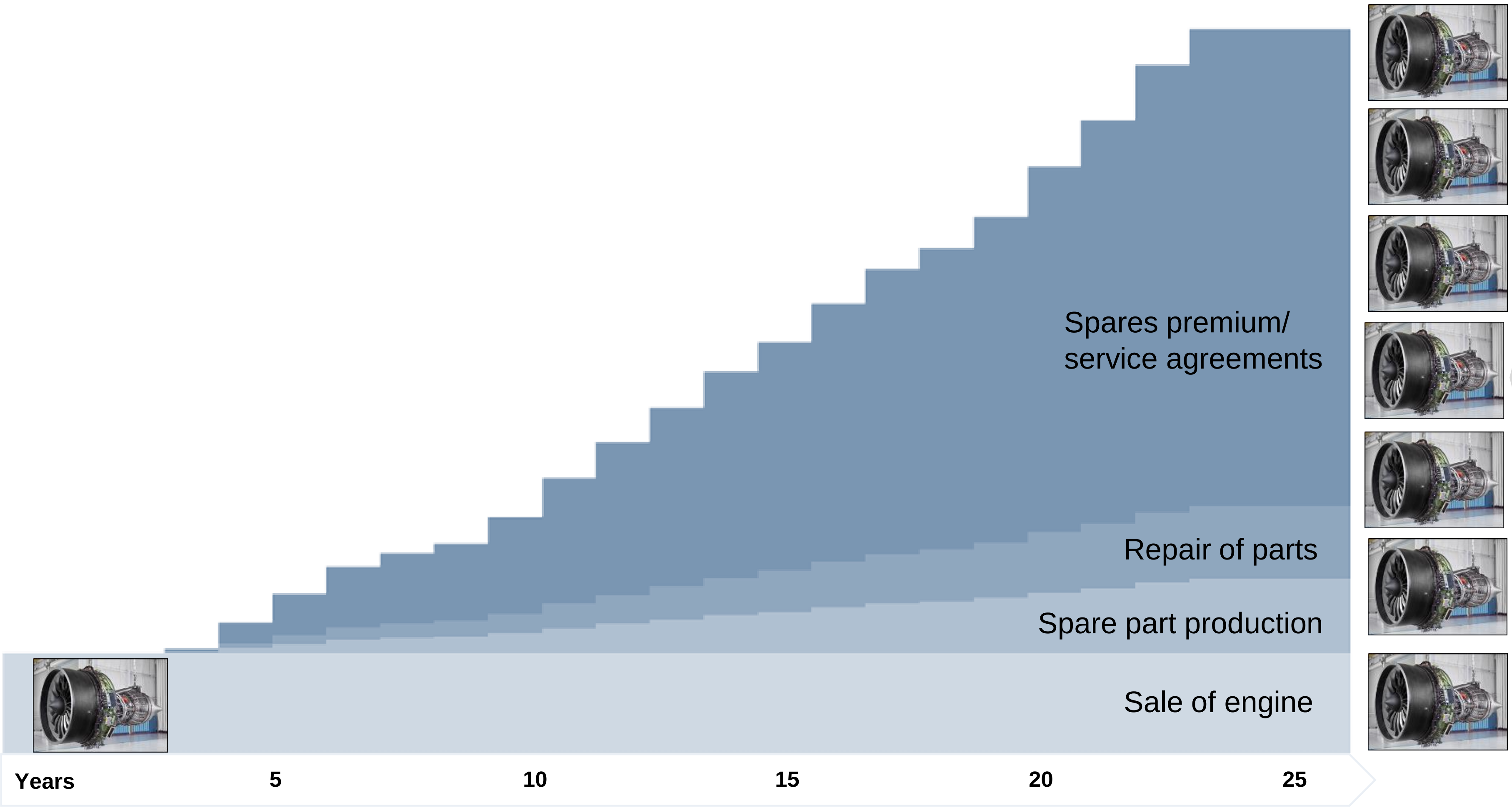
Example of our partnership legacy – life cycle ownership



Partnership entitlement



- Engines typically sold to the customer by the OEM at lower or even breakeven margin
- OEM recoup investment in the aftermarket phase
- Aftermarket service agreements exclusive to OEMs and their partners
- Annual price escalations on aftermarket content are typically 2x the increase in price on new engine sales

RRSPs entering 'sweet spot'

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 and flight hour compensation

> 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 (LLPs[2])

1. Shop visit data from AeroDynamic Advisory, April 2023
2. Life-limited parts

Way of working - business areas

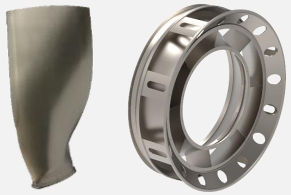
Engines business overview

Business models

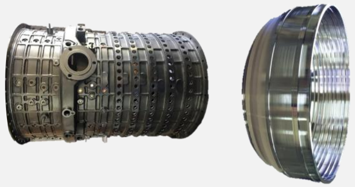
Civil RRSP partnerships

Government partnerships

Repairs



Commercial contracts



Business areas	Civil RRSP partnerships	Government partnerships	Repairs	Commercial contracts
Material solutions	✓			✓
OE product solutions	✓			✓
Repair solutions	✓		✓	
Governmental solutions		✓		

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Desired alternatives to large castings and forgings

Conventional

- Production starts with large castings and forgings

Additive fabrication

- Multiple smaller parts are combined into a more complex lighter component
- Built on decades of expertise and experience

Benefits of additive fabrication

- Lower cost, improved quality and enhanced design flexibility
- Lower weight and reduced waste; much improved buy-to-fly ratio
- Reduced reliance on supply chain and delivery lead times
- Opportunity to supply to new customers

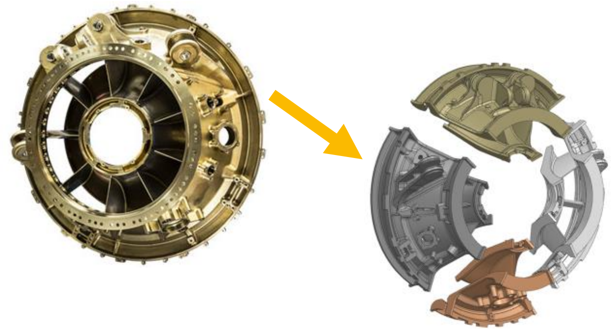
Casting → GKN production
Forging → GKN production

Casting → Additive fabrication technology and knowhow
Forging → Additive fabrication technology and knowhow
Laser metal deposition wire → Additive fabrication technology and knowhow
Laser metal deposition powder → Additive fabrication technology and knowhow
Laser powder bed fusion → Additive fabrication technology and knowhow

Additive fabrication technology and knowhow → Interchangeable alternative to castings and forgings

Interchangeable alternative to castings and forgings → GKN production
Interchangeable alternative to castings and forgings → New customers

Transformational capability



Game-changing unique additive fabrication capability provides fundamental improvements

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20+ years of additive fabrication technology coming to fruition

2000 - 2015

Research phase

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

2005 - 2015

Start of production on simple applications + **Multiple complex demonstrators**

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

- Extensive test campaigns
- Extensive material characterisation

2015 - 2023

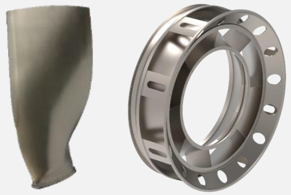
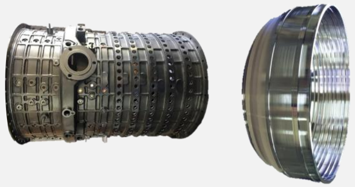
Start of production on 'load-bearing' structures

- 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)

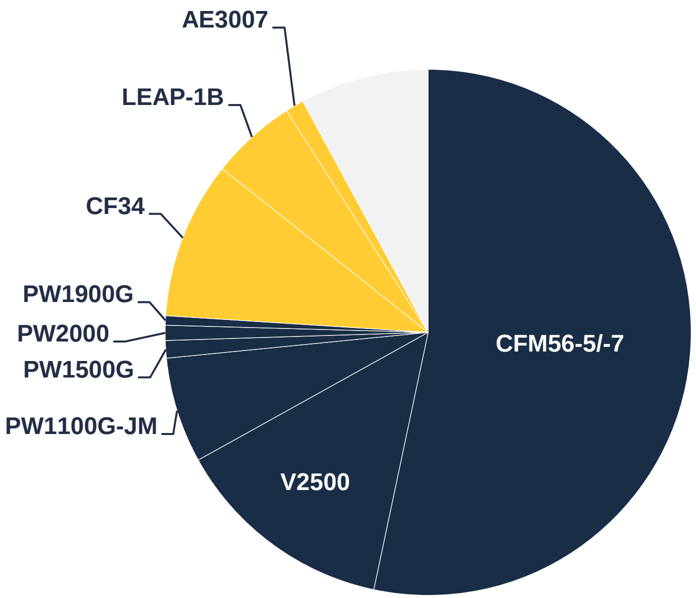
Engines business overview

Business models

Business areas	**Civil RRSP partnerships**	**Government partnerships**	**Repairs**	**Commercial contracts**
				
Material solutions	✓			✓
OE product solutions	✓			✓
Repair solutions	✓		✓	
Governmental solutions		✓		

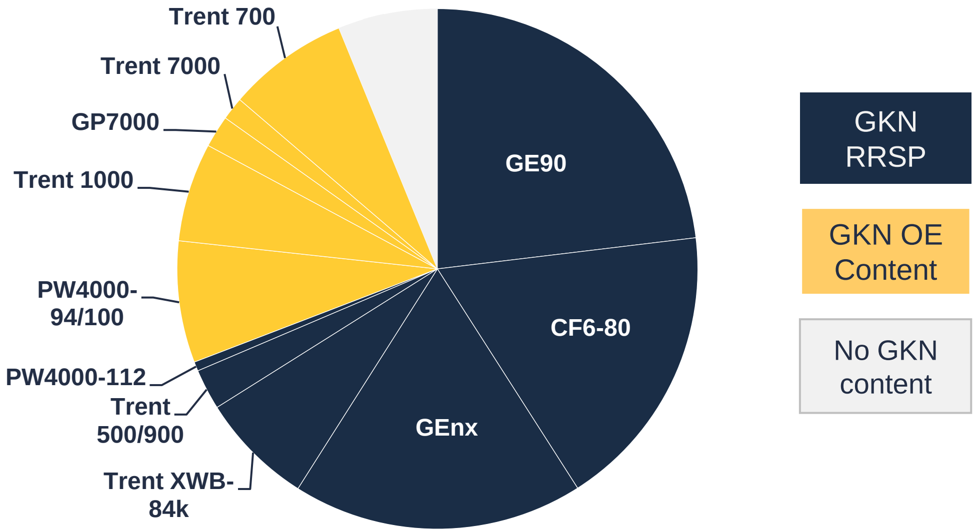
Civil product offerings powering 90% of the fleet

Narrowbody / Regional



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

Widebody



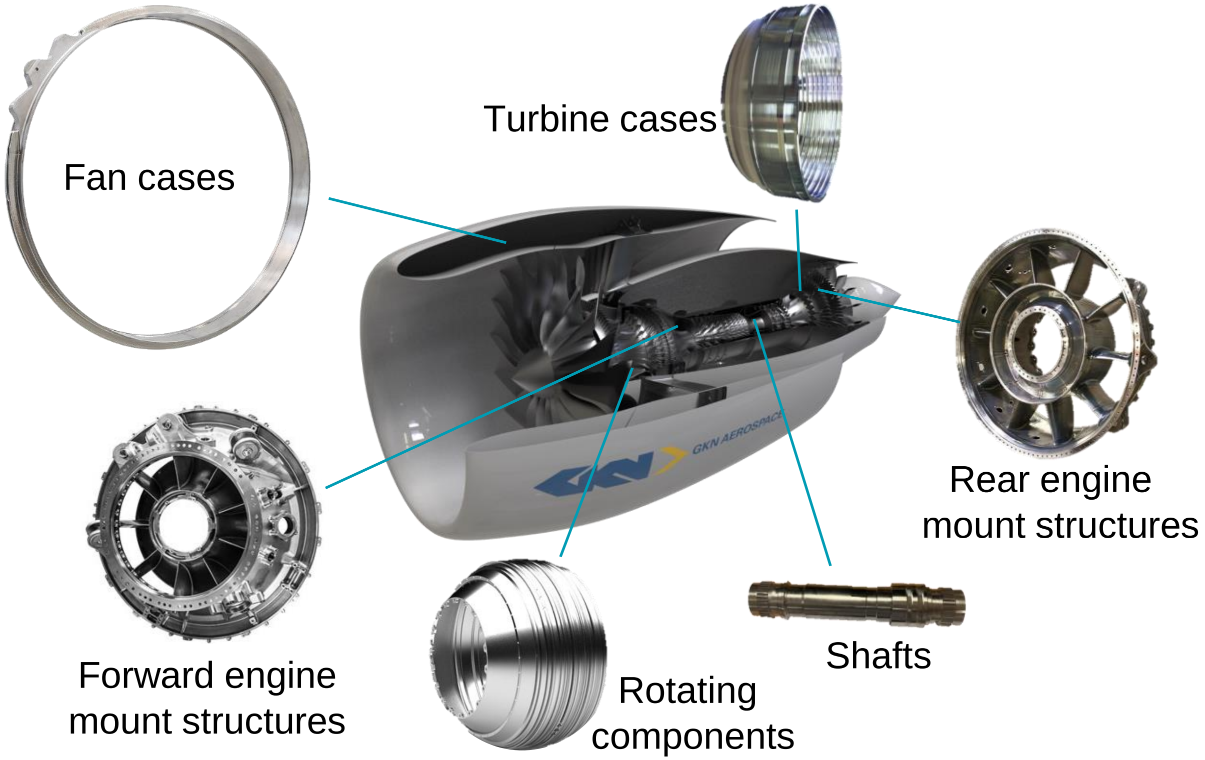
GKN RRSP on 70% of global widebody flight hours

Source: AWIN; based on 2022 global flying hours

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

Technology driven product specialisation

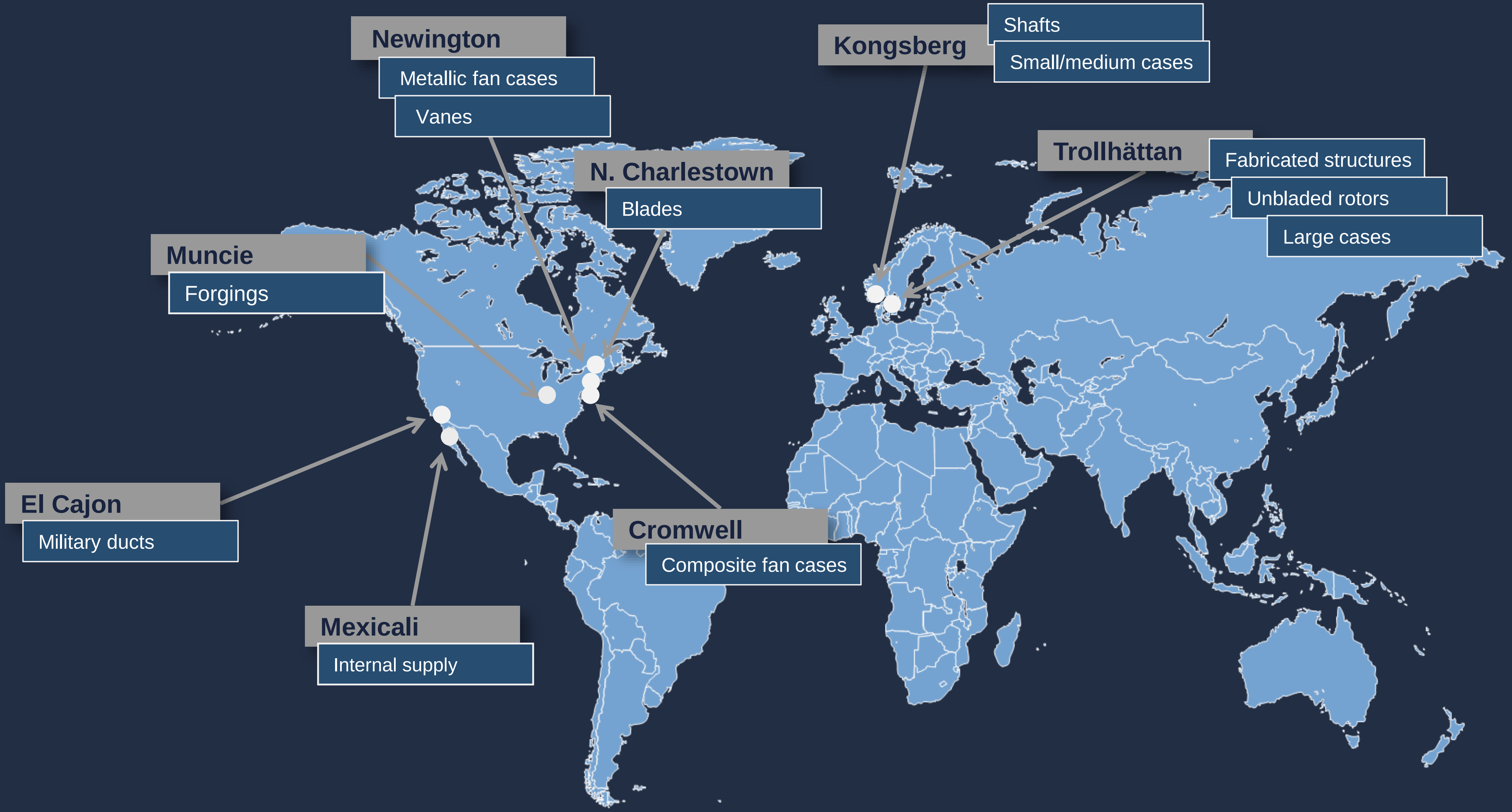
Parts typically last life of engine



- Customer aligned product offerings
- Focus on design/make with unique manufacturing IP
- Both civil & military product offerings
- Mainly structural parts designed to last the life of the engine

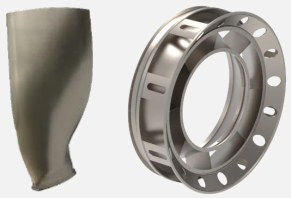
Technology-based partnership model builds long-term strategic relationship

OE product centres



Engines business overview

Business models

Business areas	Civil RRSP partnerships	Government partnerships	Repairs	Commercial contracts
				
Material solutions	✓			✓
OE product solutions	✓			✓
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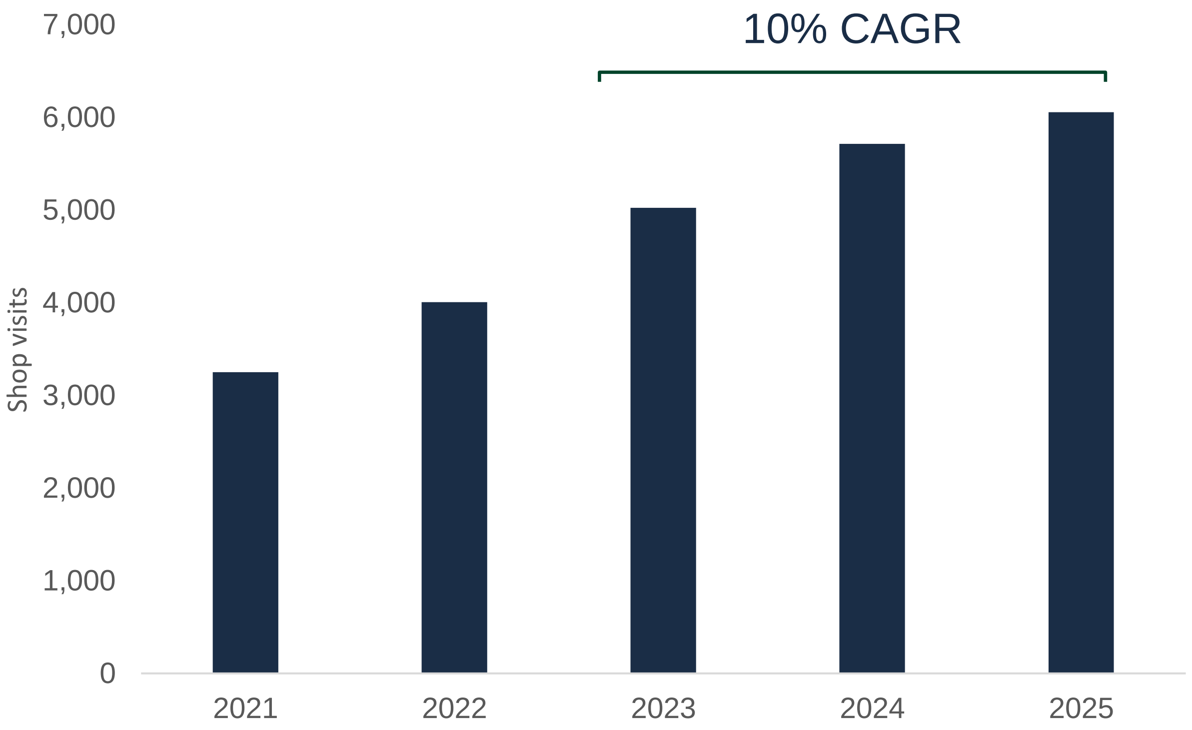
Governmental solutions		✓		

Outstanding growth opportunity in parts repair

Projected engines 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

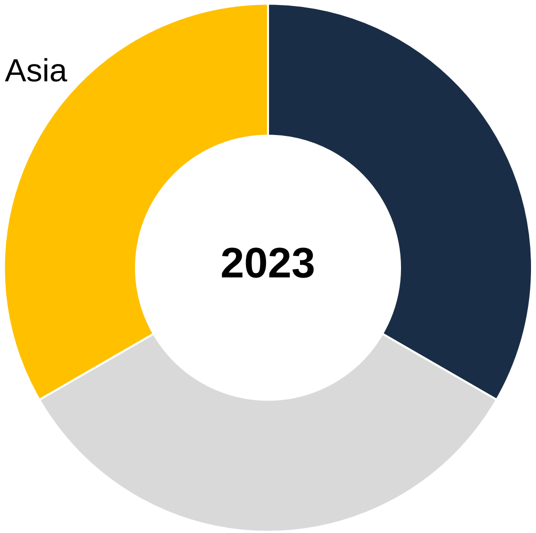
A certified global repair capability today

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

Expanding repair capacity, capability and portfolio

Footprint expansion

Expanded
Sweden 2021
10,000 m^2

Moving to new site
US 2024
15,000 m^2

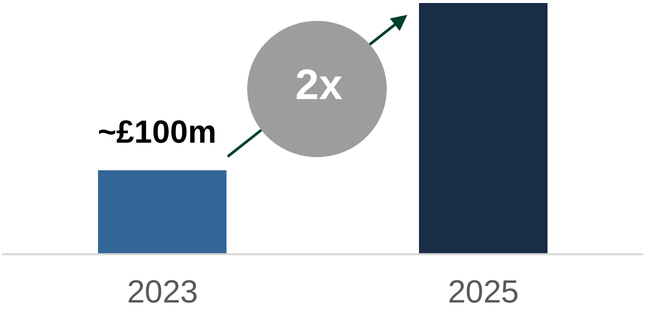
New site
Malaysia 2022
10,000 m^2

Portfolio expansion

Parts	Market share
Fan blades	~40%
Fan disks	<10%
Cases and Structures	<10%
Composite parts	<10%
Blisks/IBR[1]	Starting 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

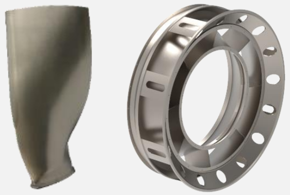
Engines business overview

Business models

Civil RRSP partnerships

Government partnerships

Repairs



Commercial contracts

Business areas	Civil RRSP partnerships	Government partnerships	Repairs	Commercial contracts
Material solutions	✓			✓
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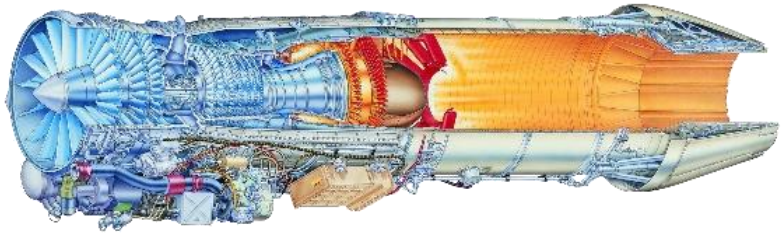
Governmental solutions		✓		

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

Potential for additional combat air support

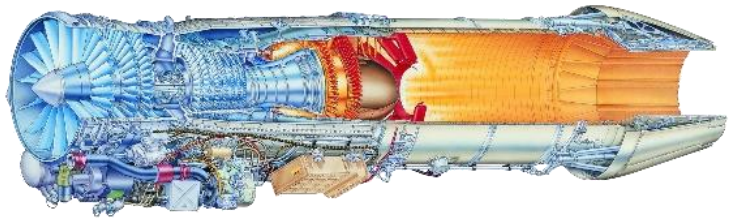
- Swedish authorities are working on a potential combat air support package including information and training on the Gripen C/D system
- In October 2023, as part of a wider range of Swedish military support for Ukraine, the Swedish government presented an assignment to the Swedish Armed Forces to analyse and report on the conditions for providing a transfer of Gripen aircraft to Ukraine
- Supply of aircraft is conditional on Sweden obtaining NATO membership
- GKN Engines continues to operate under the existing contractual relationship and is currently supporting the authorities by answering any queries they have

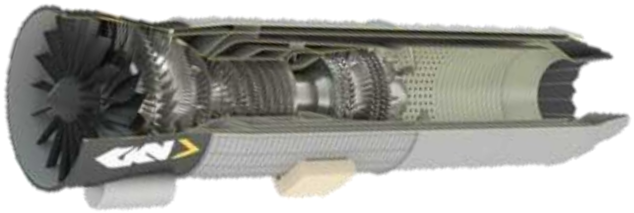
Full engine capability

RM12 / Gripen C/D

RM16 / Gripen E

Future Combat Air System





Truly diverse technology-driven, class-leading business

Material solutions	OE product solutions	Repair solutions	Governmental solutions

1. **OEM-level capability** — Our full engine understanding and capabilities gives us a competitive edge from design for manufacturing to improving performance of our customers’ engines
2. **RRSPs portfolio with all major engine OEMs** — Long-term partnerships with all major engine OEMs gives GKN Engines unmatched abilities to introduce our key technologies and grow our business with the right customer for the right product & programme
3. **Proprietary GKN breakthrough technologies** — Decades of research & development, skilled people and fabrication expertise has placed GKN Engines in pole position to meet industry challenges, based on our proprietary material solutions