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Rolls-Royce Holdings plc
04 May 2017

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ROLLS-ROYCE HOLDINGS PLC AGM STATEMENT

Rolls-Royce Holdings plc is today holding its Annual General Meeting in Derby. In his comments to shareholders, Chief Executive Warren East will be confirming that overall trading in the first few months of the year has been in line with expectations and that the outlook for the year as a whole is unchanged. Reconfirming his comments in February at the Full Year Results, Warren East said: *"At this early stage in the year we see no reason to change our expectations for profit and importantly cash flow for the year as a whole. We have some important transformation initiatives underway and, while we have made good progress in our cost cutting and efficiency programmes, more needs to be done to ensure we drive sustainable margin improvements within the business."*

As in 2016, profit before financing charges and tax is expected to be weighted towards the second half of the year, with the proportion of profit generated in the first six months of the year expected to be similar to that achieved in 2016.

Similarly, free cash flow is again expected to be significantly weighted towards the second half with first half cash flow forecast to be lower than in 2016, largely reflecting the higher volumes of large engines sold at a loss and a number of other one-off cash items.

The 2017 outlook also excludes the year-on-year effect of foreign exchange translation on our reported results. Our guidance at this stage of the year is unchanged from that provided in February. If rates

remain unchanged from those seen recently, the impact of the average year-on-year movement on the translation of our overseas subsidiaries results would improve reported revenues by around £400m and improve reported profit before tax by around £50m.

On April 19 it was announced that the European Commission had cleared the acquisition of the 53.1% shareholding in Industria de Turbo Propulsores SA ("ITP") currently owned by SENER Grupo de Ingeniería SA. Completion of the deal remains subject to approval by relevant Spanish authorities, expected later in 2017.

As set out in February the priorities for 2017 are fourfold: to strengthen our focus on engineering, operational and aftermarket excellence; to sustain our strong start to our transformation programme; to continue to rebuild trust and confidence in our long-term growth prospects; and, deliver an update on our long-term goals. In the first few months of the year we have sustained progress to deliver these priorities, including driving further benefits from our transformation programme. As a result, we remain on track to deliver the expected year-on-year incremental cost savings in 2017 of between £80-110m and achieve our target of £200m per annum by the end of 2017.

A more detailed update on progress towards our 2017 objectives will be given with our Half Year Results in August 2017.

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