

ROLLS-ROYCE HOLDINGS PLC AGM STATEMENT

Rolls-Royce Holdings plc is today holding its Annual General Meeting in Nottingham. 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, Warren East added: "Despite steady market conditions for most of our businesses, 2016 continues to be a challenging year overall as we sustain investment and start to transition major products in Civil Aerospace, and tackle weak markets in Marine."

Reflecting the previously identified headwinds expected in 2016, and the resulting lower level of overall performance compared to the prior year, profit before financing charges and tax will be significantly weighted towards the second half, with the first six months of the year expected to be close to breakeven. Looking to the balance of the year, the second half outlook reflects increased large engine deliveries, good underlying growth in aftermarket revenues and expected incremental benefits from our ongoing restructuring programmes.

Free cash flow is also expected to be significantly more weighted towards the second half than in 2015. This largely reflects the lower level of first half profit compared to the previous year and the strong cash flow performance at the end of 2015, some of which reversed in the first month of 2016.

The 2016 outlook also excludes the year-on-year effect of foreign exchange translation. At this stage of the year, if rates remain at the average levels seen so far in 2016, the movement would improve reported revenues by around £450m and improve reported profit before tax by around £50m.

As set out in February at our Full Year results, the priorities for 2016 are threefold: to strengthen our focus on engineering and operational excellence and leverage our installed base; to deliver a strong start to our transformation programme; and to start rebuilding trust and confidence in our long-term growth prospects. Good progress has been made on a number of initiatives to deliver these priorities, including the early stages of our transformation programme. As a result, we are well on track to delivering the expected cost savings in 2016 of between £30-50m. In addition, the legacy restructuring programmes within Civil Aerospace, Defence Aerospace and Marine are also on track, including the major new investment to transform the Defence Aerospace manufacturing facility in Indianapolis, started in the second half of 2015.

A more detailed update on progress towards our 2016 objectives will be given with our Half Year results in July 2016.

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