2015 Half Year Results

Data Appendix

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All figures on an underlying basis unless otherwise stated. Please see note 2 of the Financial Review for definition.

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Rolls-Royce

The Group

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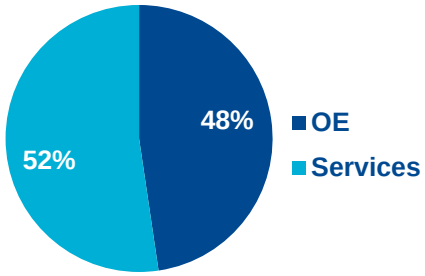
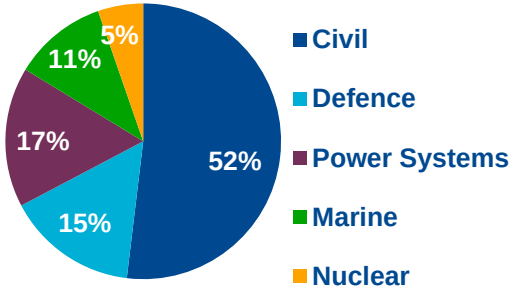
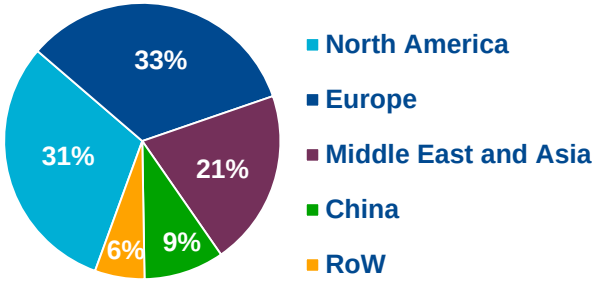
Group results 2015 half year

Underlying group revenue £6.3 billion

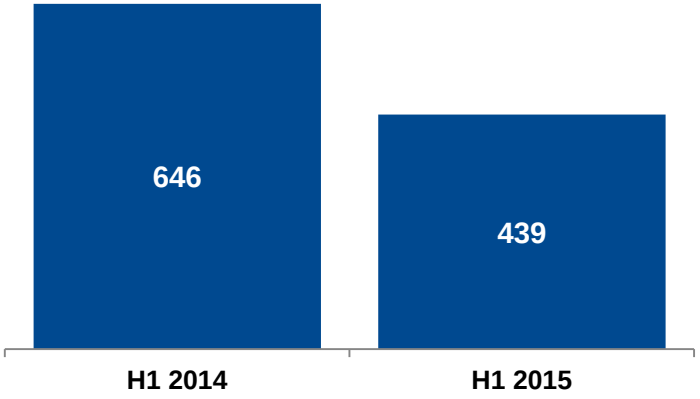




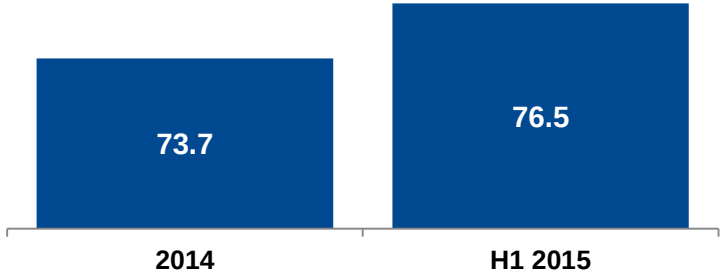


*By geography refers to FY14, adjusted to exclude the Energy business sold to Siemens

Underlying profit before tax £439 million



Order book £76.5 billion



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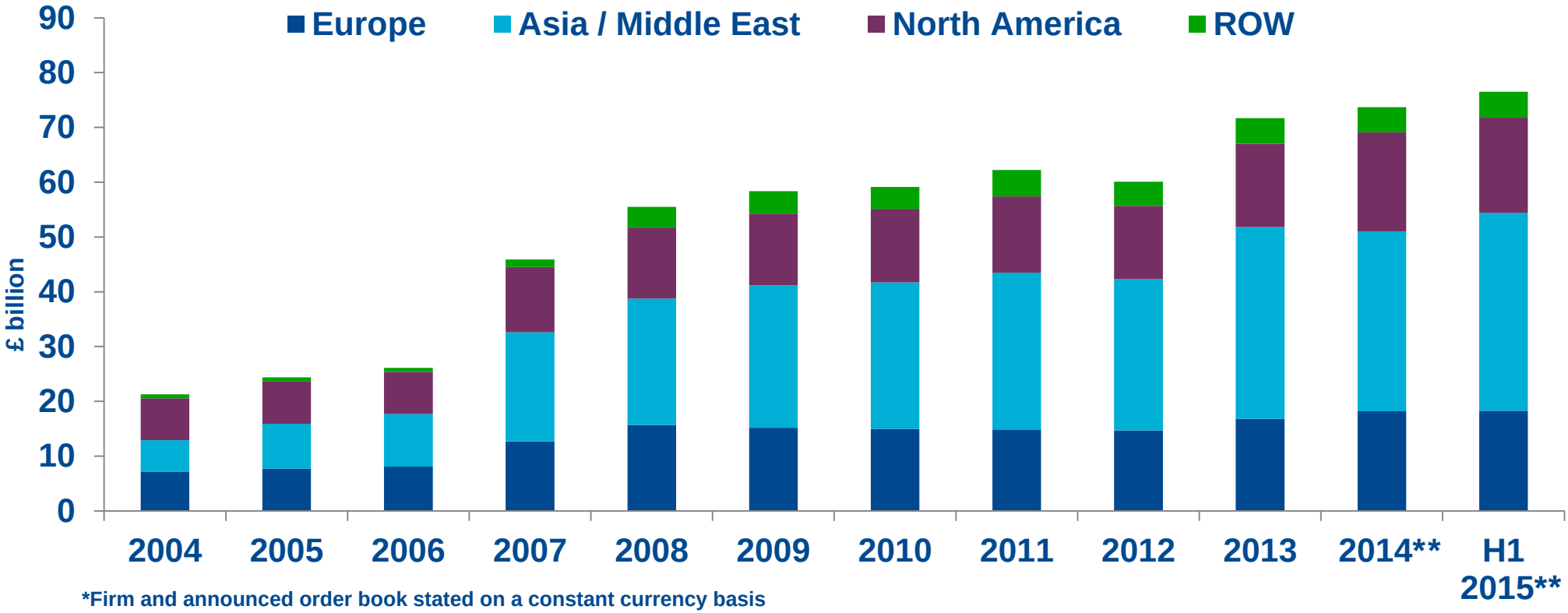
Order book*



*Firm and announced order book stated on a constant currency basis

**excludes Energy business sold to Siemens

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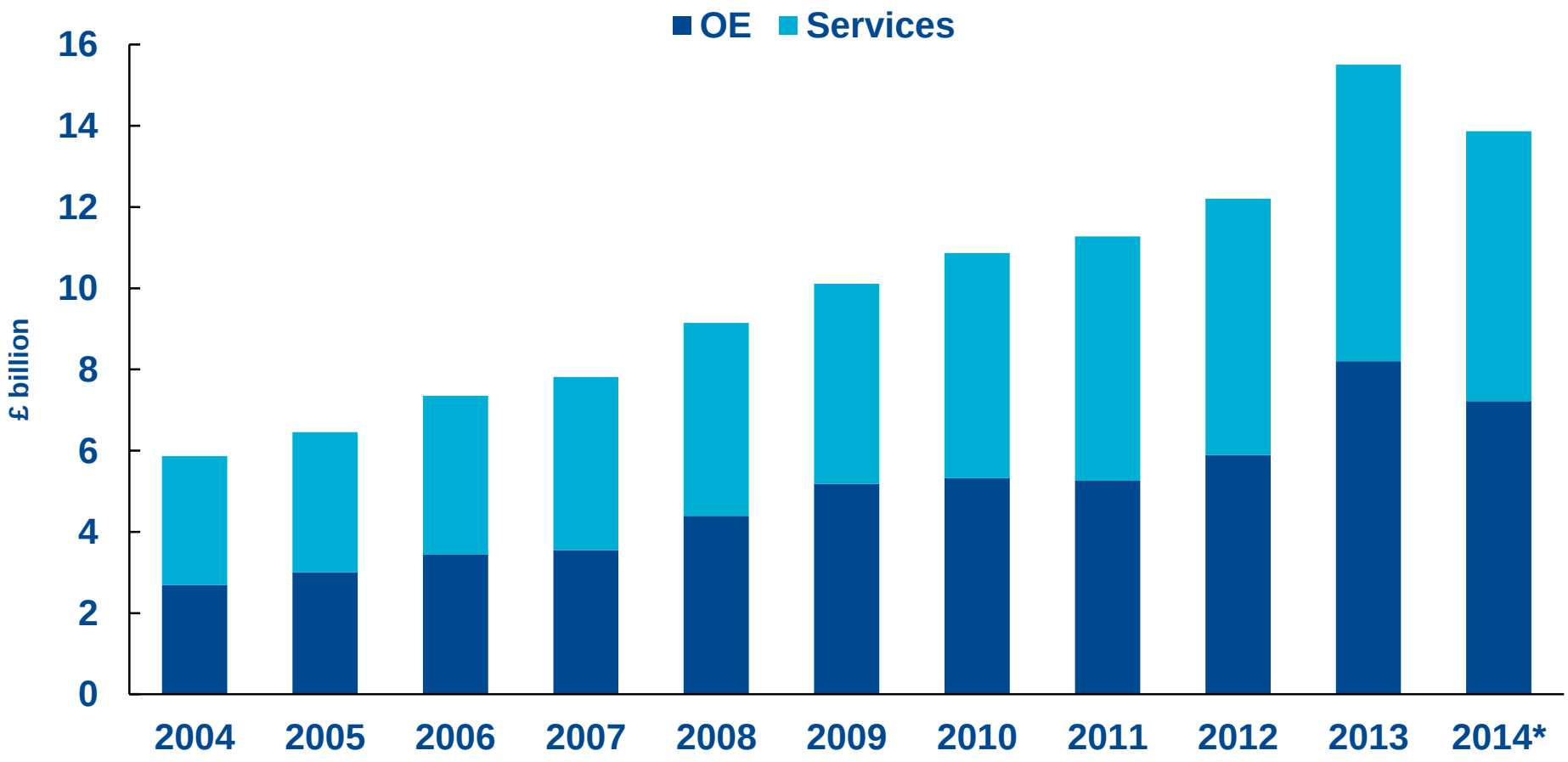
Full year underlying group revenue



*excludes Energy business sold to Siemens

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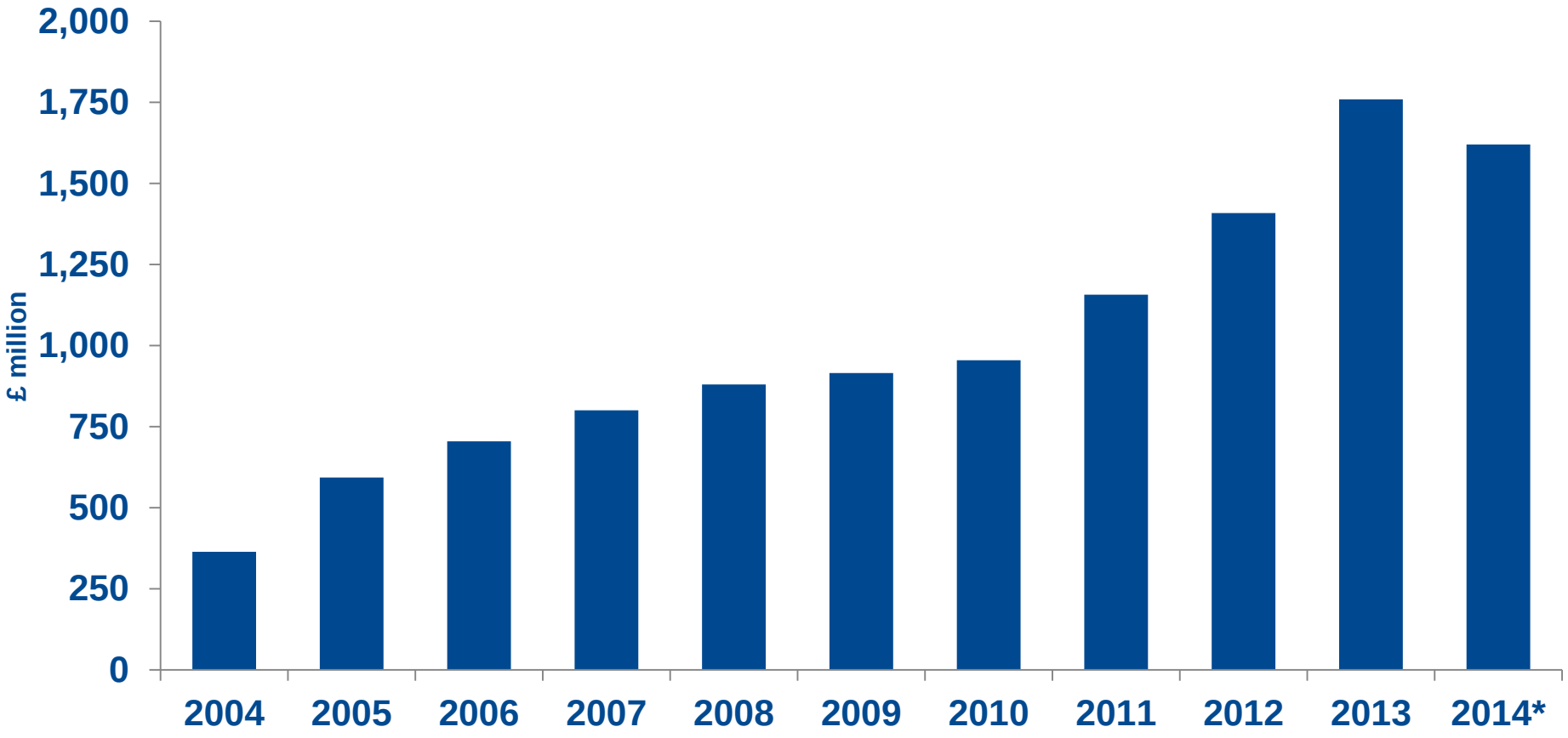
Full year underlying profit before tax



*excludes Energy business sold to Siemens

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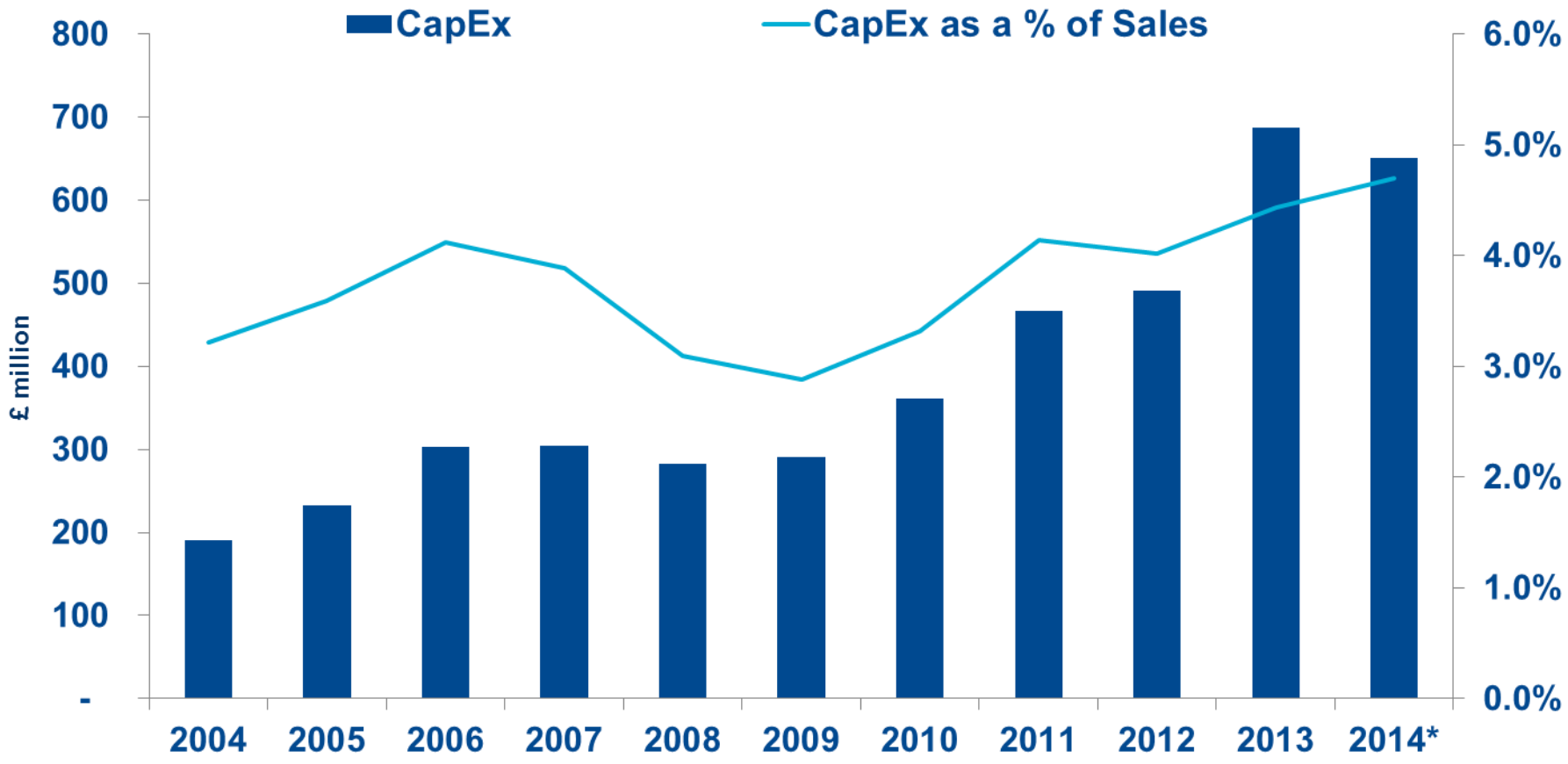
Full year capital expenditure

Additions to Property, Plant & Equipment



*excludes Energy business sold to Siemens

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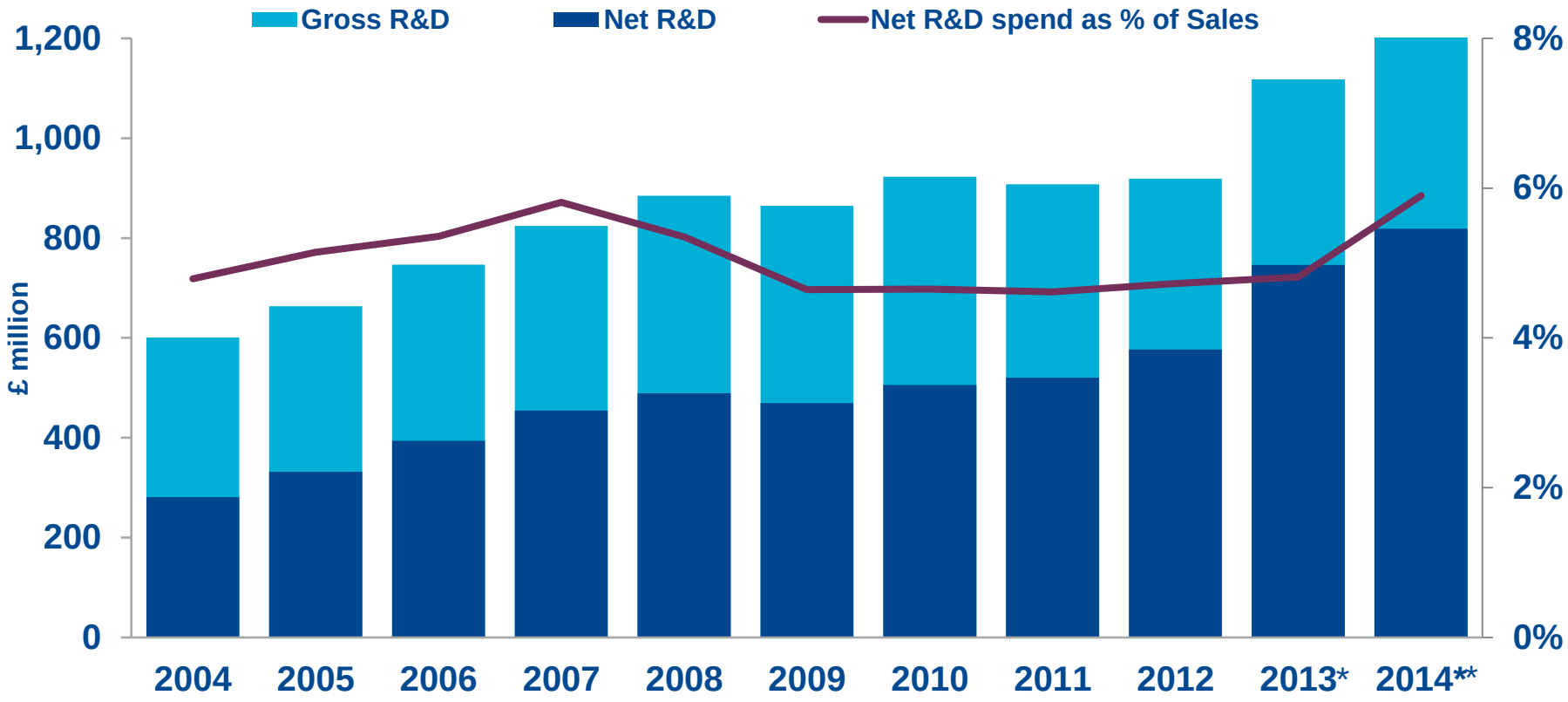
Full year research & development spend

Continued investment in future technology



*additional £165m of net R&D for the consolidation of Tognum in 2013
**excludes Energy business sold to Siemens

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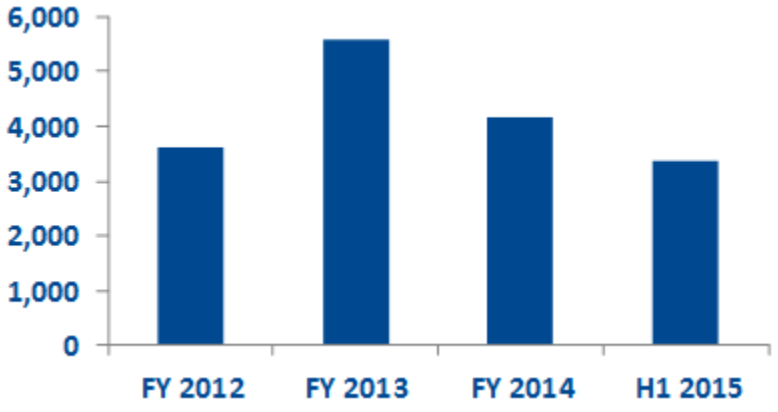
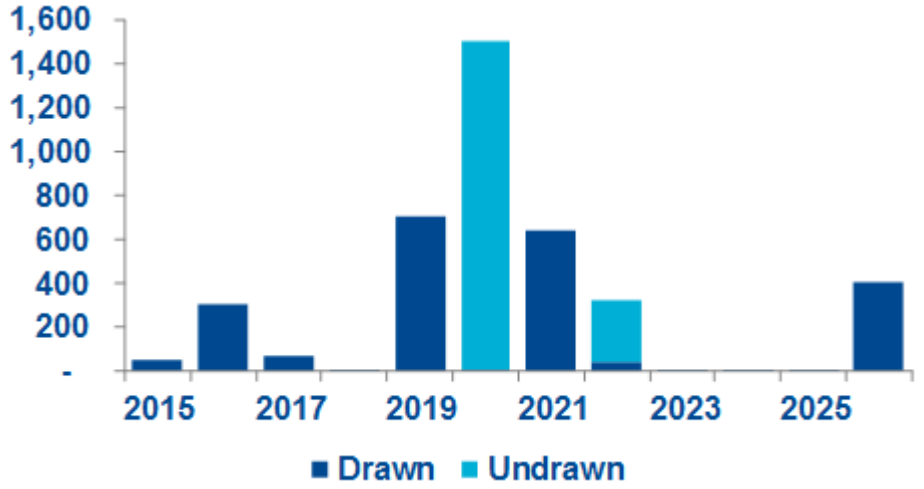
Balance sheet

Strong liquidity position – total liquidity £3.4 billion

Total Liquidity (£ million)



Debt maturities (£ million)



'A' credit rating and liquidity provide confidence and flexibility for:

- Customers signing long-term service agreements spanning decades
- Customer and supplier financing
- Investing in opportunities at the right time
- Suppliers and JV partners making long-term investments
- Weathering financial market uncertainties

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Financials

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Historic financials 2010 – H1 2015

	Including Energy					Excluding Energy			
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2013	FY 2014	H1 2014	H1 2015
Underlying revenue (£ million)	10,866	11,277	12,209	15,505	14,588	14,634	13,864	6,451	**6,256**
Underlying profit before tax (£ million)	955	1,157	1,434	1,759	1,617	1,695	1,620	646	**439**
EPS	38.73p	48.54p	59.59p	65.59p	65.31p	62.99p	65.42p	25.69p	**18.27p**
Free cash flow (£ million)	714	581	548	781	254	778	447	(347)	**(576)**
Order intake (£ billion)	12.3	16.3	16.1	26.9	19.4	25.9	19.0	6.3	**10.2**
Order book (£ billion)	59.2	62.2	60.1	71.6	73.7	70.4	73.7	69.4	**76.5**
Payment to shareholders (p/share)	16.0p	17.5p	19.5p	22.0p	23.1p	22.0p	23.1p	9.0p	**9.27p**

Rolls-Royce

Underlying income statement 2014 – H1 2015

	Excluding Energy		
(£ million)	**FY 2014**	**H1 2014**	**H1 2015**
Revenue	13,864	6,451	**6,256**
Gross profit	3,516	1,535	**1,326**
Commercial and administrative costs	(1,080)	(533)	**(500)**
Net R&D charge	(730)	(336)	**(378)**
Other income & costs	(25)	9	**8**
Profit before finance charges and tax (PBFCT)	1,681	675	**456**
Net financing charge	(61)	(29)	**(17)**
Profit before tax (PBT)	1,620	646	**439**

Rolls-Royce

Cash flow 2014 – H1 2015

	Excluding Energy		
(£ million)	**FY 2014**	**H1 2014**	**H1 2015**
Underlying profit before tax (PBT)	1,620	646	**439**
Depreciation & amortisation	582	278	**317**
Net working capital	(357)	(560)	**(747)**
Capital expenditure & intangibles	(1,084)	(531)	**(391)**
Other	121	6	**(90)**
Trading cash flow	882	(161)	**(472)**
Pension / tax / other	(435)	(186)	**(104)**
Free Cash Flow	447	(347)	**(576)**
Shareholder payments	(551)	(236)	**(598)**
Base cash flow (exc. acquisitions & FX)	(104)	(583)	**(1,174)**

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Research & development 2010 – H1 2015

(£ million)	Including Energy					Excluding Energy			
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2013	FY 2014	H1 2014	H1 2015
Gross R&D	(923)	(908)	(919)	(1,118)	(1,249)	(1,083)	(1,219)	(553)	**(580)**
Net R&D spend (basis for guidance)	(506)	(520)	(577)	(746)	(844)	(721)	(819)	(387)	**(405)**
Net R&D spend as % of underlying revenues	4.7%	4.6%	4.7%	4.8%	5.8%	4.9%	5.9%	6.0%	**6.5%**
Capitalised	111	93	38	108	83	108	83	44	**9**
Amortised	(27)	(36)	(50)	(69)	(65)	(69)	(65)	(33)	**(37)**
R&D charged to Income Statement (before Risk & Revenue Sharing Arrangement (RRSA) entry fees)	(422)	(463)	(589)	(707)	(826)	(682)	(801)	(376)	**(433)**
Net RRSA entry fee impact			58	83	71	83	71	40	**55**
R&D charge to the Income Statement	(422)	(463)	(531)	(624)	(755)	(599)	(730)	(336)	**(378)**

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Foreign exchange

Rolls-Royce hedges against the impact of transactional FX

- Transactional exposure arises when revenue currencies differ from cost currencies
- $30 billion hedge book provides ~5 years' cover
- Hedge book average rate is $/£1.60
- Achieved rate is not typically affected by short-term spot rate movements unless new cover is taken; this impact is usually diluted

Rolls-Royce does not hedge against the impact of translational FX

- Translational exposure varies by source of revenues and profits
- Translational FX impact is driven by period average spot rates

Full year translational impact of 0.01 unit of currency change in period average rates:		
	Revenue	**Profit**
USD	~£10 million	~£2 million
EUR	~£30 million	~£3 million
NOK	~£1 million	~£0 million

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Foreign exchange – H1 2015 translational impact

	H1 2014	H1 2015
Period average rates		
USD	1.669	1.525
Euro	1.217	1.365
NOK	10.070	11.804

H1 2015 vs. H1 2014 £m (excluding Energy)	Exposures		Revenue Impact		Profit Impact	
	Revenue	Profit	Inc. FX	FX	Inc. FX	FX
Group*			**6,256**	**(198)**	**439**	**11**
Civil Aerospace	USD, EUR	USD, EUR	3,285	(51)	248	6
Defence Aerospace	USD	USD	973	38	184	7
Power Systems	EUR	EUR	1,039	(126)	17	(2)
Marine	NOK, EUR	EUR	695	(63)	4	(2)
Nuclear	USD	USD	336	(5)	24	0

* Figures will not sum due to intersegment eliminations

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Customer finance

Financial strength allows the Group to provide finance support to customers

Selective and designed to minimise risk:

- Gross and net exposures by counterparty, product type and year are limited by Board guidelines
- Commitments continually monitored with suitable exposure management policies in place
- Exposures audited every six months
- Exposures quantified using independent asset value appraisals

Broadly similar contingent liabilities – as of 30 June 2015:

- Total Discounted Gross Exposure: US$578m (2014 $605m);
- Total Discounted Net Exposure (less security): US$96m (2014 $91m);
- Total Discounted Net Stressed Exposure (assumes 20% asset discount): US$152m (2014 $140m);
- Liabilities are spread across multiple geographies, customers and aircraft

Pensions

Reduced risk through prudent pension management

UK schemes

- Around 87% of gross liabilities and 95% of gross assets
- Defined benefit (DB) schemes closed to new members
- Around 90% of assets in lower risk, Liability Driven Investments (LDIs), gilts and bonds
- Longevity swap provides greater certainty over future funding requirements
- Surplus of £1,011m (IAS19 basis*) – reduction of £724m in year largely reflects:
  - Increase in gilt/swap rates reduced assets by ~ £400m.
  - Reduction in discount rates (AA bonds) increased liabilities by ~ £380m (on a funding basis, the liabilities would decrease broadly in line with the reduction in assets above).
- 2015 H1 contributions of £96m included £22m of deficit reduction payments
  - Cash contributions in 2015 are expected to be around £185m (2014 £257m), as deficit reductions reduce and the non-repeat of the payment for the discretionary increase.

Overseas schemes

- Around 13% of gross liabilities and 5% of gross assets
- Deficit of £1,079m (IAS19 basis*) principally made up of unfunded US healthcare schemes (£397m) and unfunded Power Systems schemes (£443m)
- 2015 H1 contributions of £31m (2014 H1 £32m)

*** IAS19 reporting basis discounts liabilities using a AA bond rate – while this is the required reporting method it does not match the method used to manage and fund the UK pension schemes which discounts liabilities using a curve to match the LDI assets (gilt based). This significantly reduces the volatility compared with that shown by the IAS 19 valuations above.**

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Civil aerospace

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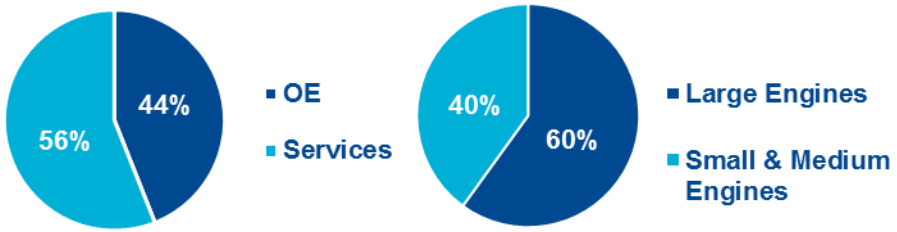
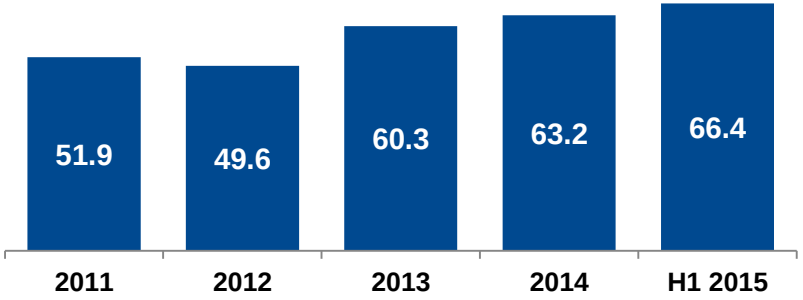
Civil aerospace

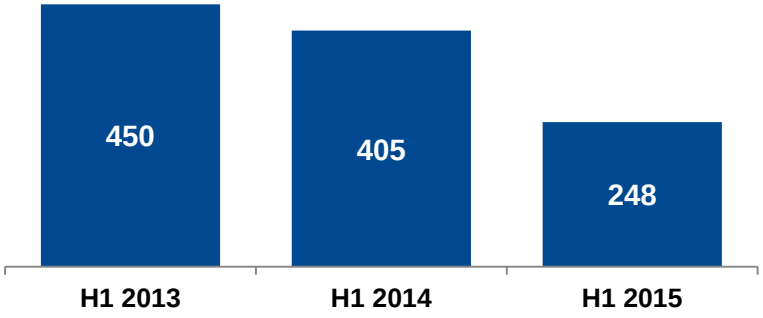
Revenue £3,285 million



Order book £66.4 billion



Profit before financing £248 million



Growth drivers:

- OE volume drives revenue growth
- Operational leverage in OE and services
- Competitive advantage of high LTSA %

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Products

Leading widebody market share

Engine	Airframe	Market share*	Engines in service	Engines on order
Trent 7000	Airbus A330neo	100%	0	290
Trent XWB	Airbus A350	100%	20	1,552
Trent 1000	Boeing 787	43%	212	564
Trent 900	Airbus A380	52%	316	296
Trent 800	Boeing 777	40%	436	0
Trent 700	Airbus A330	58%	1,366	232
Trent 500	Airbus A340	100%	500	0
			2,850	2,934

*Share of total firm programme sales with an engine decision (excludes cancelled orders).

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Installed thrust 2004 – H1 2015

Millions of pounds (m/lbs) of installed thrust* in service

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	H1 2015
Large engines	184	193	199	205	209	219	226	236	249	261	278	**282**
Medium engines*	30	33	37	41	45	49	54	58	0	0	0	**0**
Small engines	75	78	81	84	88	91	94	96	100	104	109	**111**
Total	**289**	**304**	**317**	**330**	**342**	**359**	**374**	**390**	**349**	**365**	**387**	**393**

*Installed thrust is shown net of retirements (but does include aircraft which are parked or in storage) and includes 50% of the V2500 programme until completion of the IAE restructuring in 2012. Commencing 2012, approximately 58 m/lbs of V2500 installed thrust was excluded reflecting the sale of the IAE shareholding, at which time a fifteen year agreement was signed.

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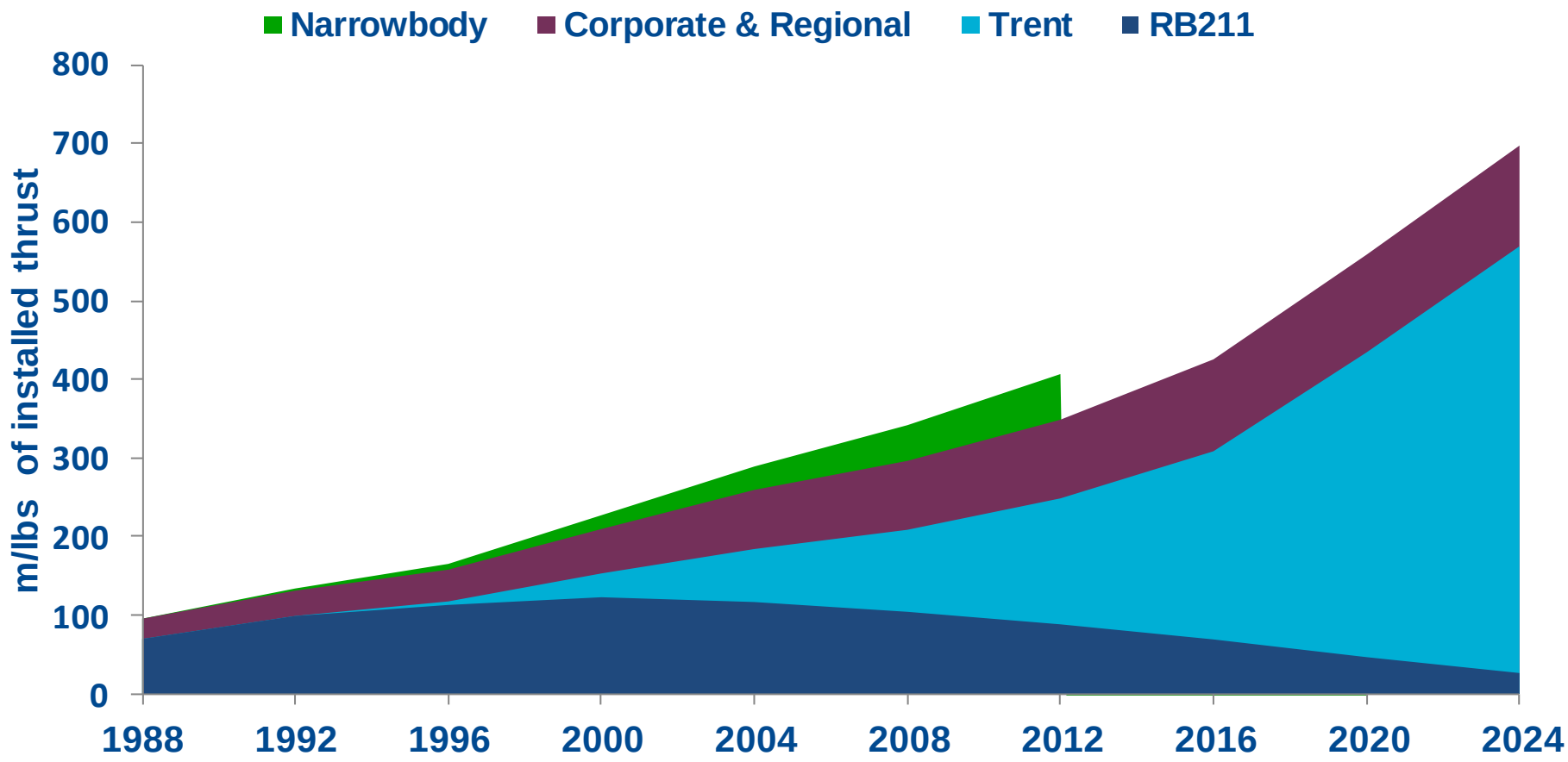
Installed thrust

Growing aftermarket opportunities



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Civil engine deliveries 2004 – H1 2015

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	H1 2015
Large engines	171	170	203	145	193	225	185	224	275	282	311	**142**
Medium engines*	237	327	319	308	351	347	371	418	220	0	0	**0**
Small engines	416	384	334	398	443	272	290	320	393	471	428	**184**
Total	**824**	**881**	**856**	**851**	**987**	**844**	**846**	**962**	**888**	**753**	**739**	**326**

***2012 Medium engines deliveries reflects sale of IAE shareholding**

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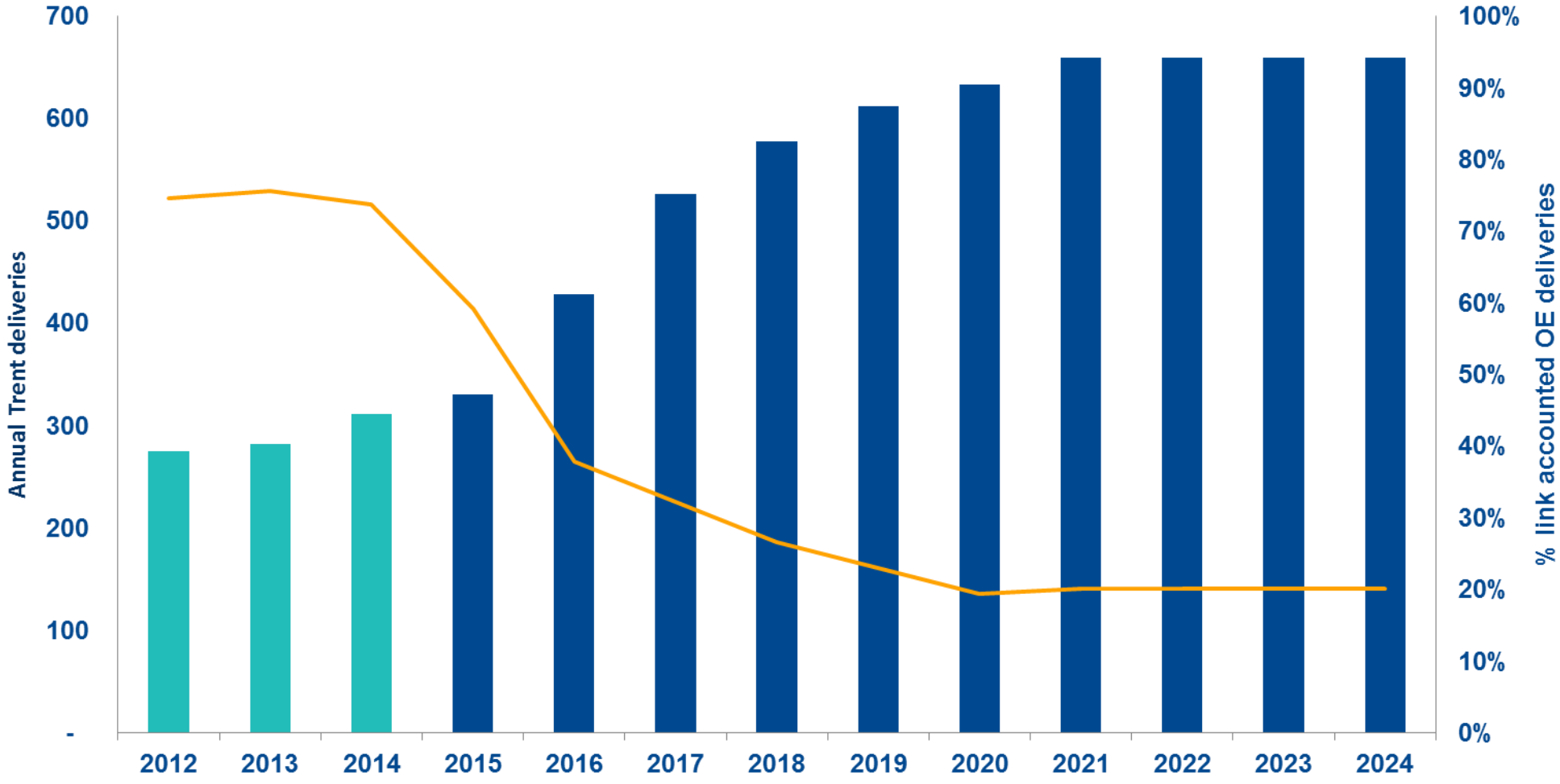
Projected large engine deliveries to 2024



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Defence Aerospace

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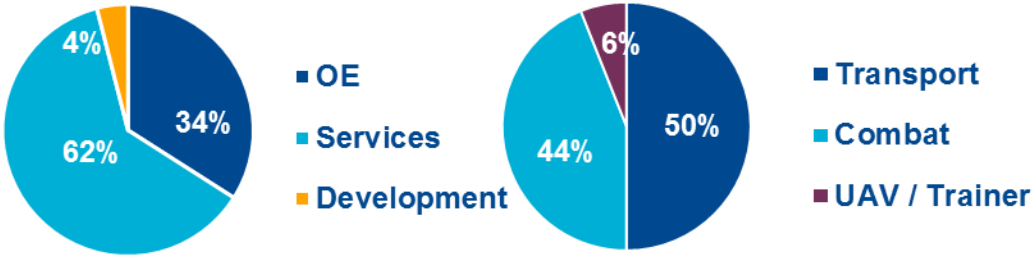
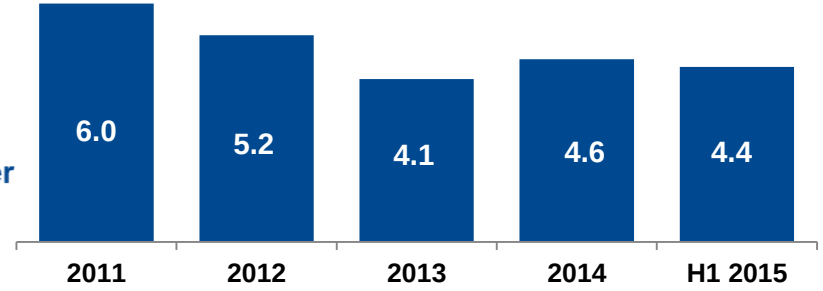
Defence aerospace

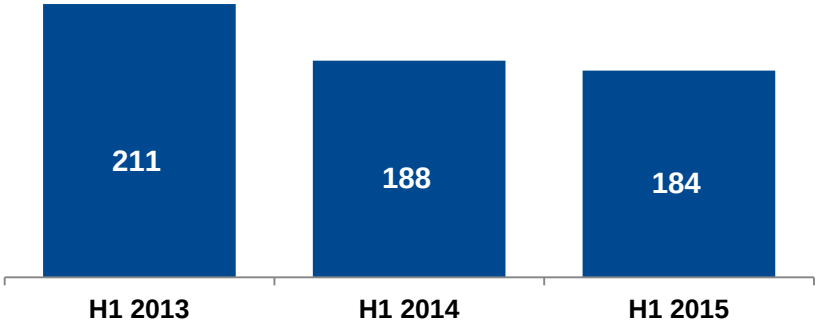
Revenue £973 million



Order book £4.4 billion



Profit before financing £184 million



Growth drivers:

- Portfolio breadth: 24 engine programmes
- Resilient military transport market – 50% Defence revenue

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Products

Market	Engine	Applications
Transport / UAV	Trent 700 – 772B	Airbus Defence and Space A330-200 MRTT
	AE 1107C – Liberty	Bell Boeing V-22 Osprey
	TP400-D6	Airbus Defence and Space A400M
	AE 2100	Lockheed Martin C-130J Hercules / Alenia Aermacchi C-27J Spartan
	T56*	Lockheed Martin C-130 (A-H) Hercules / C-2 Greyhound
	AE 3007	Embraer Legacy / Northrop Grumman RQ-4A Global Hawk / MQ-4C Triton
	M250	Northrop Grumman MQ-8C Fire Scout VTUAV
	Adour	BAE Systems Hawk / T-45 Goshawk / Taranis demonstrator / NeuroN demonstrator
	BR710	Global Express / Gulfstream G550
	RB211*	Boeing 757
	Gem*	AgustaWestland Lynx
	Gnome*	AgustaWestland Sea King / Commando
	Tay*	Gulfstream G300, G400 & G450
	Tyne*	C-160 Transall / A-7 / Secbat Alantique 2
	Dart *	HS368
Combat	Rolls-Royce LiftSystem	Lockheed Martin F-35B Lightning ll
	Pegasus*	BAE Systems Sea Harrier / Boeing BAE Systems AV8B Harrier ll
	EJ200	Eurofighter Typhoon
	RB199*	Panavia Tornado IDS / ECR
	Adour	SEPECAT Jaguar
	M250	Bell OH-58 Kiowa Warrior
	MTR390	Eurocopter Tiger
	CTS800	ATAK Team T129
Trainer	Spey*	AMX International
	Adour	BAE Systems Hawk / Boeing BAE Systems T-45 Goshawk
	Viper*	AerMacchi MB339 / HAL HJT Kiran
	M250 (Turboprop)	Fuji T-5 / T-7

***In service with operators, but out of production**

Rolls-Royce

Defence engine deliveries 2004 – H1 2015

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	H1 2015
Transport	121	120	117	134	133	218	265	289	305	296	239	**108**
Helicopters	242	332	285	271	264	323	343	412	438	479	418	**127**
Combat	94	80	71	64	93	103	102	103	113	108	81	**36**
Trainers / Other	52	33	41	26	27	18	0	10	8	10	6	**1**
Total	**509**	**565**	**514**	**495**	**517**	**662**	**710**	**814**	**864**	**893**	**744**	**272**

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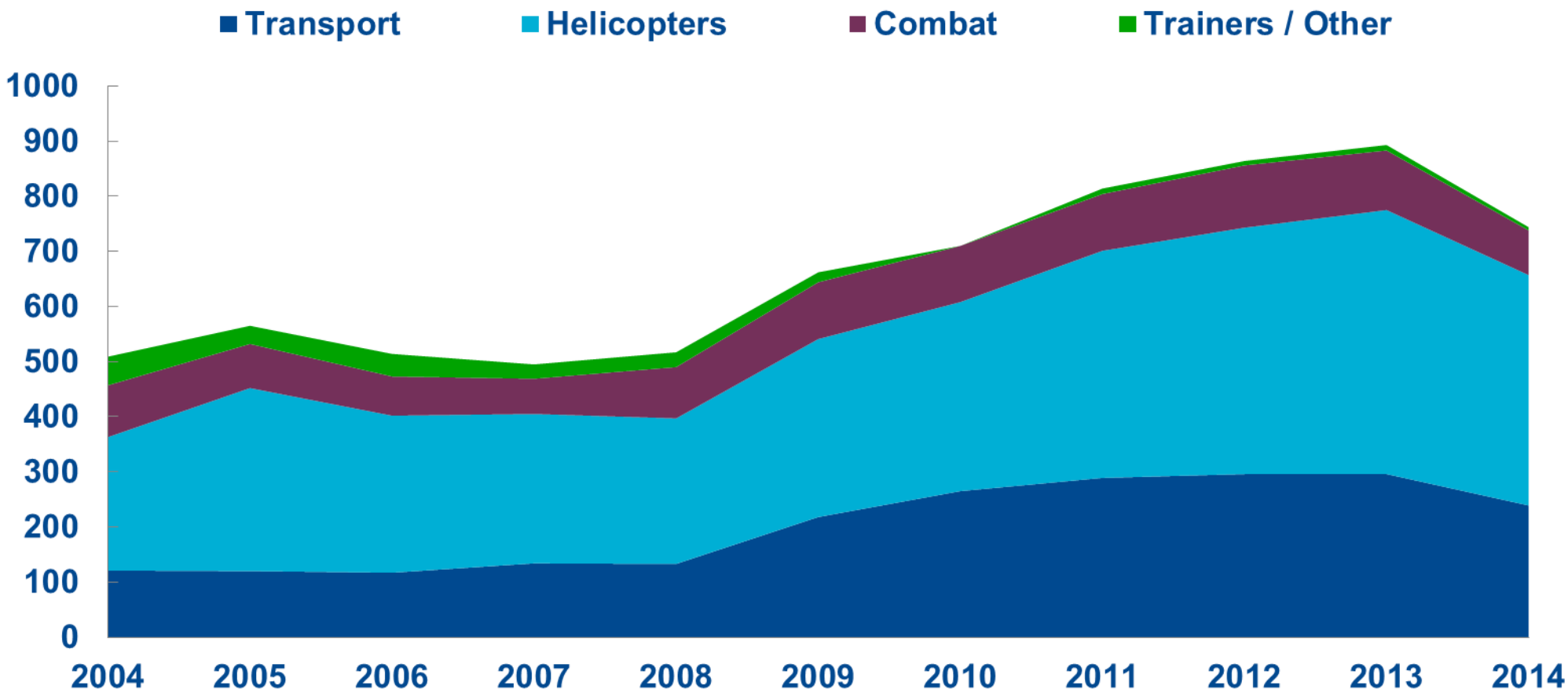
Defence engine deliveries 2004 – 2014



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Power Systems

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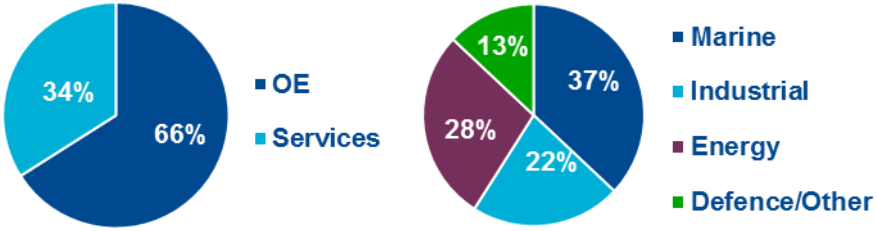
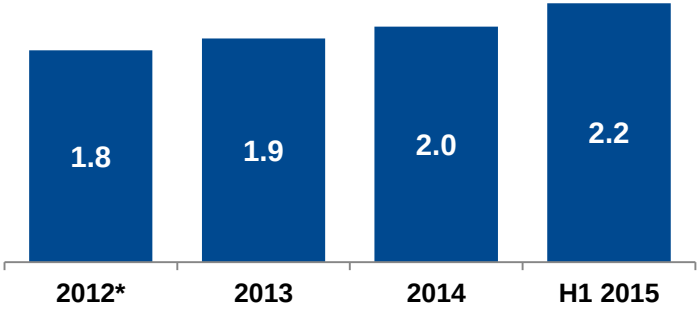
Power Systems

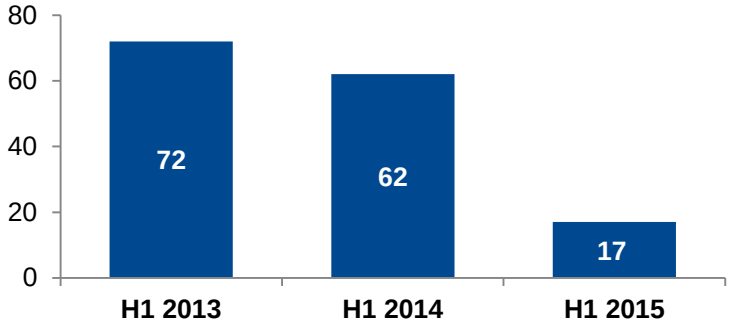
Revenue £1,039 million



Order book £2.2 billion



Profit before financing £17 million



Growth drivers:

- Complementary portfolios add scale and capability
- Significant revenue synergies

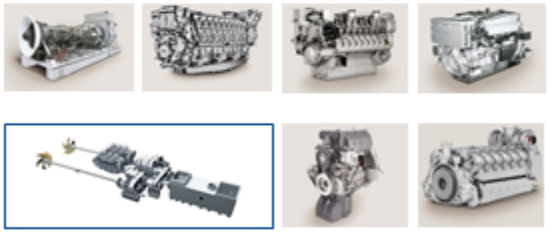
*2012 figure restated to include Tognum as consolidated for comparison purposes

Rolls-Royce

Products

Broad portfolio

Power Systems

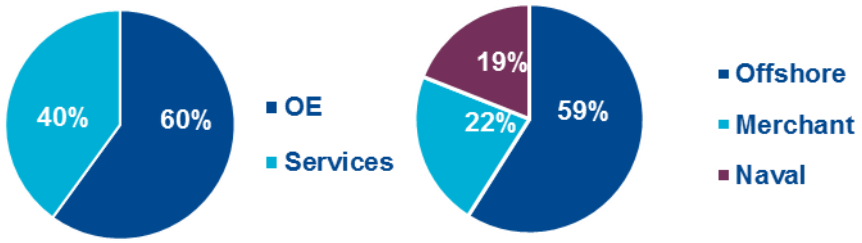
High-speed Engines	Distributed Energy Systems	Medium-speed Engines	Components
mtu Power. Passion. Partnership. 	mtu onsite energy 	Bergen Engines AS 	L'orange YOUR POWERFUL INJECTION
Complete Drive and Propulsion Systems up to 10,000 kW	Gas Gensets up to 2,530 kW Diesel Gensets up to 3,250 kW Diesel Gensets for NPP up to 8,300 kW	Diesel and Gas Engines up to 9,620 kW	Injection Systems

Rolls-Royce

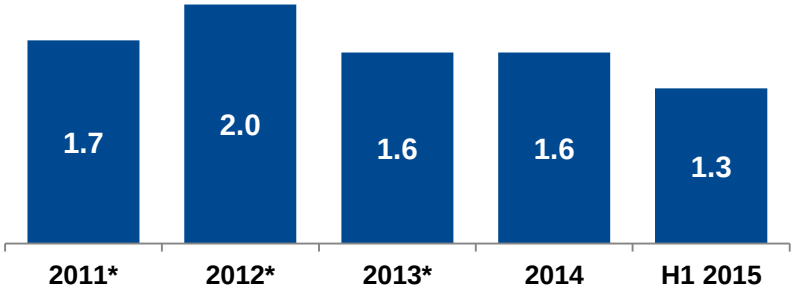
Marine

Marine*

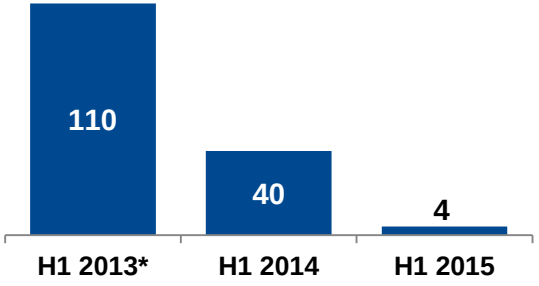
Revenue £695 million



Order book £1.3 billion



Profit before financing £4 million



Growth drivers:

- Integrated ship solution capability: Design + OE
- Opportunities through stricter emissions requirements

* Segment figures have been restated to account for the movement of Submarines from Marine to Nuclear & Energy

Rolls-Royce

Products

World-leading range of capabilities

Market Sector		Products
Offshore Equipment on > 6,000 vessels	Products and systems for the supply & service, subsea & construction and exploration & production vessels, including our UT ship design; the benchmark in the offshore oil & gas industry	Ship design, automation & control, power electrics, reciprocating engines, gas turbines, propulsion equipment, deck machinery, motion control and handling systems
Merchant Equipment on > 17,000 vessels	Products and systems for the cargo, passenger and coastal vessels, including our reciprocating gas engines; efficient and environmentally-friendly power	
Naval Equipment on > 2,000 vessels	Products and systems for naval, coast guard and constabulary vessels, including our MT30; the world's most powerful marine gas turbine	

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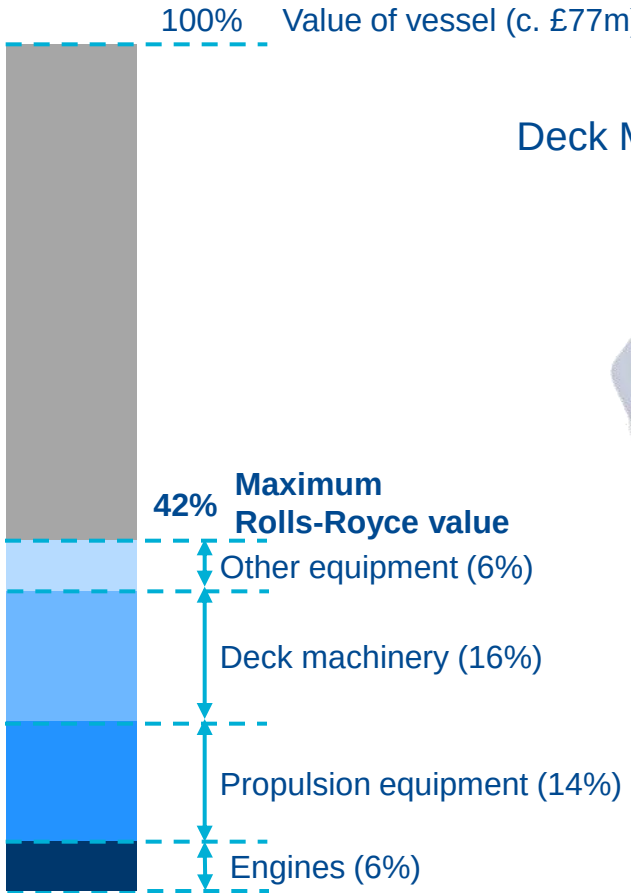
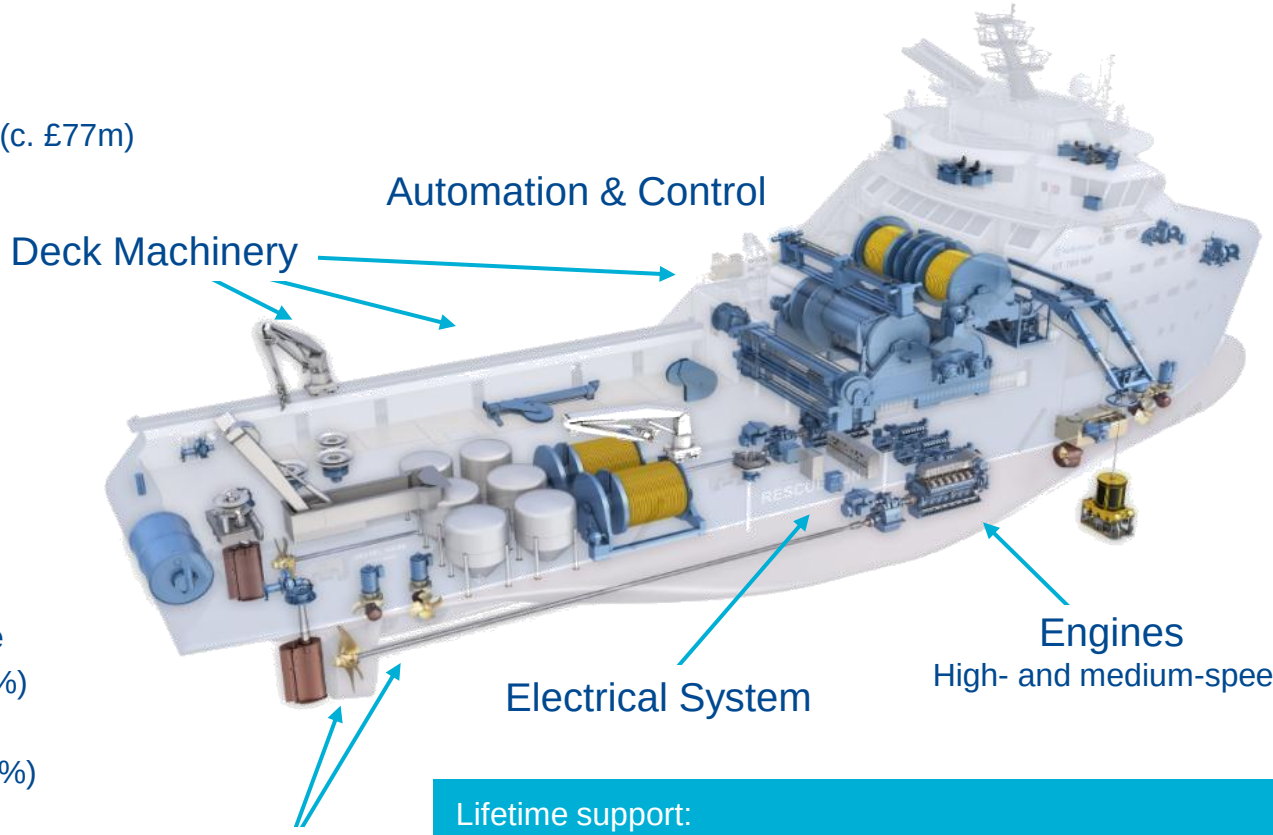
Example for the offshore market

Large anchor handling vessel

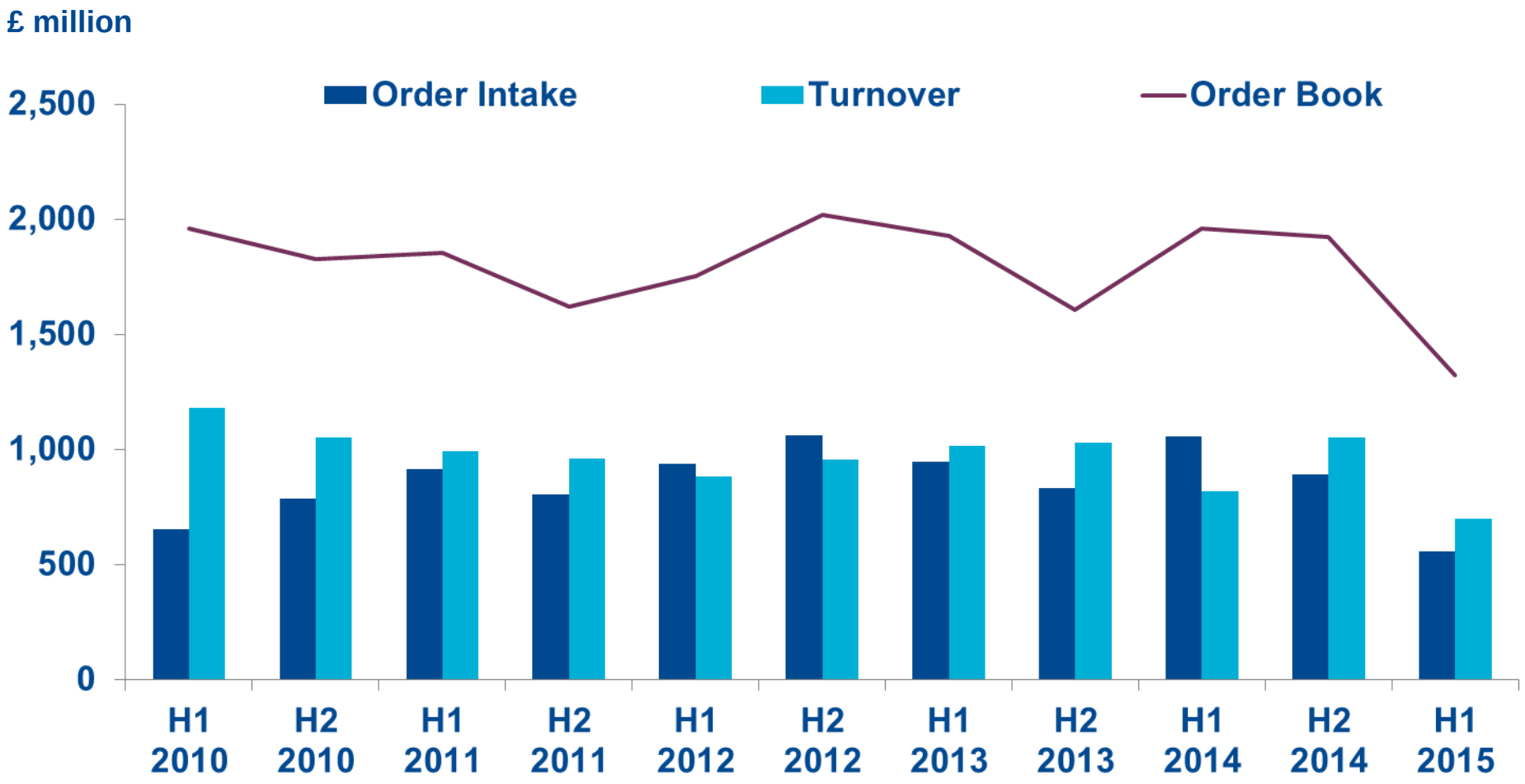




Lifetime support:

- 24/7 technical support
- Field service
- Spare parts
- Repair & overhaul
- Upgrades
- Energy monitoring
- Equipment health monitoring
- Training

Marine order trends H1 2010 – H1 2015



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Nuclear

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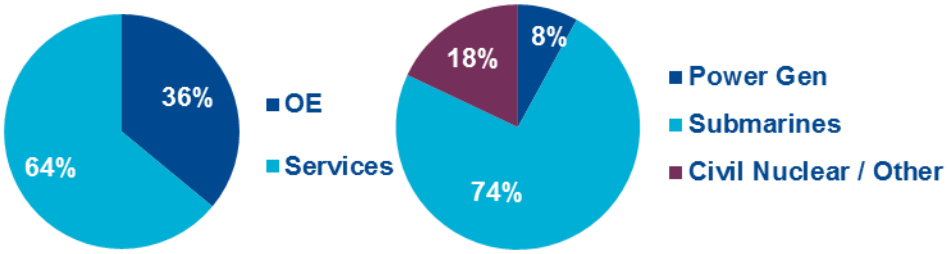
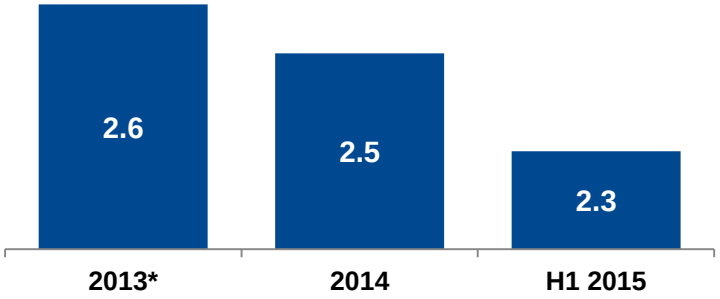
Nuclear

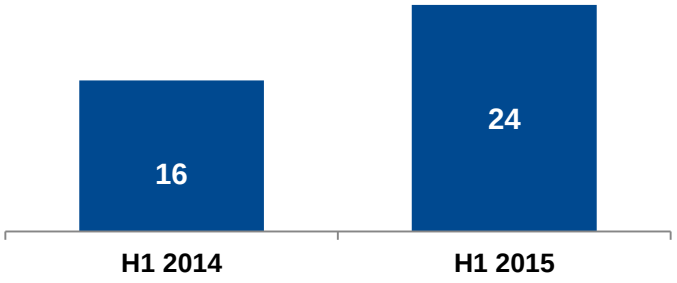
Revenue £336 million



Order book £2.3 billion



Profit before financing £24 million



Growth drivers:

- Expanding capability
- Unique capabilities in Instrumentation & Controls

* Segment figures have been restated to account for the movement of Submarines from Marine to Nuclear

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Products

Growing demand for systems and services

Market Sector	Description	Products
Nuclear	Systems, engineering and support services to enable plant efficiency and reliability for reactor vendor and utility customers. Components and systems installed in around half of the world's operational nuclear reactors	Instrumentation and Control Systems Mechanical Systems and Component Engineering Safety, Licensing and Environmental Engineering Nuclear services
	Supply and support of nuclear power systems covering the entire UK submarine fleet	

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Safe harbour statement

This Results Announcement contains certain forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. In particular, all statements that express forecasts, expectations and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of interest or exchange rates, the availability of financing to the Company, anticipated cost savings or synergies and the completion of the Company's strategic transactions, are forward-looking statements. By their nature, these statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The forward-looking statements reflect the knowledge and information available at the date of preparation of this Results Announcement, and will not be updated during the year. Nothing in this Results Announcement should be construed as a profit forecast.

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