2013 Half-Year Results

Data pack

Trusted to deliver excellence

Table of contents

The Group

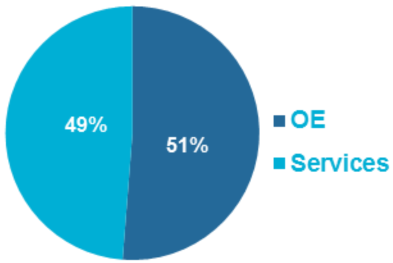
Strategy

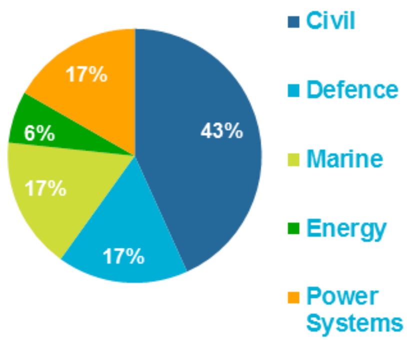
Customer	Place the customer at the heart of the organisation Understand and shape their requirements Focus on responsiveness
Innovation	Connect innovation to our customers Help our customers do more with less Develop technology, capability and infrastructure
Grow Profitability	Grow our market share Expand competitive portfolio Focus on cost and cash

Rolls-Royce

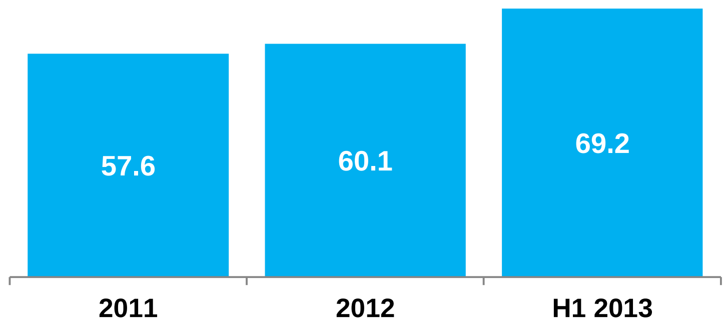
Summary 2013 Half-Year

Group revenue £7.3bn

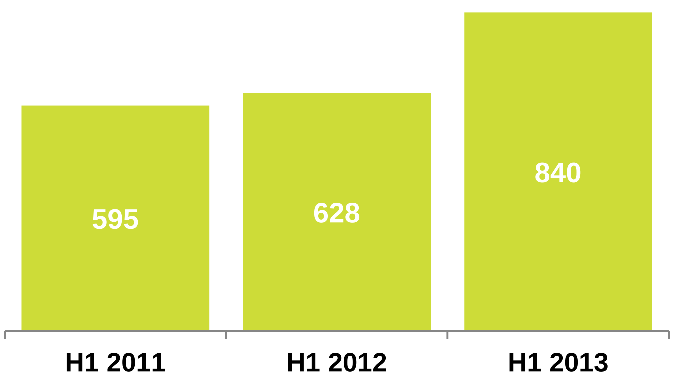




Order book £69.2bn



Profit before tax £840m



Growth drivers:

- **Substantial order book provides excellent visibility of future growth**
- **Good opportunities to improve margins and cash flow conversion**
- **Long Term Service Agreements drive operational efficiency in aftermarket services**

Rolls-Royce

Global markets

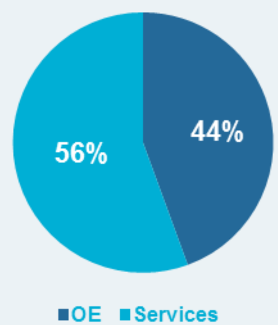
A diverse portfolio

Civil Aerospace

- 12,500 engines
- Powers 30 types of aircraft
- 300 airline and leasing customers
- 20 million flying hours in 2012

- 73% services revenue = LTSAs with "TotalCare"

HY13 revenue £3,201m

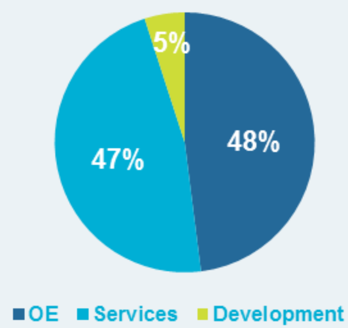


Defence Aerospace

- 18,000 engines
- 24 engine programmes
- 103 countries
- 160 armed forces

- 25% services revenue = LTSAs with "MissionCare"

HY13 revenue £1,236m

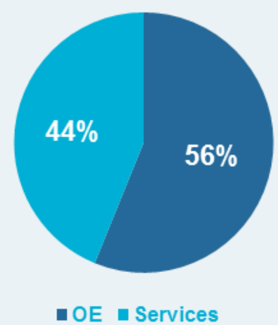


Marine

- 25,000 power & propulsion units
- 4,000 customers
- 70 navies
- Products on 30,000 vessels

- 5% services revenue = LTSAs mainly Naval

HY13 revenue £1,241m

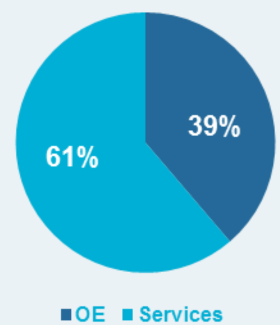


Energy

- 4,000 power systems
- 1,600 customers
- 120 countries

- 35% services revenue = LTSAs

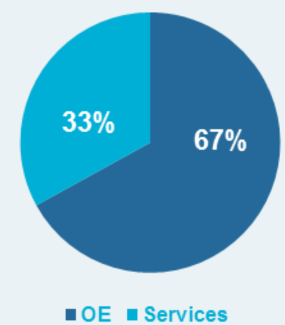
HY13 revenue £488m



Power Systems

- 800,000 power systems
- Customers across the marine, industrial, oil & gas, defence and power generation markets

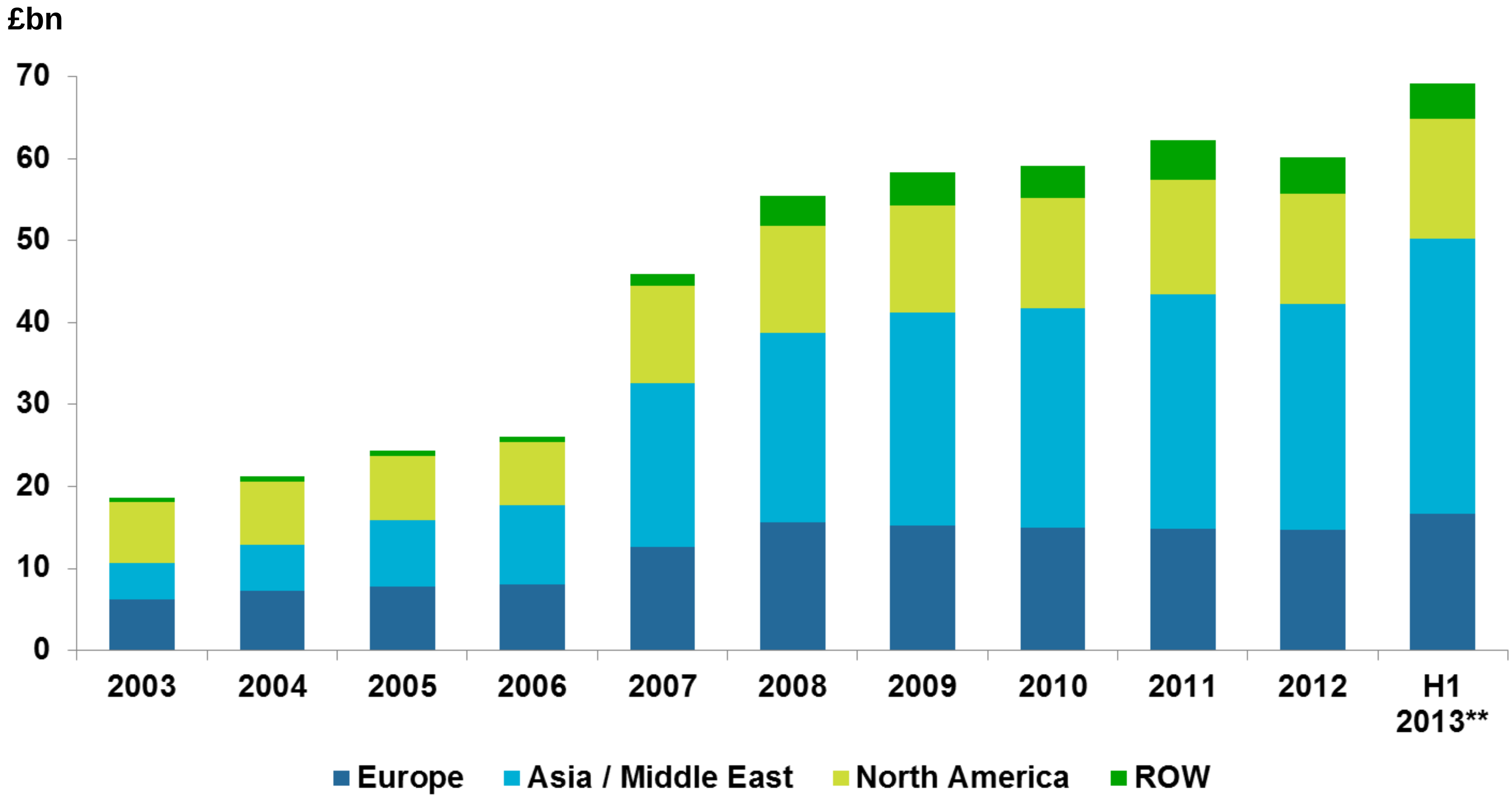
HY13 revenue £1,239m



Rolls-Royce

Order Book*

Long-term visibility



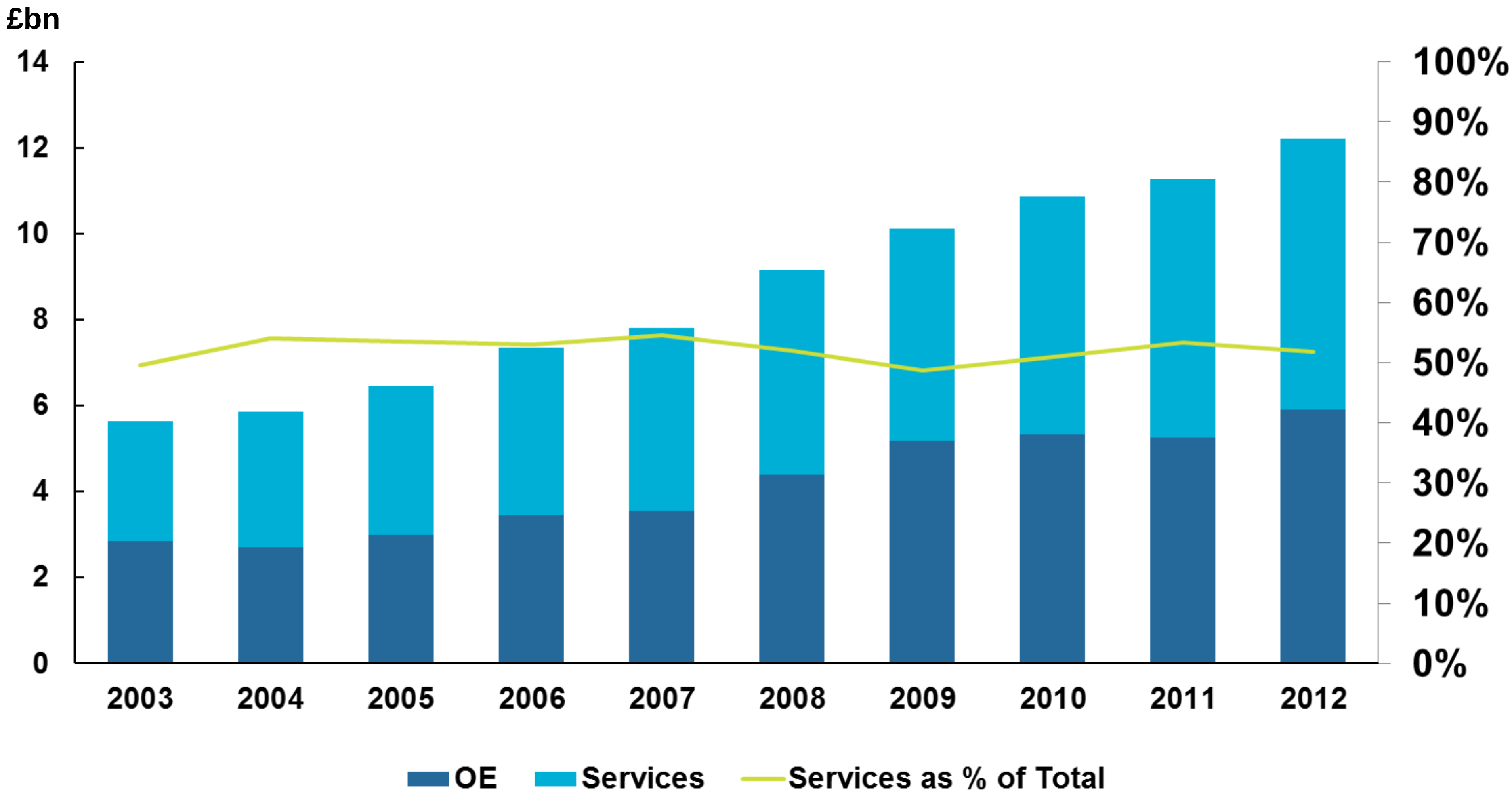
*Firm and announced order book stated on a constant currency basis

**Includes Tognum order book of £1.8bn following consolidation at 1st January 2013

Rolls-Royce

Group revenue

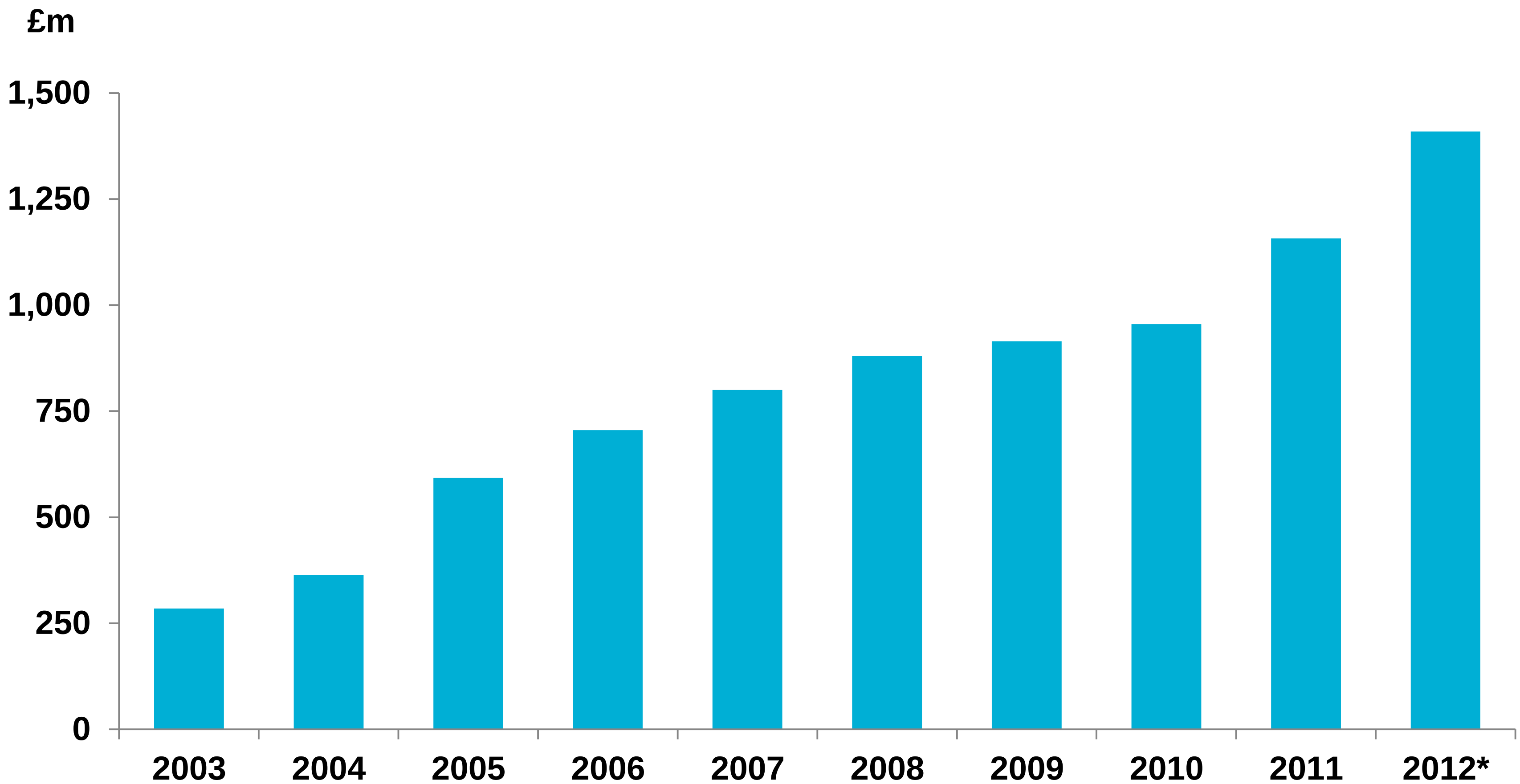
Doubled over the last decade
CAGR: 8.95%



Rolls-Royce

Profit

A decade of growth
CAGR: 19.42%

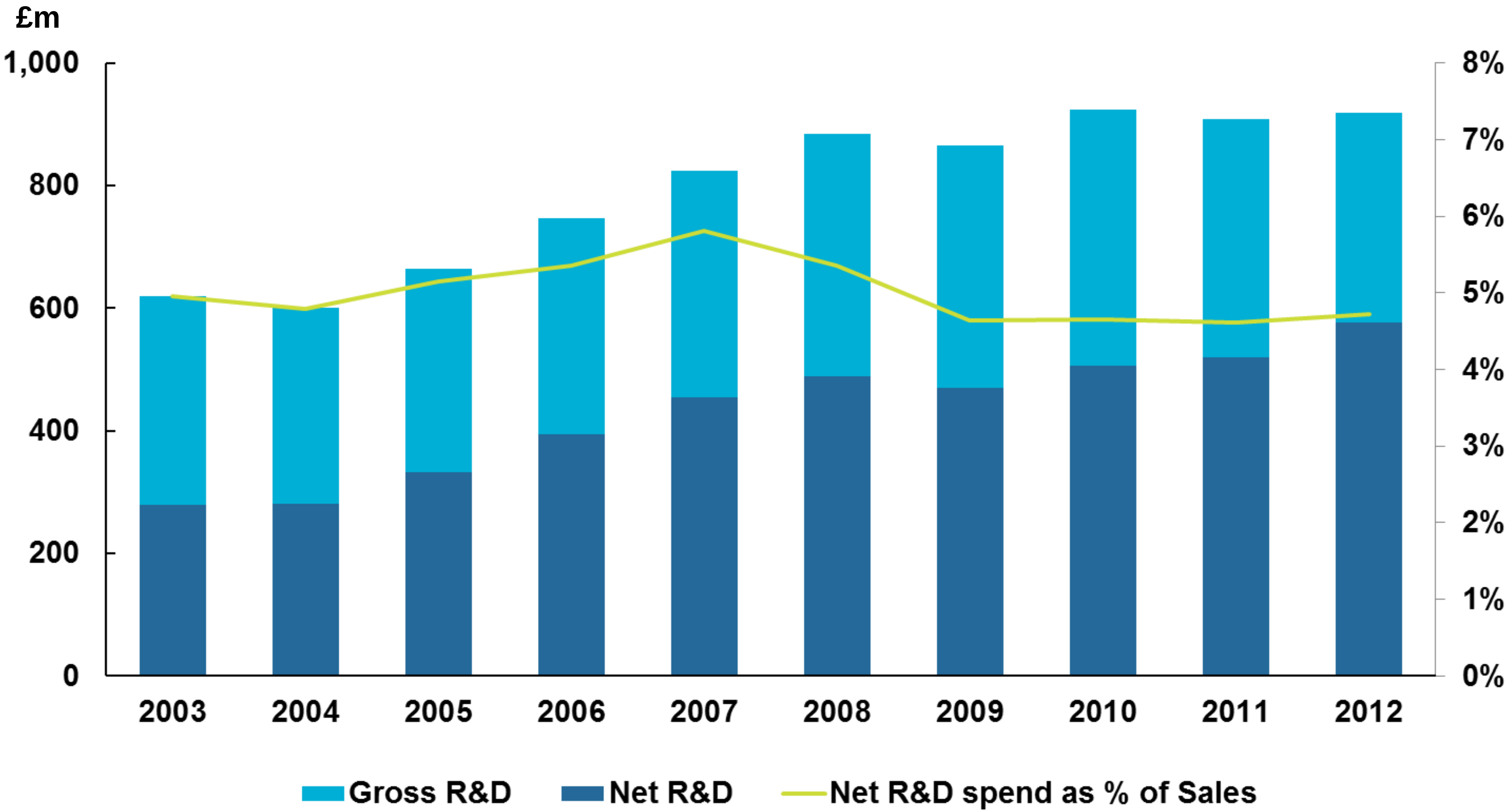


Graphic shows Underlying Profit Before Taxation (UPBT)
*2012 profit restatement see p.24

Rolls-Royce

Research & development

Continued investment in future technology

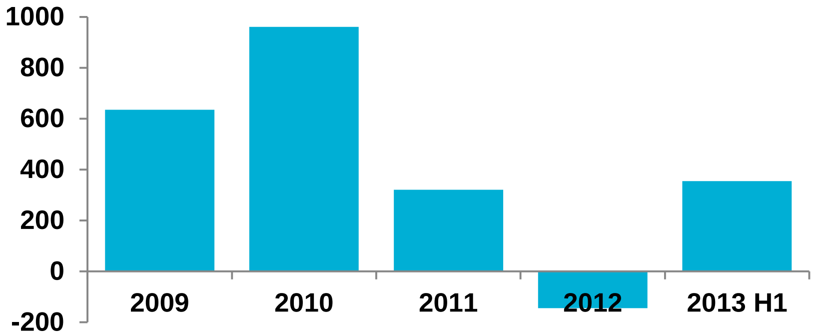


Rolls-Royce

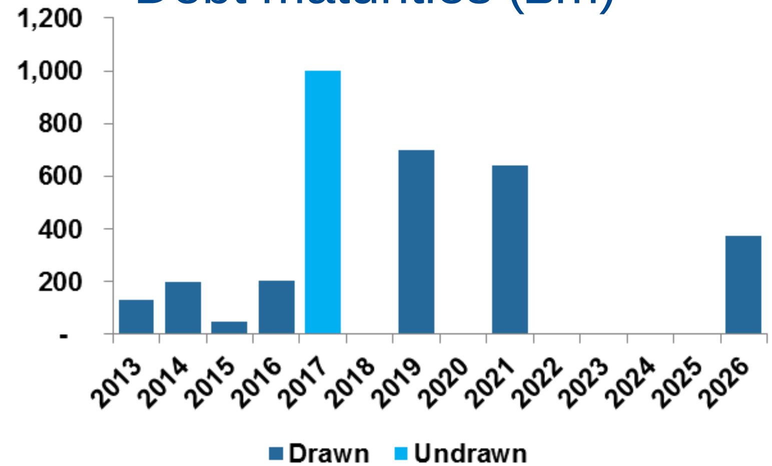
Balance Sheet

Strong liquidity position – total liquidity £4bn

Average net cash (£m)



Debt maturities (£m)



‘A’ credit rating and liquidity provide confidence 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

Financials

Historic Financials

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	H1 2012	H1 2013
Underlying revenue (£m)	9,147	10,108	10,866	11,277	12,209	5,757	**7,320**
Underlying profits before tax (£m)	880	915	955	1,157	1,409	628	**840**
Underlying EPS	36.70p	39.67p	38.73p	48.54p	58.56p	26.22p	**33.33p**
Cash flow (£m)	570	(183)	258	(1,310)	1,094	646	**(396)**
Average net cash (£m)	375	635	960	320	(145)	(590)	**355**
Order intake (£bn)	20.4	14.1	12.3	16.3	16.1	9.1	**15.3**
Order book (£bn)	55.5	58.3	59.2	62.2	60.1	60.1	**69.2**
Payment to shareholders (p/share)	14.3p	15.0p	16.0p	17.5p	19.5p	7.6p	**8.6p**

Rolls-Royce

Underlying income statement

(£m)	FY2012	H1 2012	H1 2013
Underlying revenue	12,209	5,757	**7,320**
Underlying gross profit	2,780	1,291	**1,638**
Commercial and administrative costs	(985)	(472)	**(545)**
Net R&D charge	(589)	(285)	**(351)**
Other income & costs	264	125	**130**
UPBFCT	1,470	659	**872**
Net financing charge	(61)	(31)	**(32)**
UPBT	1,409	628	**840**
Tax	(311)	(137)	**(198)**
Minority interests	(14)	(6)	**(21)**
UPAT	1,084	485	**621**
Underlying EPS (p/share)	58.56p	26.22p	**33.33p**
Payment to shareholders (p/share)	19.5p	7.6p	**8.6p**

Rolls-Royce

Underlying financing costs

(£m)	FY2012	H1 2012	H1 2013
UPBFCT	1,470	659	**872**
Interest	(41)	(20)	**(21)**
Financial RRSPs	(10)	(5)	**(4)**
Others	(10)	(6)	**(7)**
Underlying net finance charge	(61)	(31)	**(32)**
UPBT	1,409	628	**840**

Summary balance sheet

(£m)	FY2012	H1 2013
Intangible assets	2,901	**4,993**
Property, plant and equipment	2,564	**3,231**
Net post retirement scheme deficits	(445)	**(870)**
Net working capital	(1,100)	**253**
Net funds	1,317	**921**
Provisions	(461)	**(787)**
Net financial assets and liabilities	(127)	**(2,865)**
Investment in joint ventures and associates	1,800	**599**
Assets held for sale	4	**(3)**
Other net assets and liabilities	(287)	**(342)**
Net assets	6,166	**5,130**
Other items		
USD hedge book ($m)	22,500	**26,700**
Net TotalCare assets (£m)	1,312	**1,550**

Cash flow

(£m)	FY2012	H1 2013 Core	H1 2013 Tognum	H1 2013 **Group**
Group UPBT	1,409	787	53	**840**
Depreciation and amortisation	487	232	51	**283**
Net working capital	(175)	(803)	(22)	**(825)**
Capital Expenditure and Intangibles	(685)	(402)	(36)	**(438)**
Other	(122)	(22)	(19)	**(41)**
Trading cash flow	914	(208)	27	**(181)**
Pension / Tax / Other	(459)	(114)	(29)	**(143)**
Shareholder payments	(318)	(139)	(60)	**(199)**
Base cash flow (exc. Acquisitions & FX)	137	(461)	(62)	**(523)**
Acquisitions / FX	957	112	(22)	**90**
Gross cash flow	1,094	(349)	(84)	**(433)**
Opening cash in Tognum	-	-	37	**37**
Change in net funds	1,094	(349)	(47)	**(396)**
Period end cash balance	1,317	-	-	**921**
Average net cash	(145)	-	-	**355**

Rolls-Royce

Headline to underlying adjustments

(£m)	Revenue H1 2012	Revenue H1 2013	Profit H1 2012	Profit H1 2013
Headline	5,720	**7,345**	1,271	**884**
FX gain/(loss)	37	**(25)**	40	**(13)**
Amortisation of intangibles			42	**83**
Acquisitions			(700)	**(83)**
Other			6	**1**
Underlying	5,757	**7,320**	659	**872**

Rolls-Royce

Research & development

(£m)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	HY 2013
Gross R&D	(885)	(864)	(923)	(908)	(919)	**(558)**
Net R&D	(490)	(471)	(506)	(520)	(577)	**(387)**
Net R&D spend as % of underlying revenues	5.4%	4.7%	4.7%	4.6%	4.7%	**5.3%**
Capitalised	113	121	111	93	38	**65**
Amortised	(26)	(29)	(27)	(36)	(50)	**(29)**
R&D charged to Income Statement	(403)	(379)	(422)	(463)	(589)	**(351)**

Foreign exchange

Hedging to reduce volatility – $0.01 FX movement in GBP/USD ≈ £10m P&L impact

	HY 2012	HY 2013		FY2012	HY 2013
Period average rates			Period end-spot rates		
USD	1.58	**1.54**	USD	1.63	**1.52**
Euro	1.22	**1.18**	Euro	1.23	**1.17**
NOK	9.21	**8.84**	NOK	9.05	**9.26**

Translation effects (Revenue and Profit)

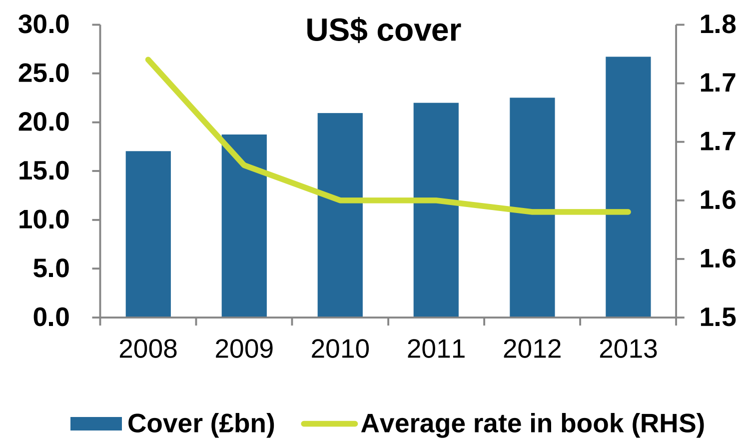
- Changes in average FX rates caused a 1.5% benefit on Group Revenue
- Segmental revenue benefits:
  - Civil 1%; Defence 1.4%; Marine 2.9%
- Translation impact on Group UPBT of £15m; mainly caused by EUR
- Segmental effect concentrated in Civil, Marine and RRPSH

Good visibility of improving achieved rates

- Continuing to take US$ cover
- US$ hedge book at $26.7bn with average rate of $1.59 at 30 June 2013
- Current net exposure is around $5bn per annum – approx 5 years cover in place

Balance Sheet effects

- Changes in period end FX rates cause overseas cash balances to be valued differently at the B/S date
- FX rates at HY13 vs FY12 caused a £107m increase in the value of cash balances held



Rolls-Royce

Pensions

Reduced risk through prudent pension management

UK pension schemes make up around 84% of gross liabilities; 95% of gross assets

- UK defined benefit schemes closed to new members in 2007
- £500m special injection in 2007
- More than 80% of assets in lower risk, Liability Driven Investments (LDI)
- Longevity swap provides greater certainty over future funding requirements

UK schemes

- Surplus of £210m (IAS19 basis*)
- 2013 H1 contributions of £128m including £58m of deficit reduction payments
- Triennial review completed on RRPF with modest reduction in funding for 2013

Overseas Schemes

- Deficit of £1,080m (IAS19 basis*) principally made up of unfunded US healthcare schemes (£400m) and unfunded Tognum schemes (£424m) following the consolidation of Tognum from 1 January 2013
- 2013 H1 contributions of £32m (2012 FY £47m)
- Contributions expected in 2013 around £60m, increase principally from the consolidation of Tognum

* 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 the pension schemes which discounts liabilities using a swap curve to match the LDI portfolio.

Customer finance

Strong financial position allows the group to provide finance support to customers

Selective and designed to minimise risk:

- Board guidelines limit gross and net exposures by counterparty, product type and year
- Commitments continually monitored with suitable exposure management policies in place
- Exposures audited twice yearly with independent asset value appraisals

Stable contingent liabilities – as of June 30th 2013:

- Total Gross Exposure: US$806m;
- Total Net Exposure (less security): US$104m;
- Total Stressed Exposure (assumes 20% asset discount): US$172m
- Liabilities are spread across multiple geographies, customers and aircrafts

2013 guidance

	Revenue Growth	Profit Growth
Group	Modest	Good
Civil	Modest	Strong
Defence	Modest	Broadly flat
Marine	Modest	Modest
Energy	Some improvement	Some improvement
Tognum	Broadly flat	Broadly flat

Foreign exchange	Neutral
Tax rate	Underlying tax rate 22% - 23%
R&D	Modest increase in expenditure Modest decrease in P&L charge due to capitalisation of Trent XWB
Capital expenditure	c. £100m increase in expenditure
Pensions	No material changes expected to funding levels

Rolls-Royce

2012 Profit restatement

A revision IAS 19 (IAS 19R) applies from 1 January 2013 requiring prior year period adjustments. The main impacts on the 2012 headline and underlying profit figures are shown.

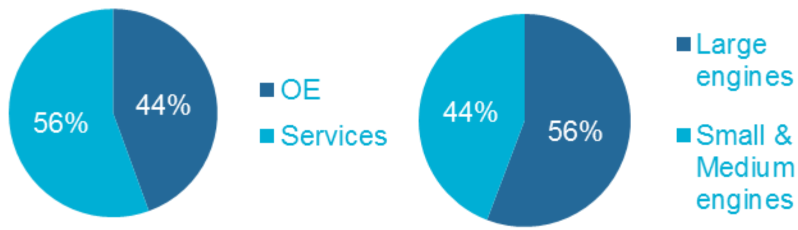
£m	H1 2012			FY 2012		
Group - Headline	**Published**	**Change**	**Restated**	**Published**	**Change**	**Restated**
PBFCT	1,280	(9)	**1,271**	2,072	(20)	**2,052**
Finance Charges	28	27	**55**	633	56	**689**
PBT	1,308	18	**1,326**	2,705	36	**2,741**
Group - Underlying						
UPBFCT	668	(9)	**659**	1,490	(20)	**1,470**
Underlying Finance Charges	(31)	-	**(31)**	(61)	-	**(61)**
UPBT	637	(9)	**628**	1,429	(20)	**1,409**
Underlying EPS	26.54p	(0.32)p	**26.22p**	59.27p	(0.71)p	**58.56p**
Segments						
Civil	310	(4)	**306**	727	(9)	**718**
Defence	196	(4)	**192**	404	(9)	**395**
Energy	(5)	(1)	**(6)**	21	(2)	**19**

Rolls-Royce

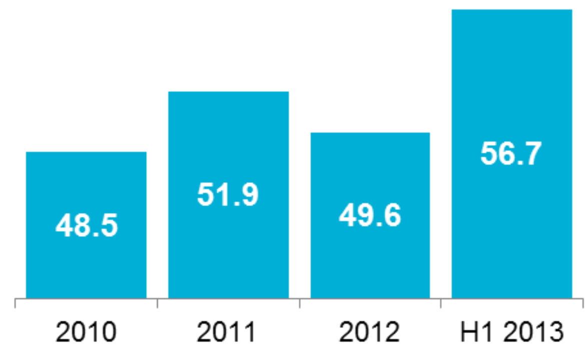
Civil Aerospace

Civil Aerospace

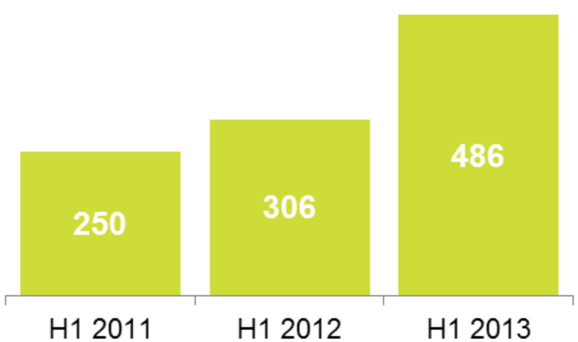
Revenue £3,201m



Order book £56.7bn



Profit before financing £486m



Growth drivers

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

Rolls-Royce

Products

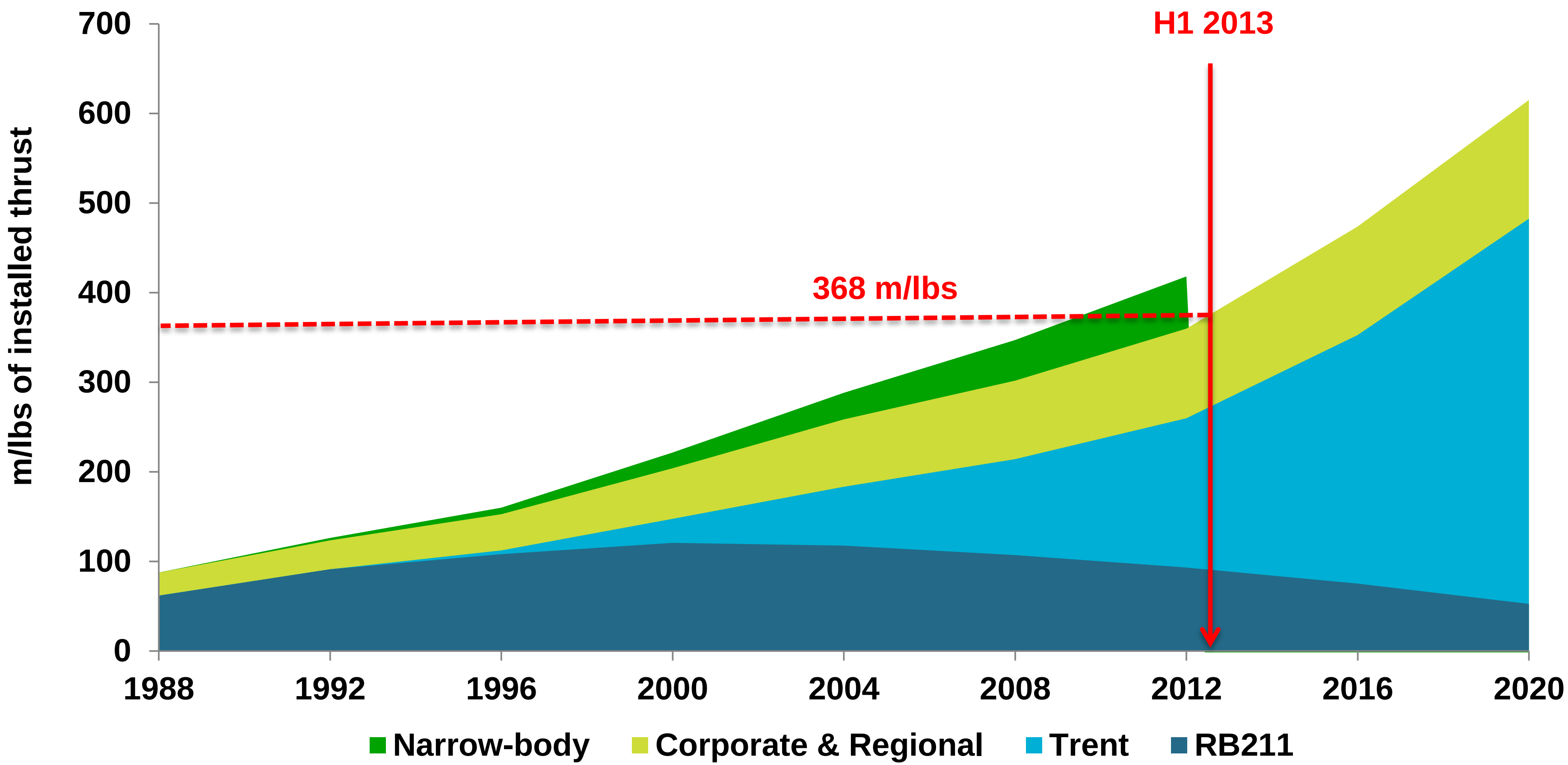
Leading widebody market share

Engine	Airframe	Market share	Engines in service	Engines on order
Trent XWB	Airbus A350	100%	0	1,460
Trent 1000	Boeing 787	44%	68	642
Trent 900	Airbus A380	44%	232	147
Trent 800	Boeing 777	40%	448	0
Trent 700	Airbus A330	58%	1,060	406
Trent 500	Airbus A340	100%	524	0
			2,332	2,655

Rolls-Royce

Installed thrust

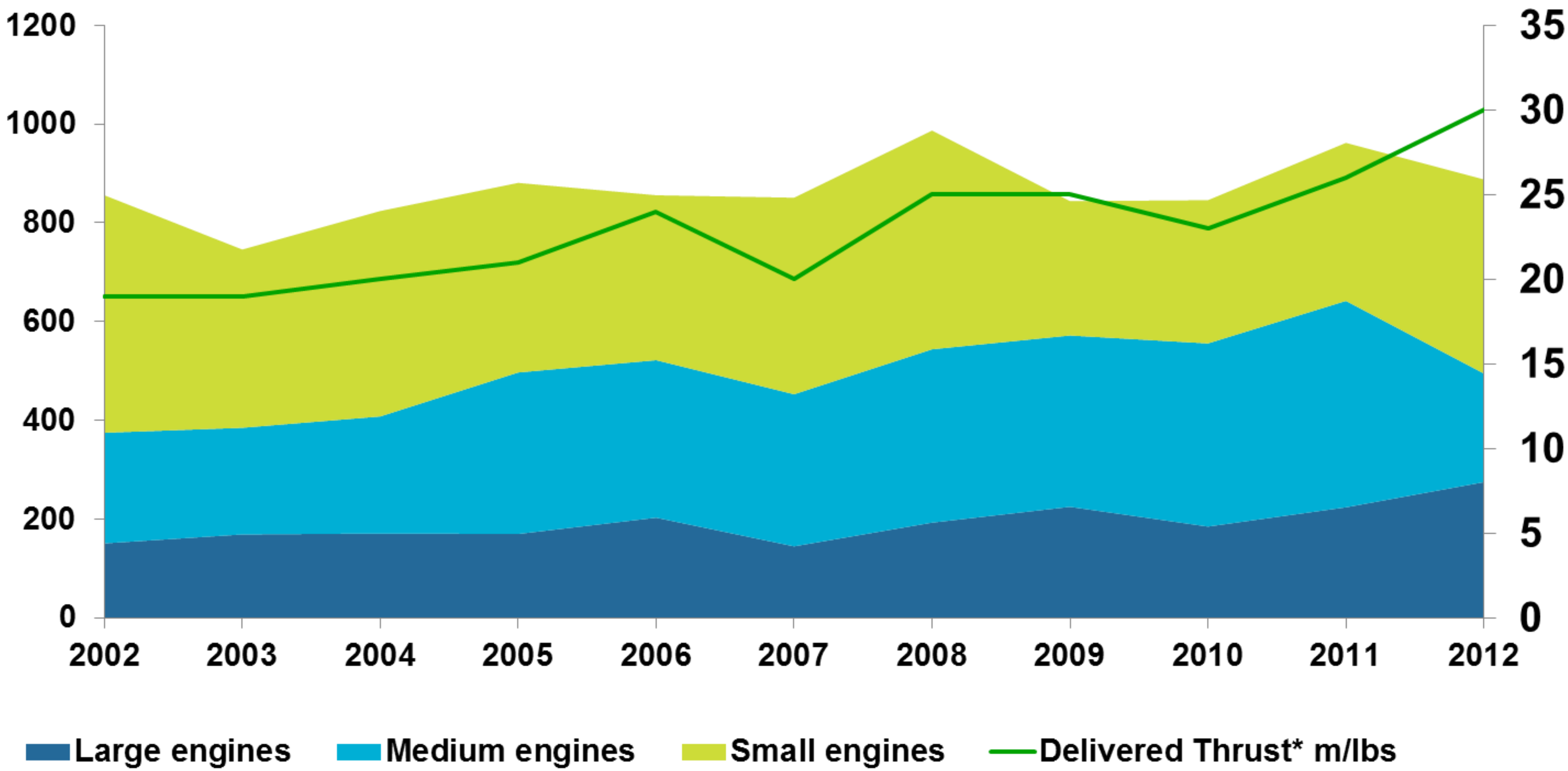
Growing aftermarket opportunities



Narrow-body installed thrust restated to 0 following sale of IAE shareholding

Rolls-Royce

Deliveries


1200
1000
800
600
400
200
0
35
30
25
20
15
10
5
0
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
Large engines
Medium engines
Small engines
Delivered Thrust* m/lbs

Civil engine deliveries

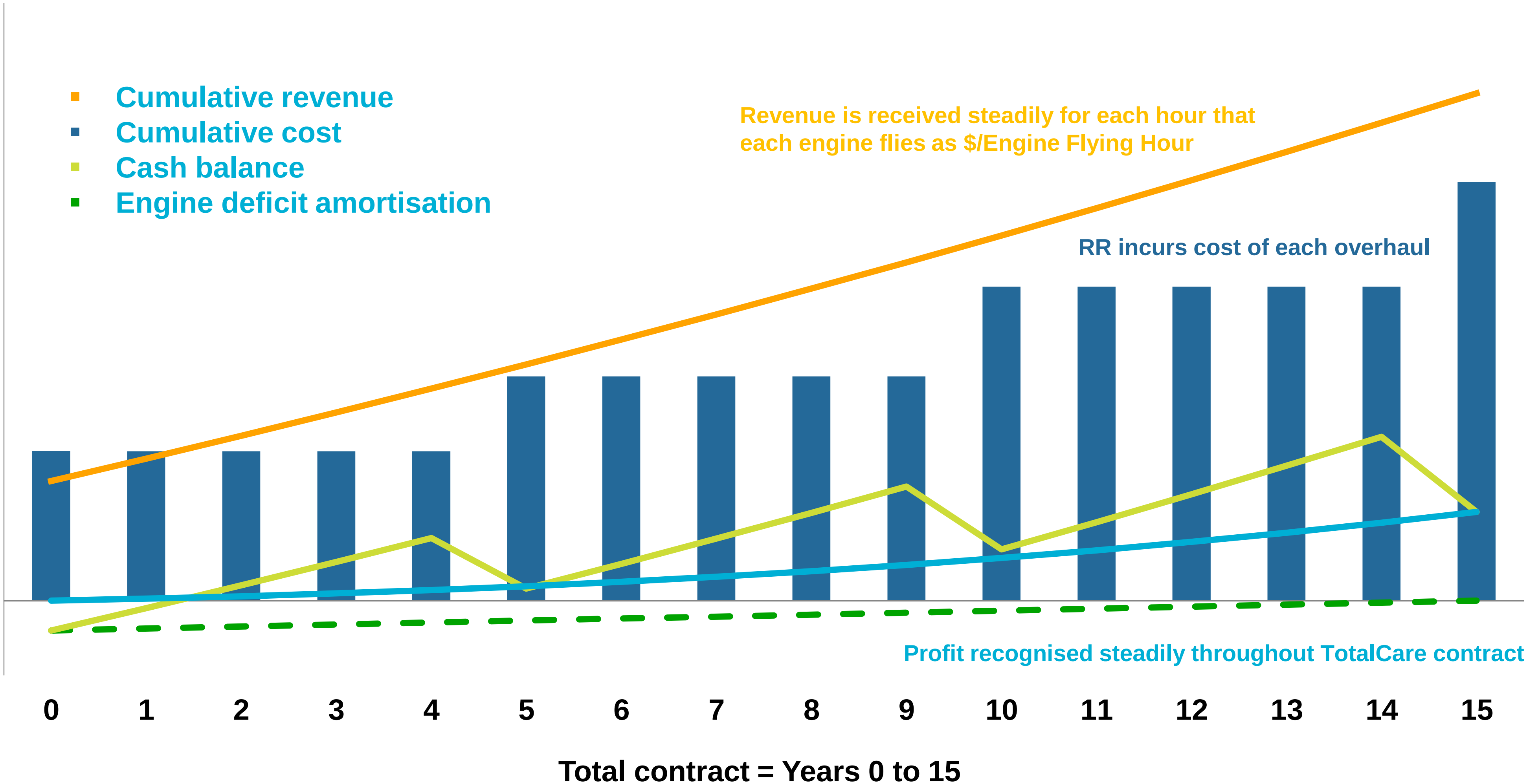
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	H1 2012	H2 2012	H1 2013
Large engines	169	171	170	203	145	193	225	185	224	275	125	150	**118**
Medium engines	216	237	327	319	308	351	347	371	418	220	220	0*	**0**
Small engines	361	416	384	334	398	443	272	290	320	393	188	205	**228**
Total	746	824	881	856	851	987	844	846	962	888	533	355	**346**

***H2 2012 Medium engines deliveries reflects sale of IAE shareholding**

Rolls-Royce

TotalCare

Unlinked engine sale and TCA contract

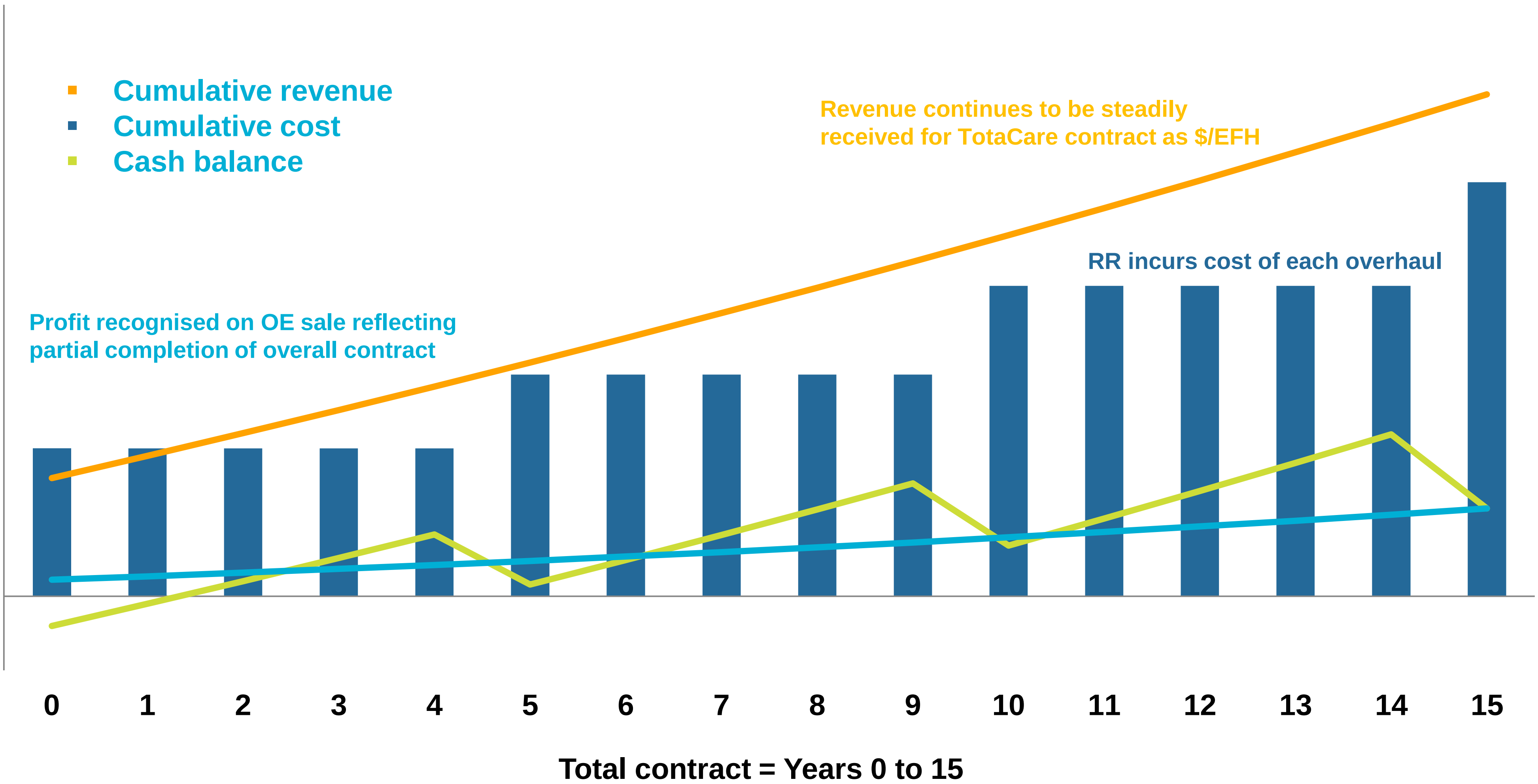


Rolls-Royce

Example only

TotalCare

Linked engine sale and TCA contract



Rolls-Royce

Example only

Installed thrust

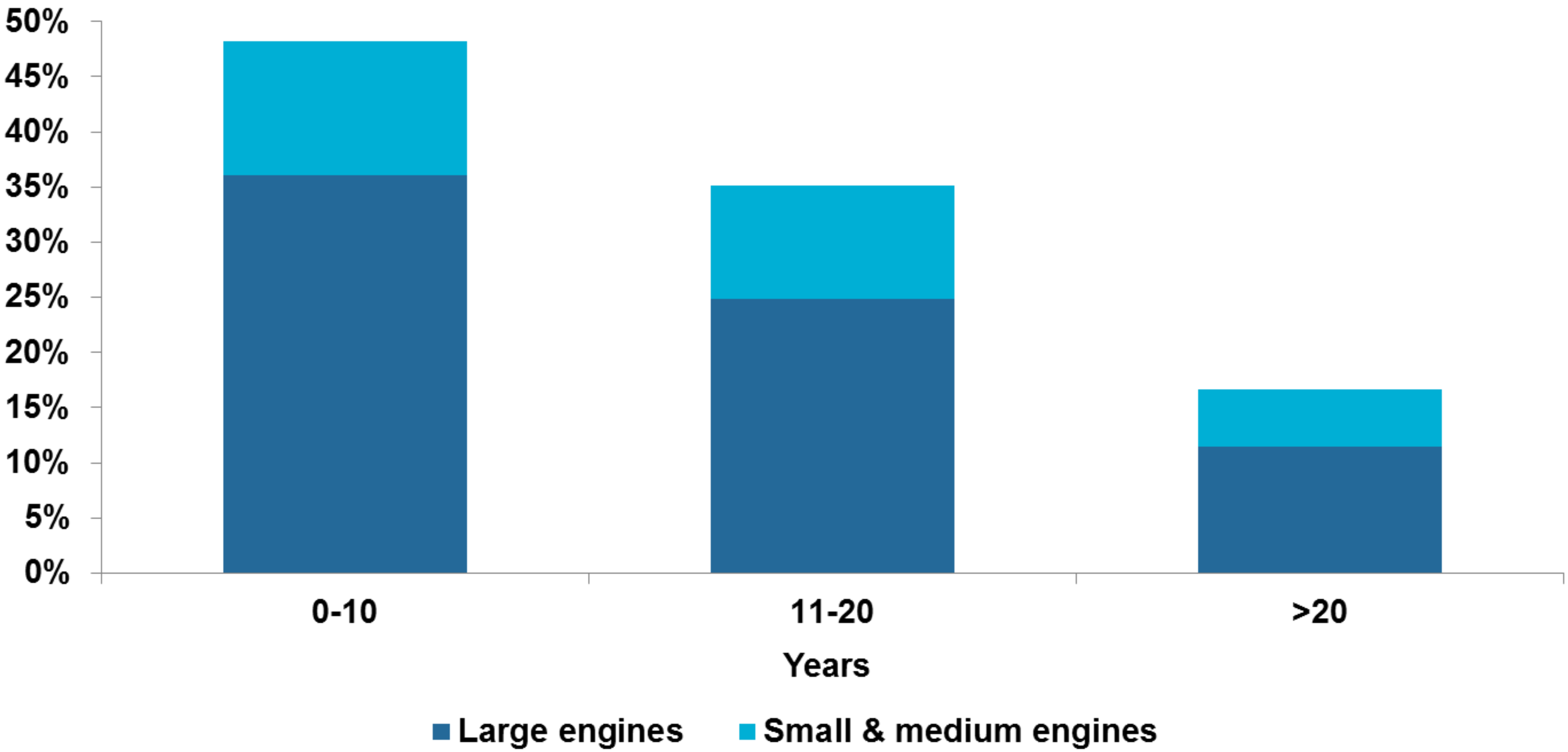
Millions of pounds (m/lbs) of installed thrust* in service

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	H1 2013
Large engines	175	183	193	202	209	215	226	235	246	260	**266**
Medium engines*	27	30	33	37	41	45	49	54	58	0	**0**
Small engine	72	75	78	81	84	88	91	93	96	100	**102**
Total	274	288	305	320	334	348	367	382	400	360	**368**

*Installed thrust is shown net of retirements and includes 50% of the V2500 programme until completion of the IAE restructuring in 2012 approximately 60 m/lbs of V2500 installed thrust was excluded from the installed fleet total

Installed base by age

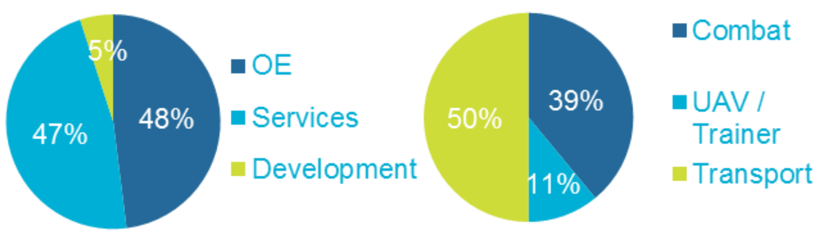
A young fleet



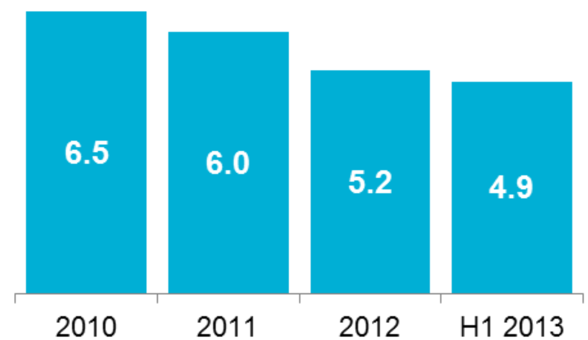
Defence Aerospace

Defence Aerospace

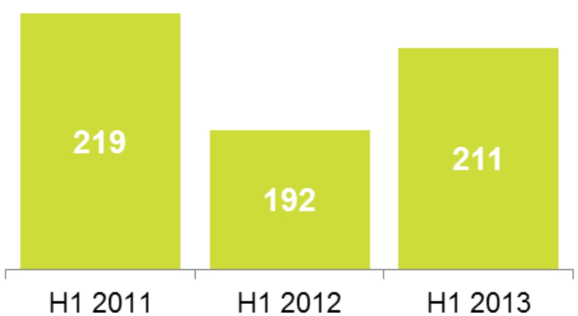
Revenue £1,236m



Order book £4.9bn



Profit before financing £211m



Growth drivers

- **Portfolio breadth: 24 engine programmes**
- **Increased engine deliveries have grown installed base**
- **Resilient military transport market – 50% Defence revenue**

Rolls-Royce

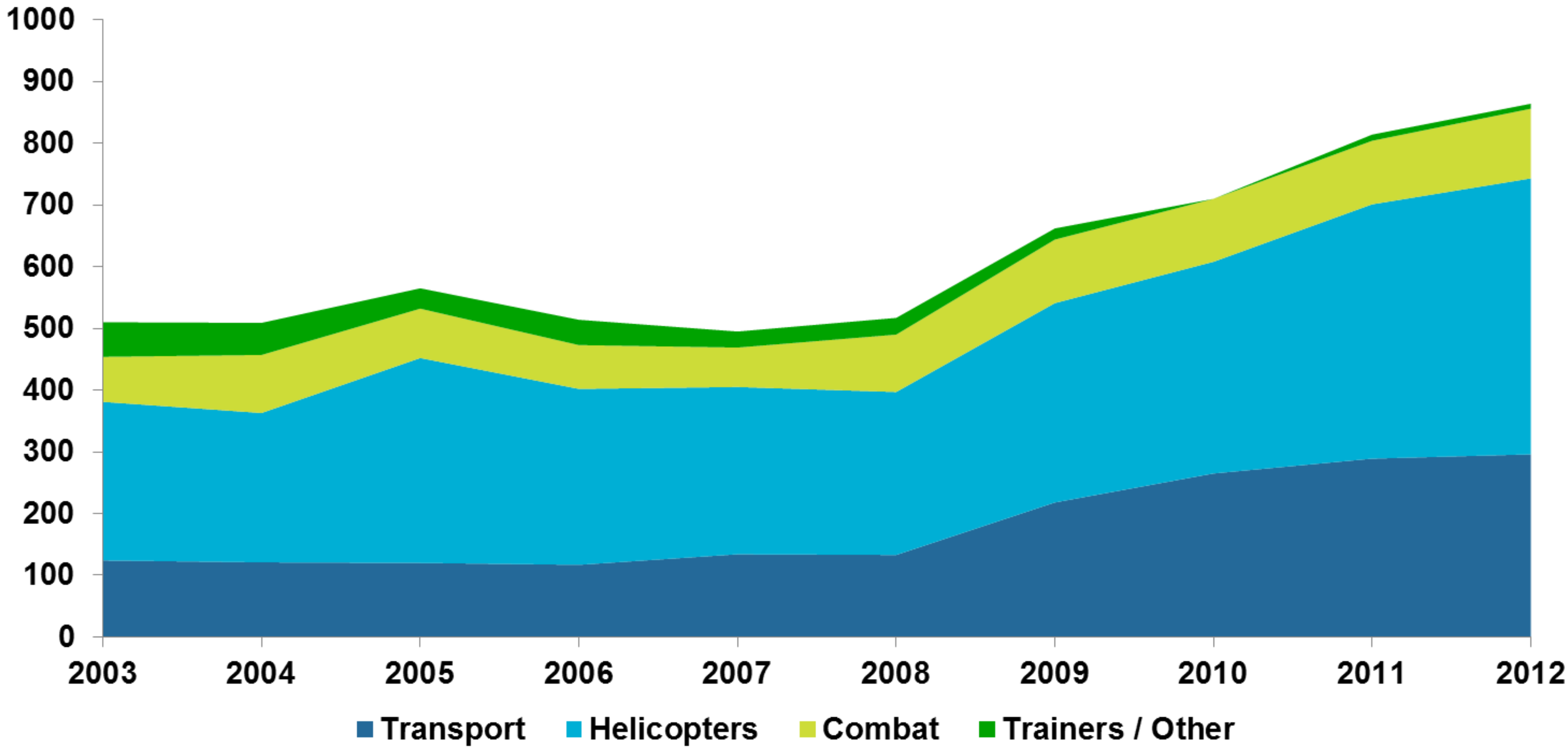
Products

Market leading technologies

Market	Engine	Platform(s)		
Combat jets > 1,500 engines in service	EJ200	Eurofighter Typhoon		
	Adour	SEPECAT Jaguar	BAE Hawk	Mitsubishi F-1
	Pegasus	Harrier		
	RB199	Tornado		
	Rolls-Royce LiftSystem	F35-B		
Trainers > 1,200 engines in service	Adour	BAE Hawk	T-45 Goshawk	
Transport > 9,000 engines in service	AE1107C	V22 Osprey		
	AE2100	C130 J Hercules		
	T56	C130 A-H Hercules	P-3C Orion	E-2C Hawkeye
	TP400	A400M		
	AE3007	Global Hawk	EMB45	
Helicopters > 5,000 engines in service	MTR390	Eurocopter Tiger		
	RTM322	Blackhawk	Apache	NHI NH90
	CTS800	Super Lynx 300		
	Gem	Lynx		
	Gnome	Augusta Westland Sea King		

Rolls-Royce

Deliveries



Rolls-Royce

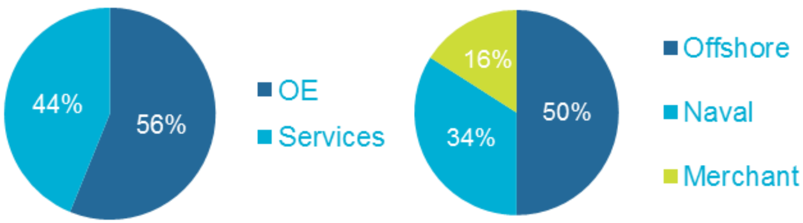
Defence engine deliveries

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	H1 2012	H2 2013	H1 2013
Transport	124	121	120	117	134	133	218	265	289	296	131	165	**145**
Helicopters	257	242	332	285	271	264	323	343	412	447	197	250	**186**
Combat	73	94	80	71	64	93	103	102	103	113	62	51	**58**
Trainers / Other	56	52	33	41	26	27	18	0	10	8	3	5	**3**
Total	510	509	565	514	495	517	662	710	814	864	393	471	**392**

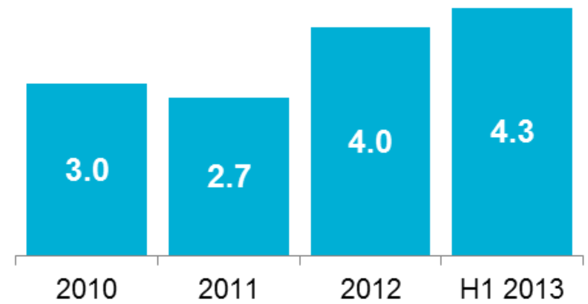
Marine

Marine

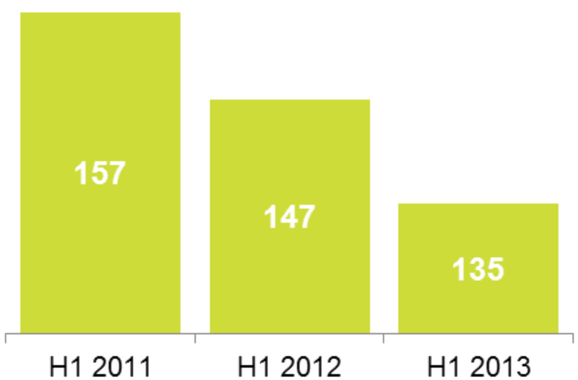
Revenue £1,241m



Order book £4.3bn



Profit before financing £135m



Growth drivers

- **Integrated ship solution capability: Design + OE**
- **High price of oil drives Offshore**
- **Opportunities through stricter emissions requirements**

Rolls-Royce

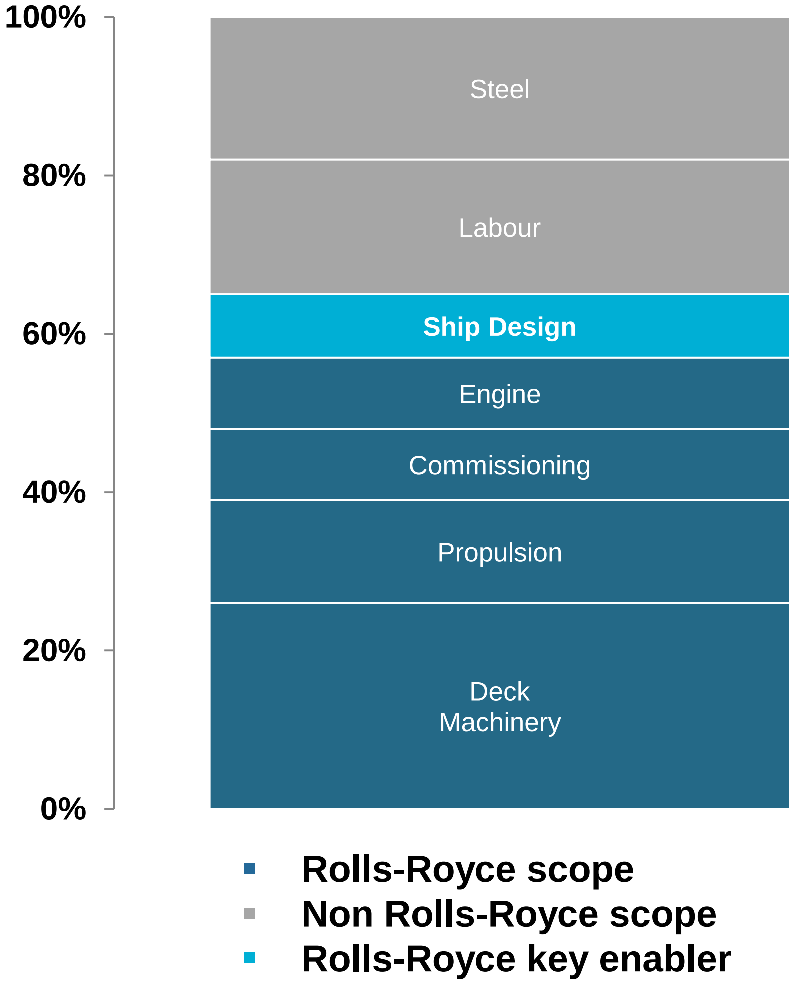
Products

World-leading range of capabilities

Market Sector	Products
Offshore Equipment on > 3,700 vessels	Full ship design, allowing integration of propulsion, motion control, winches & deck handling and power plant systems
Merchant Equipment on > 18,000 vessels	World leading range of propulsion and manoeuvring systems for tugs and workboats with innovation driven by emission regulation
Naval Equipment on > 2,500 vessels	Supply of power systems and auxiliary equipment to a range of naval applications as well as the supply and support of nuclear power systems covering the entire UK submarine fleet

Integrated ship solutions

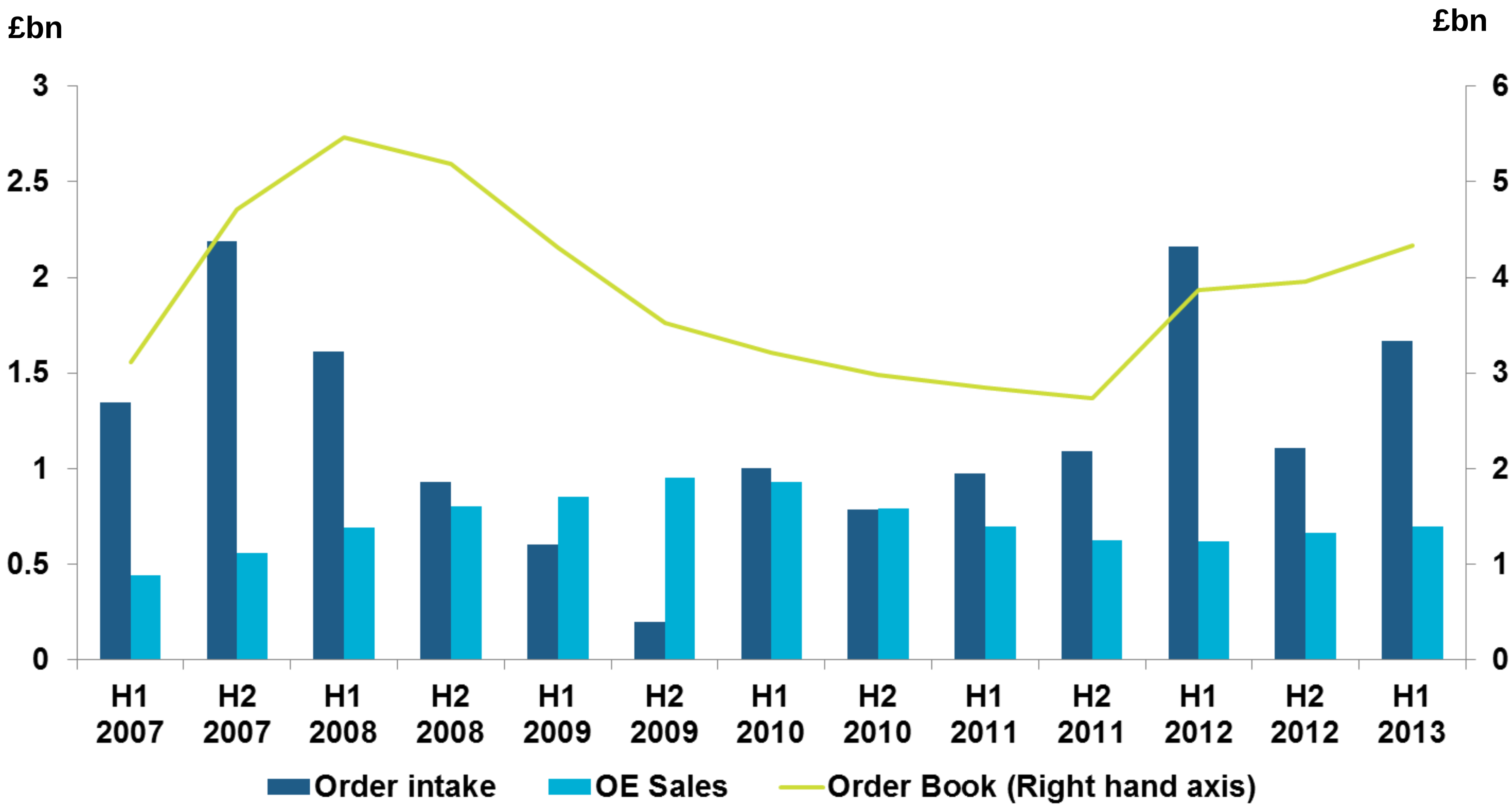
Ship design is key enabler



Ship design capability enables Rolls-Royce to fully integrate all high technology systems, supplying the highest value-add components.

Rolls-Royce

Order trends

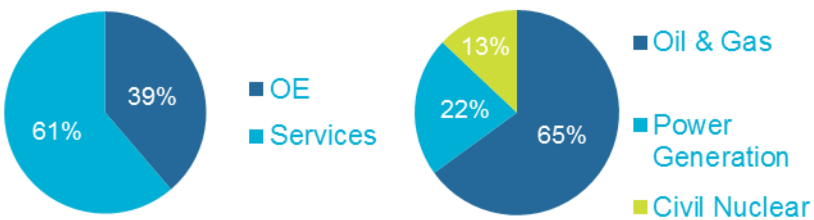


Rolls-Royce

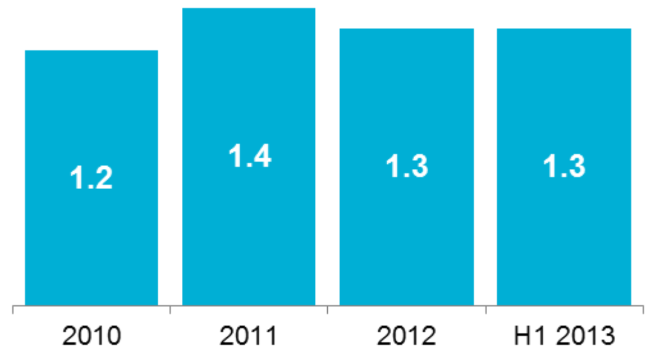
Energy

Energy

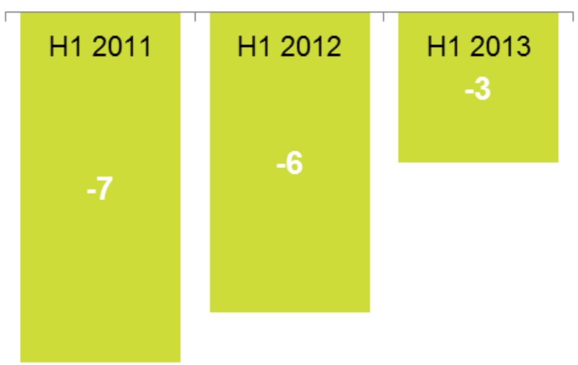
Revenue £488m



Order book £1.3bn



Profit before financing £(3)m



Growth drivers:

- **Global energy demand outstripping available supply**
- **High price of oil drives demand for gas turbines, compressors & pumping equipment**
- **Power generation in developing markets**

Products

Growing demand for systems and services

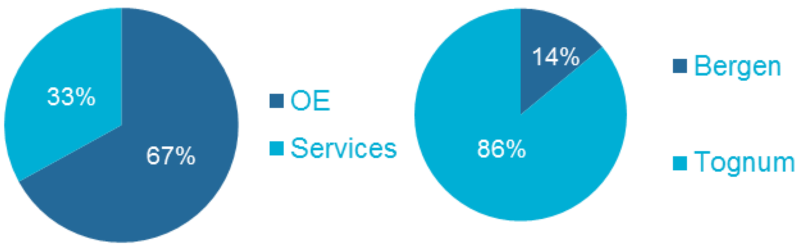
Market Sector	Description	Products
Oil & Gas	Coupling gas turbine technology and centrifugal compressors to provide a full product range for gas compression and oil pumping duties for both on and offshore applications	RB211 Aero-derivative Avon Aero-derivative Barrel compressors Pipeline compressors
Power Generation	Turbine based solutions for the power generation market, backed by a comprehensive range of service solutions	501-K Aero-derivative Trent 60
Civil Nuclear	Systems, engineering services and support services to deliver reliability and safety to customers with systems now installed in over 200 nuclear reactors	Instrumentation and Control Systems Mechanical Systems and Component Engineering Safety, Licensing and Environmental Engineering Reactor Support Services

Power Systems

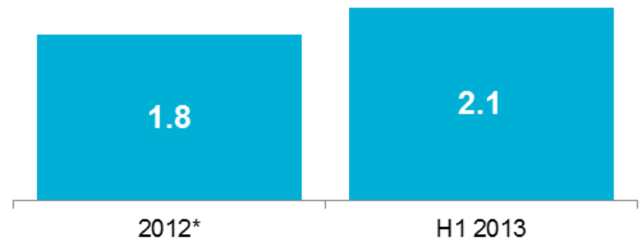
(Tognum & Bergen)

Power Systems

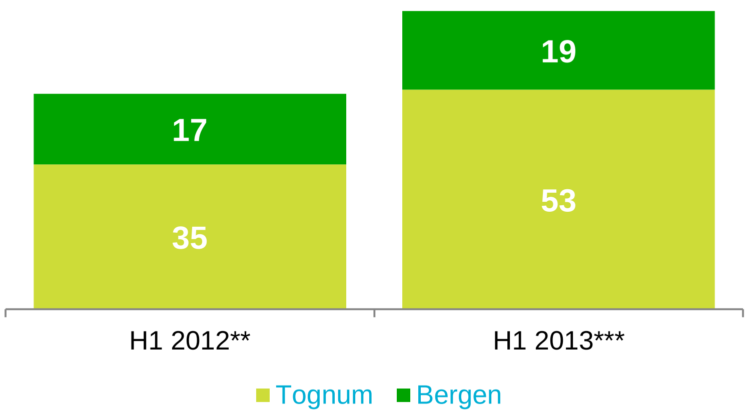
Revenue £1,239m



Order book £2.1bn



Profit before financing £72m



Growth drivers:

- **Complementary portfolios add scale and capability**
- **Significant revenue synergies**
- **Global energy demand outstripping available supply**

Rolls-Royce

***2012 figure restated to include Tognum as consolidated for comparison purposes**
****Tognum equity accounted share after tax**
*****Togum fully consolidated**

Products

Broad portfolio

	Description	Markets
Engines & Propulsion	High speed reciprocating diesel engines and propulsion & drive systems. Products are sold under the established brands of MTU, Detroit Diesel and Mercedes	Marine Industrial Oil & Gas Defence
Onsite Energy & Components	Reciprocating diesel and gas power generation systems as well as co-generation plants under the MTU Onsite Energy brand and injection systems for diesel engines under the L'Orange brand	Diesel systems Gas systems Injection systems
Bergen	Diesel and gas engines in the 2-10MW power range for energy and marine applications	Energy Marine

Rolls-Royce

Additional Information

Investor Relations

Contacts

Simon Goodson
Director – Investor Relations
Tel +44(0)207 227 9237
simon.goodson@rolls-royce.com

Graeme Barnes
Manager – Investor Relations
Tel +44 (0)1332 823821
graeme.barnes@rolls-royce.com

Jilinda Crowley
Assistant Director – Investor Relations
Tel: +44(0)207 227 9282
jilinda.crowley@rolls-royce.com

Jacinta Francis
Programme Coordinator – Investor Relations
Tel +44(0)207 227 9237
jacinta.francis@rolls-royce.com

For more information:

www.rolls-royce.com/investors

Rolls-Royce

Investor iPad App

Available as a free download from iTunes

Rolls-Royce

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.