

# Investor Webex

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# 2014 Trading Update

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## Civil Aerospace

|                | Previous view  | Latest view     | Change | Comments                                                                           |
|----------------|----------------|-----------------|--------|------------------------------------------------------------------------------------|
| <b>Revenue</b> | 2-5% increase  | 2-5% increase   | ↔      | <ul style="list-style-type: none"><li>Movement lower within guided range</li></ul> |
| <b>Profit</b>  | 8-12% increase | 15-20% increase | ↑      | <ul style="list-style-type: none"><li>Life cycle cost improvements</li></ul>       |

All figures at 2013 constant FX



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# 2014 Trading Update

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## Defence Aerospace

|                | Previous view    | Latest view      | Change | Comments                                                                           |
|----------------|------------------|------------------|--------|------------------------------------------------------------------------------------|
| <b>Revenue</b> | 15-20% reduction | 15-20% reduction | ↔      | <ul style="list-style-type: none"><li>Movement lower within guided range</li></ul> |
| <b>Profit</b>  | 15-20% reduction | 12-15% reduction | ↑      | <ul style="list-style-type: none"><li>Better mix of revenue</li></ul>              |

All figures at 2013 constant FX



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# 2014 Trading Update

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## Marine

|                | Previous view        | Latest view          | Change | Comments                                                  |
|----------------|----------------------|----------------------|--------|-----------------------------------------------------------|
| <b>Revenue</b> | Around 10% reduction | Around 10% reduction | ↔      | <ul style="list-style-type: none"><li>No change</li></ul> |
| <b>Profit*</b> | 15-25% reduction     | 15-25% reduction     | ↔      | <ul style="list-style-type: none"><li>No change</li></ul> |

\*excluding 2014 one-off charge of £(30)m

All figures at 2013 constant FX



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# 2014 Trading Update

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## Power Systems

|                | Previous view  | Latest view     | Change | Comments                                                                                                                                                                                   |
|----------------|----------------|-----------------|--------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Revenue</b> | +/- 2%         | +/- 2%          | ↔      | <ul style="list-style-type: none"><li>• Movement lower within guided range</li><li>• OE impacted by Russian sanctions</li><li>• Deferral of some medium speed land power diesels</li></ul> |
| <b>Profit</b>  | 5-10% increase | 5-10% reduction | ↓      | <ul style="list-style-type: none"><li>• Loss of some higher margin revenue</li><li>• Warranty costs</li></ul>                                                                              |

All figures at 2013 constant FX



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# 2014 Trading Update

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## Nuclear & Energy

|                | Previous view   | Latest view    | Change | Comments                                                                                                                                                                        |
|----------------|-----------------|----------------|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Revenue</b> | 5-10% increase  | 0-5% increase  | ↓      | <ul style="list-style-type: none"><li>• Weaker market conditions in both Oil &amp; Gas and Power Gen</li><li>• Customer deferrals ahead of the Energy sale to Siemens</li></ul> |
| <b>Profit</b>  | 30-40% increase | 0-10% increase | ↓      | <ul style="list-style-type: none"><li>• Significant aftermarket deferral driving disproportionate profit reduction</li></ul>                                                    |

All figures at 2013 constant FX



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# 2014 Trading Update

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## Group

|                  | Previous view | Latest view  | Change | Comments                                                                                                                                               |
|------------------|---------------|--------------|--------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Revenue*</b>  | Flat          | -3.5% to -4% | ↓      | <ul style="list-style-type: none"> <li>All businesses lower</li> </ul>                                                                                 |
| <b>Profit</b>    | Flat          | Flat         | ↔      | <ul style="list-style-type: none"> <li>Higher profits in Civil and Defence</li> <li>Lower profits in Nuclear &amp; Energy and Power Systems</li> </ul> |
| <b>Cash Flow</b> | c. £780m      | c. £350m     | ↓      | <ul style="list-style-type: none"> <li>Lower revenue (c. £200m)</li> <li>Lower deposits (c. £100m)</li> <li>Higher inventory (c. £100m)</li> </ul>     |

\*excluding 2014 one-off charge of £(30)m

All figures at 2013 constant FX



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# 2014 Group Guidance (excluding Energy)

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|                  | 2013 Adjusted | Latest view    |
|------------------|---------------|----------------|
| <b>Revenue</b>   | £14,634m      | -3.0% to -3.5% |
| <b>Profit*</b>   | £1,687m       | + 1%           |
| <b>Cash Flow</b> | £778m         | Around £350m   |

\*excluding 2014 one-off charge of £(30)m

All figures at 2013 constant FX



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# 2015 Guidance Update

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## Group

|                 | Previous view      | Latest view | Change | Comments                                                                                                                                   |
|-----------------|--------------------|-------------|--------|--------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Revenue*</b> | A return to growth | +/- 3%      | ↓      | <ul style="list-style-type: none"> <li>End markets softening, reducing visibility</li> <li>Civil – some risk on Trent 700 sales</li> </ul> |
| <b>Profit</b>   | A return to growth | 0/-3%       | ↓      | <ul style="list-style-type: none"> <li>Lower revenue</li> <li>Adverse mix</li> </ul>                                                       |

\*excluding 2014 one-off charge of £(30)m

All figures at 2013 constant FX



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# Medium Term Outlook

## Civil

- Return on Sales of 14.5% to 15.5%
- TCA peak debtor between £2.7bn and £3.0bn
- Contractual Aftermarket Rights (CARs, formerly RECs) peak around £500m to £700m

## Group

- Return on Sales of 13.5% to 14.5%
- Cash conversion around 80%



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