# Investor Webex

## Friday 17 October 2014



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# 2014 Trading Update



## Civil Aerospace

| | Previous view | Latest view | Change | Comments |
|---|---|---|---|---|
| **Revenue** | 2-5% increase | 2-5% increase | ⟷ | • Movement lower within guided range |
| **Profit** | 8-12% increase | 15-20% increase | ↑ | • Life cycle cost improvements |

All figures at 2013 constant FX

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# 2014 Trading Update

## Defence Aerospace

| | Previous view | Latest view | Change | Comments |
|---|---|---|---|---|
| **Revenue** | 15-20% reduction | 15-20% reduction | ⟷ | • Movement lower within guided range |
| **Profit** | 15-20% reduction | 12-15% reduction | ↑ | • Better mix of revenue |

All figures at 2013 constant FX

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# 2014 Trading Update

## Marine

| | Previous view | Latest view | Change | Comments |
|---|---|---|---|---|
| **Revenue** | Around 10% reduction | Around 10% reduction | ⟷ | • No change |
| **Profit*** | 15-25% reduction | 15-25% reduction | ⟷ | • No change |

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

All figures at 2013 constant FX

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# 2014 Trading Update

## Power Systems

| | Previous view | Latest view | Change | Comments |
|---|---|---|---|---|
| **Revenue** | +/- 2% | +/- 2% | ↔ | • Movement lower within guided range<br>• OE impacted by Russian sanctions<br>• Deferral of some medium speed land power diesels |
| **Profit** | 5-10% increase | 5-10% reduction | ↓ | • Loss of some higher margin revenue<br>• Warranty costs |

All figures at 2013 constant FX

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# 2014 Trading Update

## Nuclear & Energy

| | Previous view | Latest view | Change | Comments |
|---|---|---|---|---|
| **Revenue** | 5-10% increase | 0-5% increase | ⬇ | • Weaker market conditions in both Oil & Gas and Power Gen<br>• Customer deferrals ahead of the Energy sale to Siemens |
| **Profit** | 30-40% increase | 0-10% increase | ⬇ | • Significant aftermarket deferral driving disproportionate profit reduction |

All figures at 2013 constant FX

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# 2014 Trading Update

## Group

| | Previous view | Latest view | Change | Comments |
|---|---|---|---|---|
| **Revenue*** | Flat | -3.5% to -4% | ↓ | • All businesses lower |
| **Profit** | Flat | Flat | ↔ | • Higher profits in Civil and Defence<br>• Lower profits in Nuclear & Energy and Power Systems |
| **Cash Flow** | c. £780m | c. £350m | ↓ | • Lower revenue (c. £200m)<br>• Lower deposits (c. £100m)<br>• Higher inventory (c. £100m) |

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

All figures at 2013 constant FX

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# 2014 Group Guidance (excluding Energy)

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

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

All figures at 2013 constant FX

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# 2015 Guidance Update

## Group

| | Previous view | Latest view | Change | Comments |
|---|---|---|---|---|
| **Revenue*** | **A return to growth** | **+/- 3%** | ⬇ | • End markets softening, reducing visibility<br>• Civil – some risk on Trent 700 sales |
| **Profit** | **A return to growth** | **0/-3%** | ⬇ | • Lower revenue<br>• Adverse mix |

*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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