Rolls-Royce

2016 Full Year Results

John Dawson

Director, Investor Relations

Agenda for today

Introductions	John Dawson
Highlights	Warren East
Financial review	David Smith
Transformation and business outlook	Warren East

Notices

Safety

Safe
Harbour

Mobile
phones

Warren East

Chief Executive

Rolls-Royce

Agreements with investigating authorities

Rolls-Royce

> "Behaviour uncovered…is completely unacceptable and we apologise unreservedly… unworthy of everything which Rolls-Royce stands for."
>
> Warren East, CEO

Since 2013: significant actions to improve ethics/ABC culture & processes

> "Rolls-Royce is no longer the company that once it was; its new Board and executive team has embraced the need to make essential change and has deliberately sought to clear out all the disreputable practices that have gone before, creating new policies, practices and cultures."
>
> Sir Brian Leveson
> 17 January 2017

Results summary

Rolls-Royce

Underlying Revenue	Gross Margin	Underlying PBT
£13.8bn	£2,823m	£813m
↓ 2%	↓ 18%	↓ 49%

Operating margin	Free cash flow	'Dividend' per share
6.6%	£100m	11.7p
↓ 480 bps	2015: £179m	2015: 16.4p

* Percentage change at constant currency

Goals for 2016

With a focus on pace and simplicity…

Strengthen our focus on engineering and operational excellence and leveraging our installed base	Deliver a strong start to our transformation programme	Start rebuilding trust and confidence in our long-term growth prospects

Adding pace and simplicity to reinforce engineering excellence

Rolls-Royce

Engineering excellence

£1.3bn gross spend on R&D
£937m net spend
Significant proportion focused on new programmes

- Including the Trent 1000 TEN, Trent XWB-97 and Trent 7000

Group-wide engineering efficiency programme E^3

- Reducing complexity, improving work prioritisation, simplifying structures

Digital product definition

Optimisation of processes, methods, tools and organisation required to engineer our products

↑ 20% improvement in time-to-market for new products from 2020

Embedding Engineering Excellence

E^3

- Focus on efficiency and effectiveness
- Provide additional capacity with minimal cost
- Leverage existing programmes around high performance culture and lean

Good progress embedding operational excellence improvements

Rolls-Royce

Operational excellence

£225m invested in new capital equipment in 2016
- £1.4bn invested since 2011

Aerospace footprint reduction on track
- Over 20% reduction planned by 2020

Civil Aerospace ramp-up benefits
- Capacity now in place for 500 large engines
- XWB unit loss reductions on track

↑27%

improvement in lead-time with further ~15% planned

e.g. Trent 1000 assembly lead time improvement at Singapore

Reduction in turnaround time for Power Systems engine overhauls

↑40%

improvement in lead-time

- Lean flow line v cellular approach
- Just in time material delivery to line
- 40% lead time reduction - 90 days saved for the customer

Improving the quality of our aftermarket revenues is a key priority

Rolls-Royce

Leverage our installed base

Significant value opportunity

- ~50% of revenue is services
- Principal driver of growth in gross margin and cash over next 10 years

Actions driven by customer need

Acquisition of ITP

>10%

Inc. in Engine Flying Hour revenues retained

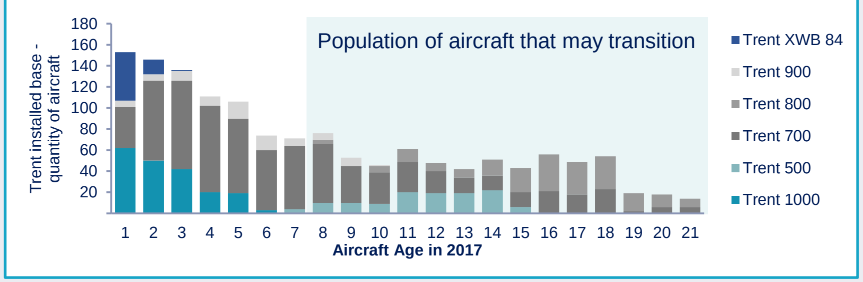
- Partner on TP400 and EJ200
- Partner on Trent 1000, Trent 7000 and Trent XWB
- Strengthens position as they start to generate aftermarket cash flows

Dedicated transitions team

↑~95%

increase in successful Trent transitions compared to 2015

- Increase in Trent aircraft in transition inevitable driven by maturing fleet
- 31 Trent powered aircraft transitioned to new operators in 2016 v 16 in 2015



Transformation programme ahead of expectations

Rolls-Royce

2016	2017	2018
~£130m	**~£200m**	**~£200m pa**
run rate into 2017	run rate into 2018	run rate into 2019 onwards

Civil Aerospace
2016 scorecard

Rolls-Royce

Highlights

"Overcome clear headwinds to meet customer commitments and deliver a steady result."

Results ahead of expectations

Revenue*	Profit*	Op Margin
→ flat	↓ 60%	5.2%
at £7.1bn	to £367m	from 11.7%

* Underlying change at constant currency

Growing aftermarket share

In-prod Trent engines	Out-of-prod engines	Overall growth
↑ 16%	↓ 4%	↑ 6%

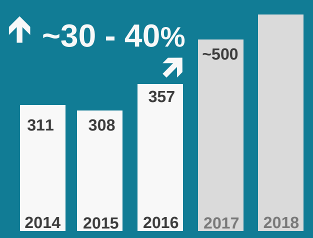
% growth or reduction in number of engines in operation

Good progress on large engine production ramp-up

2016 invoiced deliveries to customer

↑ 16%

up 49 to 357



Over 400 engines manufactured in 2016

New product introductions proceeding well

Good technical progress

On track overall to deliver against 2017 and 2018 customer commitments

Trent XWB -84

Rolls-Royce

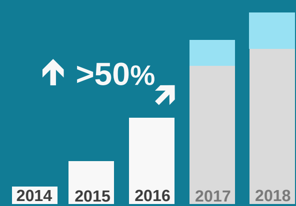
Only engine powering the Airbus A350-900; entered service in 2015

Deliveries

2016 invoiced deliveries to customer

↑ 109%

from 56 to 117



2016 engine assembly lead time

↓ 45%

45% reduction in engine assembly lead time v prior year

2016 avg. engine cash loss

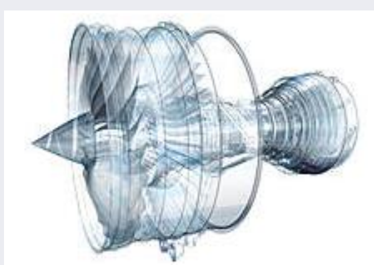
↓ 7%

7% reduction in net engine cash loss v prior year

2017 projected invoiced deliveries

↑ >50%

up from 117

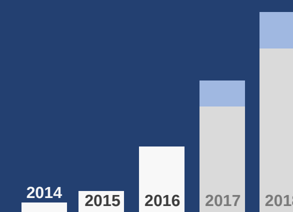


Installed base

2016 closing installed

↑340%

38 to 130



Despatch reliability in 2016

99.9%

2015: 99.8%

Total cumulative fleet hours

0.3 million

currently in service with 10 operators

Outstanding order book

~1,100

engines with over 40 operators

2020 projected closing installed

> 750

engines in service

Trent 700

Rolls-Royce

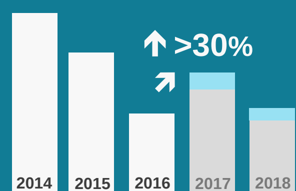
Powering the Airbus A330ceo; Trent 700 entered service in 1995

Deliveries

2016 invoiced deliveries to customer

↓ **37%**

88 v 140



2016 engine assembly lead time

↓ **11%**

11% reduction in engine assembly lead time v prior year

2016 profit impact from volume and price change

↓ **£200 – 250m**

In line with early estimates

2017 projected invoiced deliveries

↑ **>30%**

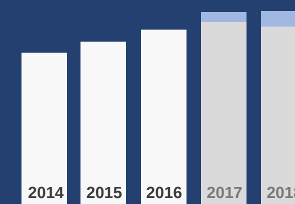
up from 88

A330ceo installed base

2016 closing installed

↑ **7%**

1,444 to 1,538



Despatch reliability in 2016

99.9%

2015: 99.9%

Total cumulative fleet hours

42 million

currently in service with 78 operators

2020 projected closing installed Trent 700s

~ 1,750

engines in service with over 80 operators

Trent 7000 outlook

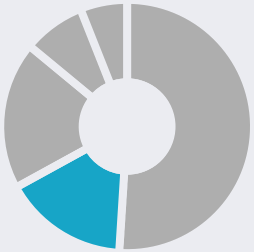
Entry into service (EIS):

H1 2018

Defence Aerospace
2016 scorecard

Highlights

"Better than expected year despite investments for future growth and TP400 charges."



Another solid year

Revenue*	Profit*	Op Margin
↑ 1%	↓ 8%	17.4%
at £2.2bn	to £384m	from 19.3%

* Underlying change at constant currency

Strengthened service support

Service revenue % of total

~60%

- Renewed major C-130J service contract in the US
- New service delivery centres 'on-base' in UK

Good delivery performance on combat and transport & patrol

2016 delivery performance

Transport & Patrol	Combat	Overall
↑ 8%	↑ 7%	↑ 2%

Number of engines delivered

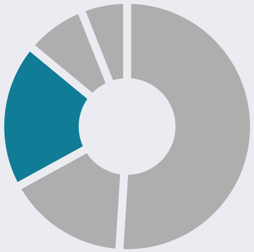
Transformation of key facilities proceeding well

Indianapolis transformation
- ~\$400m investment
- 150,000m² re-vitalized
- 20% operating cost reduction
- ~\$120m spent through 2016
- Programme ahead of schedule

Power Systems
2016 scorecard

Highlights

“Outperformed mixed markets and peer group to deliver solid overall revenue and profit.”



Another solid year

Revenue*	Profit*	Op Margin
↓1%	↓14%	7.2%
at £2.7bn	to £191m	from 8.1%

* Underlying change at constant currency

Leadership changes

CEO Power Systems
- Andreas Schell appointed December 2016
- Ulrich Dohle retired after 3.5 years as CEO

Outperformed mixed markets

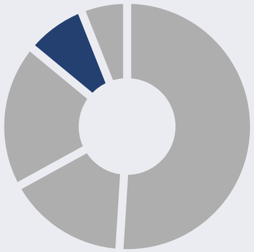
- ↑ Power Generation, Industrial, Marine markets positive
- ↑ Performed ahead of market* to grow share of available opportunity
- ↑ Developed manufacturing and market opportunities in China through new JV
- ↓ Oil and commodity driven markets weaker year-on-year

* Based on peer performance and industry estimates

Marine
2016 scorecard

Highlights

"Driven a strong transformation and innovation agenda despite very weak offshore oil and gas markets."



Results reflect weak markets

Revenue*	Profit*	Op Margin
↓ 24%	↓ 280%	-2.4%
at £1.1bn	to £(27)m	from 1.1%

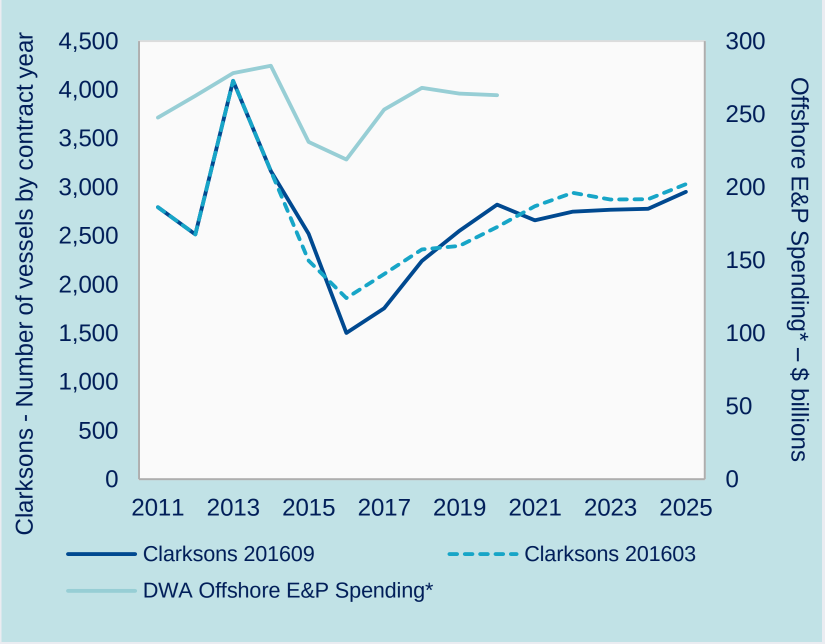
* Underlying change at constant currency

Transformation well underway

Shipshape

2015	2016	2017
savings ↑ £5m	savings ↑ £35m	savings ↑ £55m
↓ 600 headcount	↓ 500 headcount	↓ 700 headcount

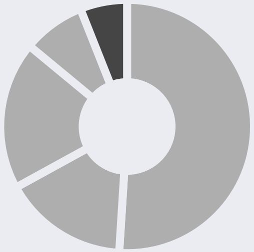
Markets remain subdued



Nuclear
2016 scorecard

Highlights

"Worked hard to overcome delivery challenges in submarines while developing new civil growth opportunities"



Progress on long-term projects

Revenue*	Profit*	Op Margin
↑ 11% at £777m	↓ 37% to £45m	5.8% from 10.2%

* Underlying change at constant currency

Future innovation

Small Modular Reactors
- Modest investment to explore opportunity
- Significant investment will need government support

Developing the business

Submarines
- Good progress delivering in-house production improvements
- Completed delivery of fourth power system for Astute class submarines
- Trident refuelling programme progressing well

Civil
- Spinline™ technology used in successful first phase of Loviisa modernisation in Finland
- Completed first upgrade of French nuclear fleet at Paluel, Normandy

Year of steady progress

Rolls-Royce

- **Performed ahead of expectations**
- **Significant changes to management**
  - Strengthened individual accountability
  - Greater focus on cash and cost measures across the business
- **Over £1.5bn invested to support long term growth while maintaining the 'dividend' and resolving legacy issues**
- **On track to deliver against key commitments**
  - Ramp-up proceeding well
  - Three major new engines on track for EIS in 2017 and 2018
  - Delivery improvements in Nuclear and Defence
- **Driving transformation to provide long-term benefits**
  - Help offset some near-term market and performance headwinds

Goals for 2016

With a focus on pace and simplicity…

Strengthen our focus on engineering and operational excellence and leveraging our installed base

Deliver a strong start to our transformation programme

Start rebuilding trust and confidence in our long-term growth prospects

David Smith

Chief Financial Officer

Rolls-Royce

Underlying revenue and profit

Rolls-Royce

	Underlying revenue*		Underlying profit before financing*	
	£m	% change	£m	% change
Civil Aerospace	7,067	-	367	-60%
Defence Aerospace	2,209	1%	384	-8%
Power Systems	2,655	-1%	191	-14%
Marine	1,114	-24%	(27)	-280%
Nuclear	777	11%	45	-37%
Other & eliminations	(39)	n/a	(45)	n/a
Group Total	**13,783**	**-2%**	**915**	**-45%**

* Underlying change or result

Civil Aerospace
Original equipment revenue mix

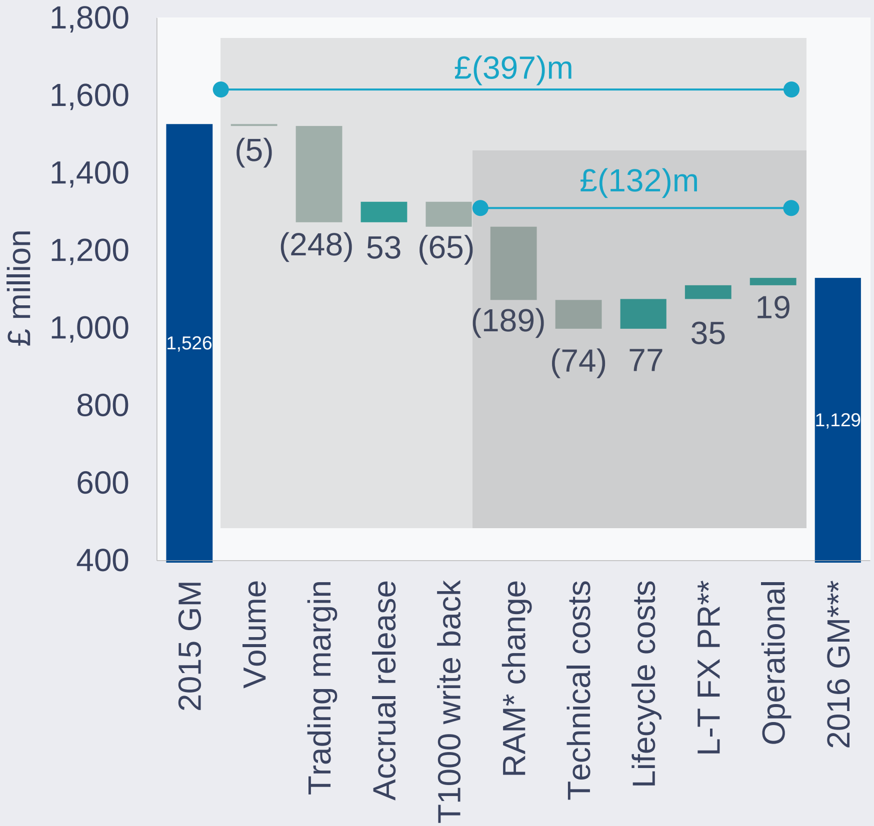
Rolls-Royce

	2015		Change at constant FX		FX	2016	
	£m	of whole	£m	yr-on-yr change	£m	£m	of whole
Large Engine: linked and other	1,570	23%	32	**2%**	2	1,604	23%
Large Engine: unlinked installed	504	7%	237	**47%**	1	742	10%
Business Jet	903	14%	-228	**-25%**	82	757	11%
V2500	281	4%	-27	**-10%**	0	254	4%
Total OE	**3,258**	**48%**	**14**	**0%**	**85**	**3,357**	**48%**

Civil Aerospace
Aftermarket revenue mix

	2015		Change at constant FX	yr-on-yr	FX	2016	
	£m	of whole	£m	change	£m	£m	of whole
Large Engine	2,371	34%	-84	**-4%**	2	2,289	32%
Business Jet	425	6%	-13	**-3%**	40	452	6%
Regional	360	5%	-52	**-14%**	34	342	5%
V2500	519	7%	108	**21%**	0	627	9%
Total AM	**3,675**	**52%**	**-41**	**-1%**	**76**	**3,710**	**52%**

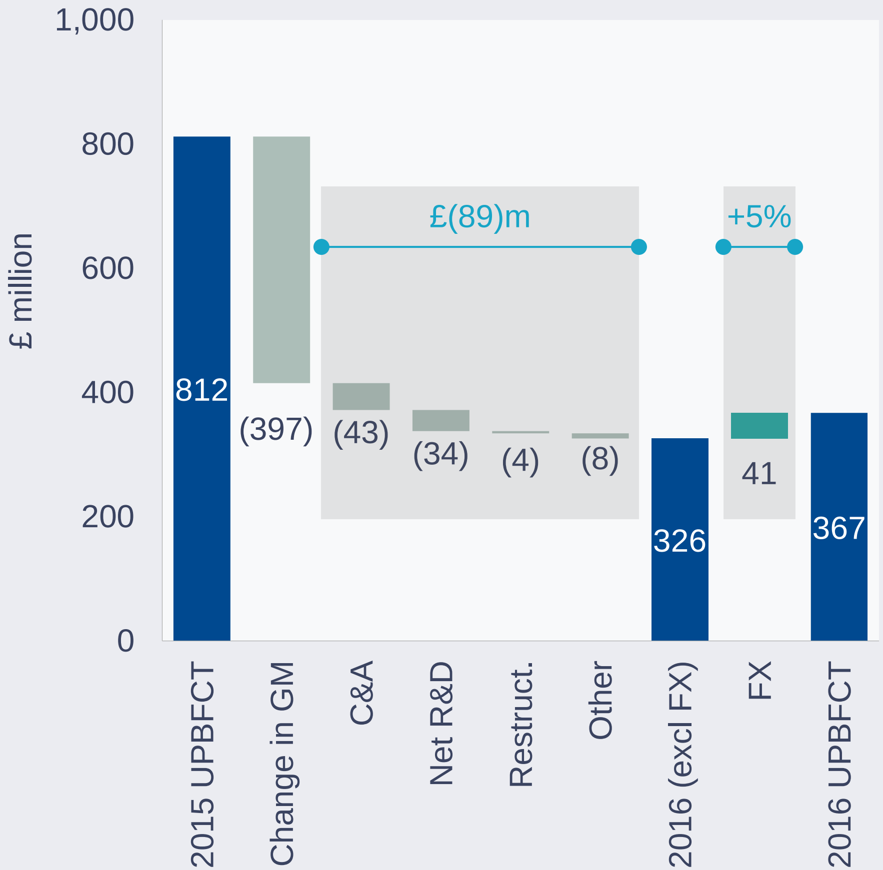
Civil Aerospace
Gross margin



- OE: reduced Trent 700 volumes and profitability, programme costs
- Services: headwinds on out-of-production legacy fleet
- Net £90m adjustments vs £222m in 2015 included:
  - £(98)m technical costs
  - £217m lifecycle cost benefit
  - £35m LT planning rate

* Risk assessment methodology change
** Long-term FX planning rate change (USD)
*** 2016 GM @ 2015 FX

Civil Aerospace
Profit



- Lower overall gross margins from known headwinds
- Higher employee incentive costs
- Higher R&D spend on key programmes

Civil Aerospace

Trading cash flow

£m	2015	2016	Variance
Underlying profit before financing	812	**367**	(445)
Depreciation, amortisation and impairment	410	491	81
Sub-total	1,222	**858**	(364)
CARs additions	(161)	(208)	(47)
Property, plant, equipment and other intangibles	(502)	(739)	(237)
Other timing differences*	(75)	111	186
Trading cash flow pre-working capital movements	484	**22**	(462)
Net long-term contract debtor movements	(406)	(246)	160
Other working capital movements	(78)	267	345
Trading cash flow**	0	**43**	43

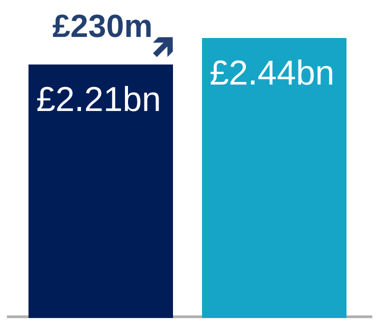
* Includes timing differences between underlying profit before financing and cash associated with: joint venture profits less dividends received; provision charges higher /(lower) than cash payments; non-underlying cash and profit timing differences (including restructuring); and, financial assets and liabilities movements ** Trading cash flow is cash flow before: deficit contributions to the pension fund; taxes; payments to shareholders; foreign exchange on cash balances; and, acquisitions and disposals

TotalCare Net Debtor and CARs

Additions

£432m

TotalCare
Net debtor



£(292)m
£90m

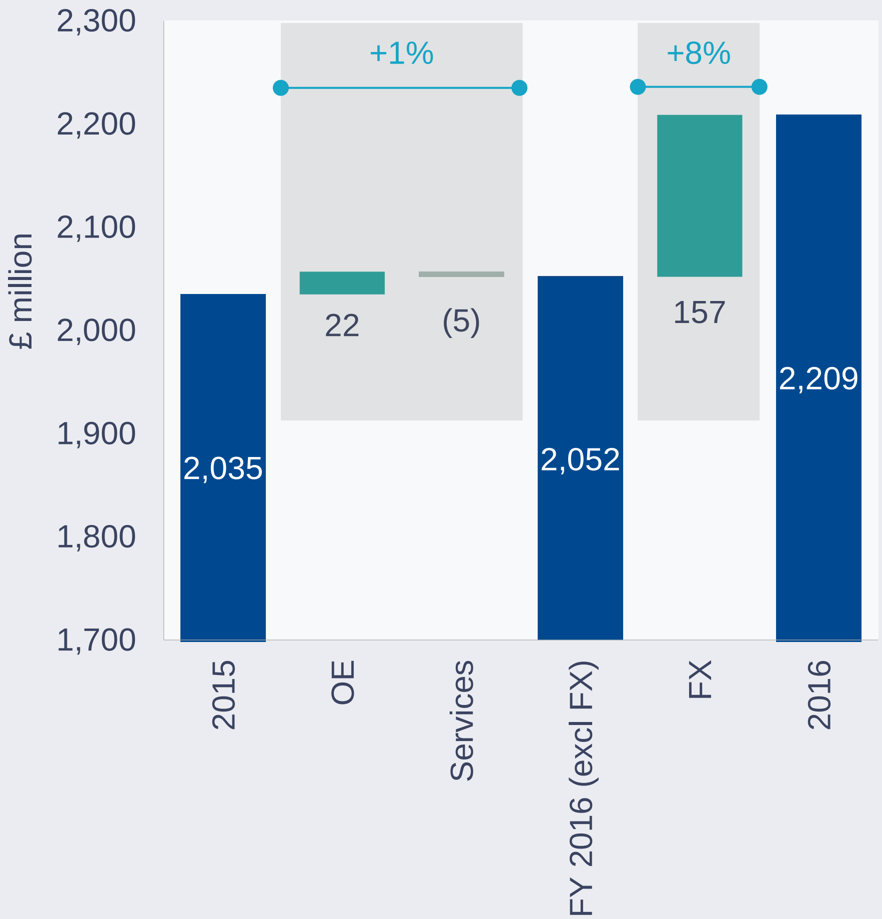
£208m

Capitalised
Aftermarket Rights
(CARs)

£(39)m

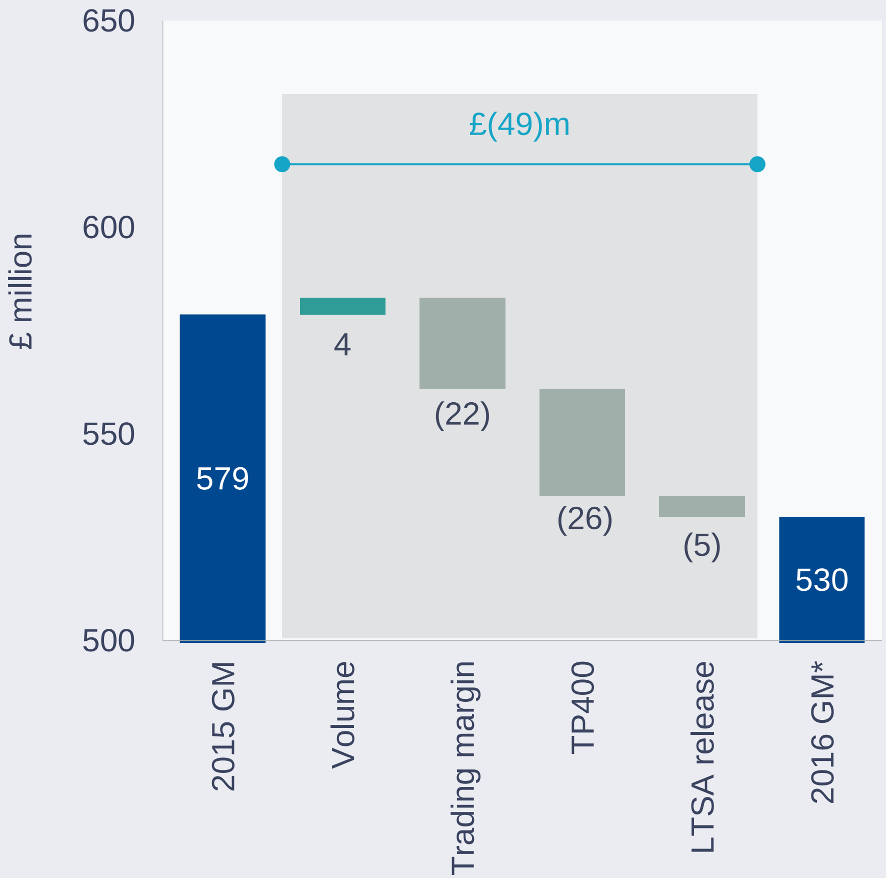
Cash flows,
adjustments or
amortisation

Defence Aerospace
Revenue



- Higher OE volumes:
  - TP400
  - Adour (Saudi Arabia)
- Services stable:
  - Lower spare parts volumes
  - Higher Eurofighter Typhoon & C130J volumes

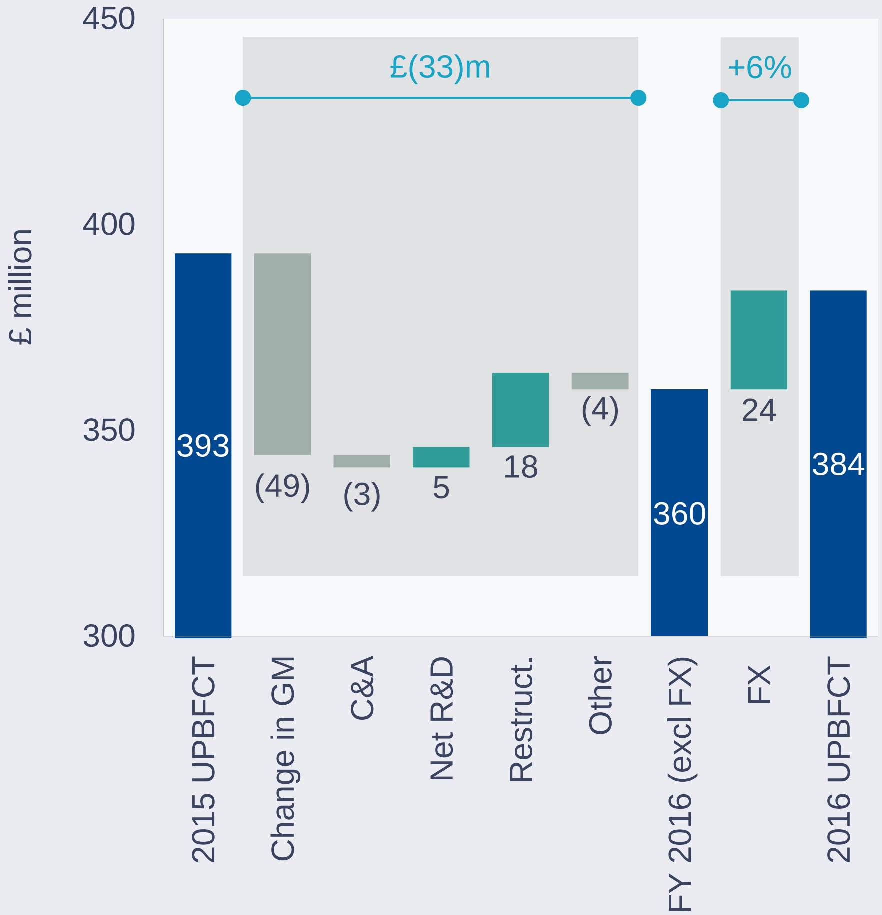
Defence Aerospace
Gross margin



- Adverse product mix
- Continued costs on TP400 programme
- LTSA improvements similar to FY15 at £82m
  - Cost savings on EJ200 (Typhoon) contract, including incentive award

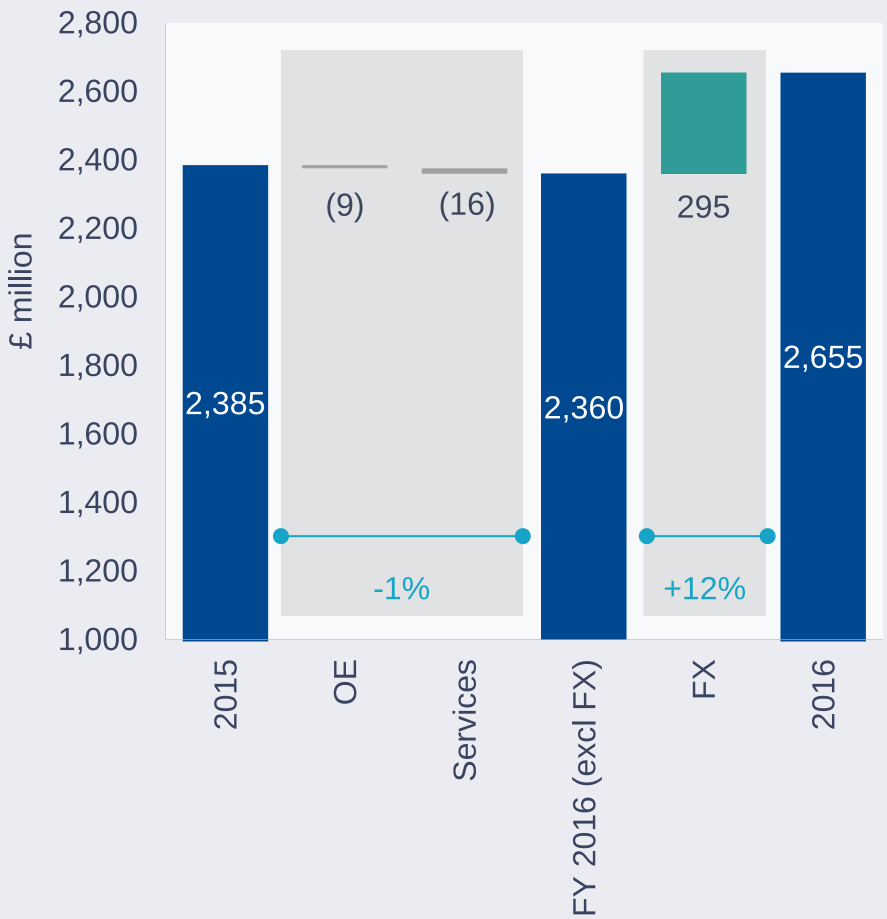
* 2016 GM @ 2015 FX

Defence Aerospace
Profit



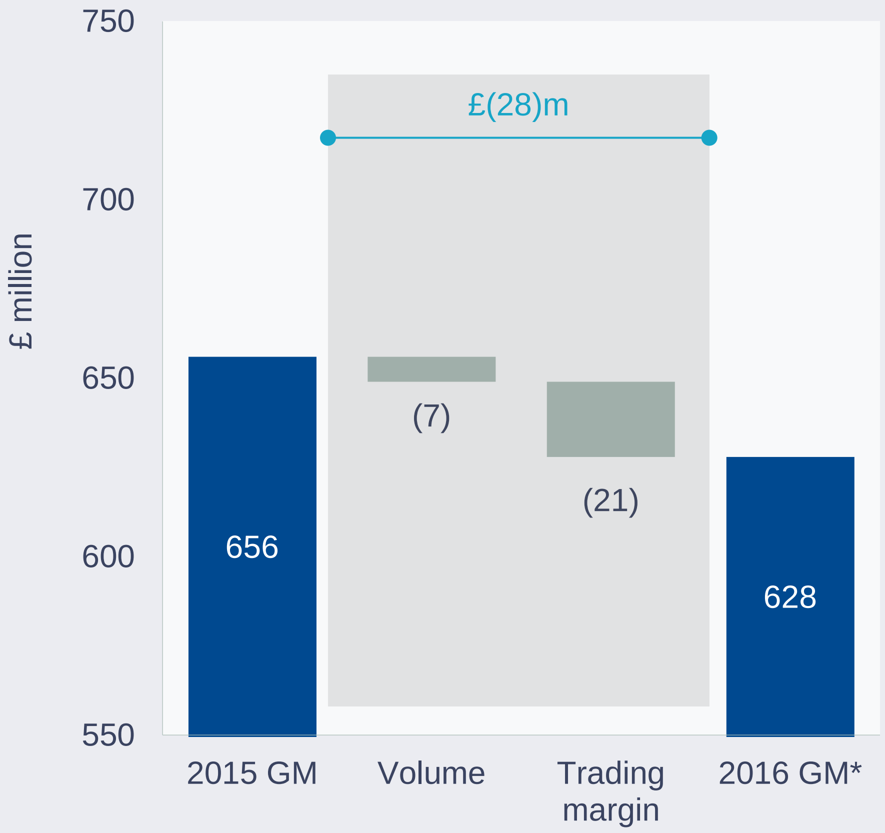
- Lower R&D phasing
- Ansty closure costs lower
- Lower US severance costs
- FX impact from major US operations

Power Systems
Revenue



- Stable revenues:
  - Positive: powergen, industrial
  - Weaker: commodities, marine
- Services impacted by marine weakness
- Significant +12% FX

Power Systems
Gross margin

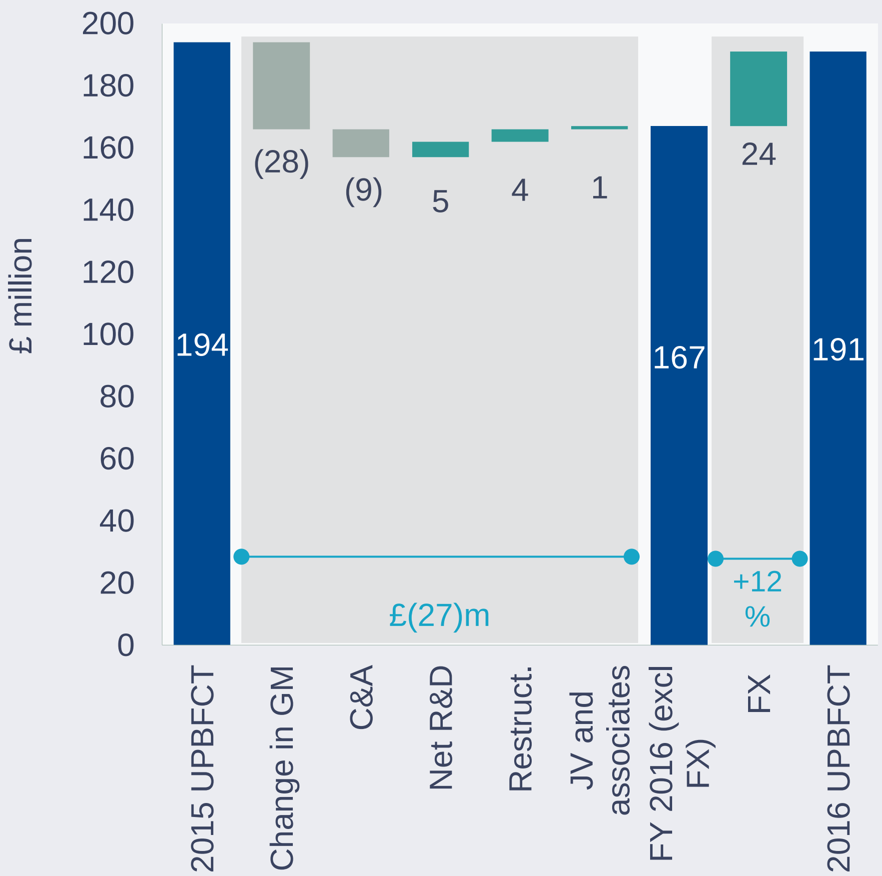


- Adverse product mix
- Partially mitigated by positive transformation improvements

* 2016 GM @ 2015 FX

Power Systems

Profit



- Greater focus within R&D on core product lines

Marine Summary

Rolls-Royce

Revenue
- Underlying revenue of £1.1bn; 24% lower
- Continued weakness in offshore

Profit
- Net loss of £27m.

Gross margin
- £44m lower (+170bps)
- Cost reduction actions
- Lower warranty and contract charges

Restructuring & impairment
- December 2016: announcement of further restructuring
  - 800 headcount reduction
  - Targeting £45-50m savings p.a.
- Exceptional £5m restructuring charge, with the remainder (~£15m) in 2017
- £200m impairment charge against goodwill

Nuclear Summary

Rolls-Royce

Revenue
- Underlying revenue increased by 11%
- Growth largely within Submarines
- Civil: projects in France and Finland

Profit
- £45m, or £38m excluding R&D credit
- Additional costs to support higher volumes & improve delivery performance
- Modest support for initial small modular reactor (SMR) design phase

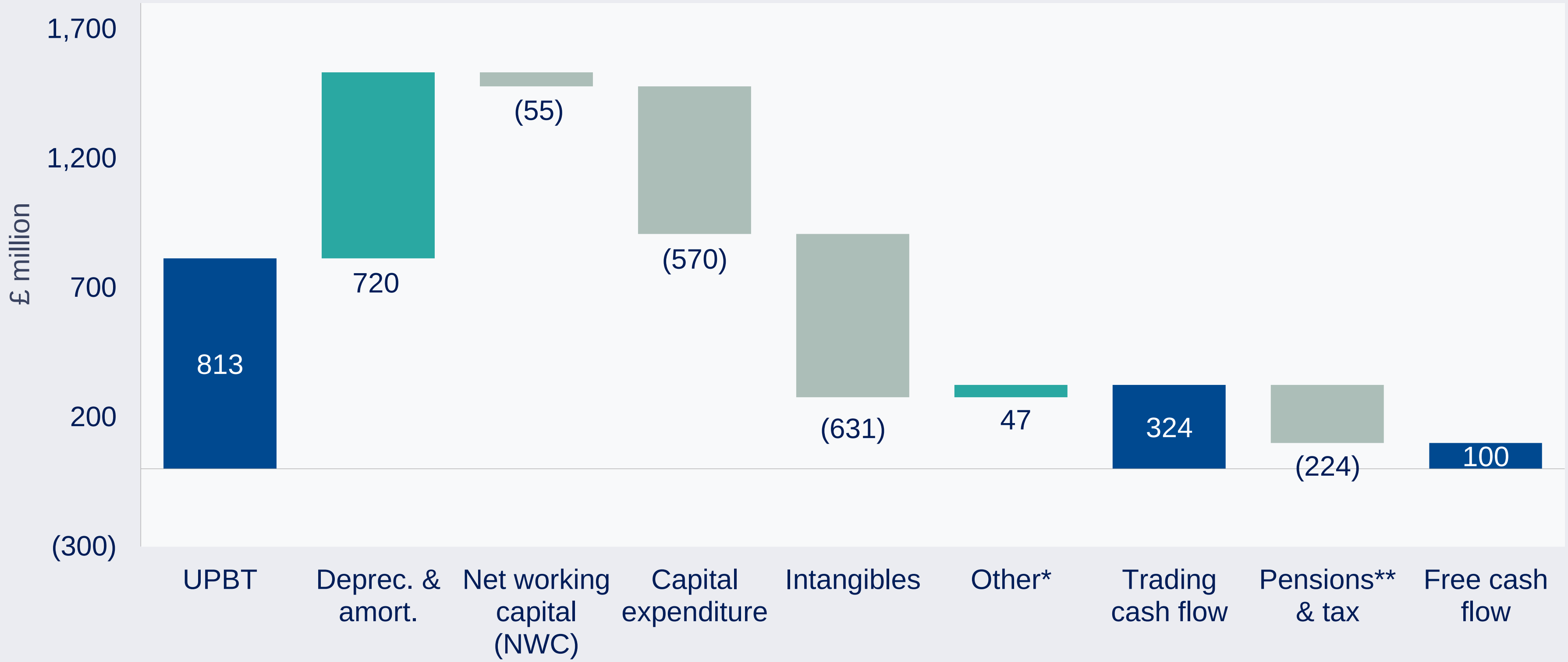
Gross margin
- 80bp lower
- Greater weighting to lower margin submarine projects

Restructuring & impairment
- 2015: £19m incl catch-up
- 2016: £7m in year
- 2017: minimal

Underlying to reported result

	£m	Earnings per share
Underlying profit before finance charges and tax	**915**	
Net finance charges	(102)	
Tax	(261)	
Underlying result	**552**	**30.1p**
Spot rate adjustment to underlying results	*419*	
Impairment	(219)	
Financial Penalties	(671)	
Exceptional restructuring	(129)	
Pension restructuring	(306)	
Mark-to-market	(4,420)	
Other including adjustment to reported tax	*742*	
Reported result	**(4,032)**	**(220.1)p**

Group profit to free cash flow
2016



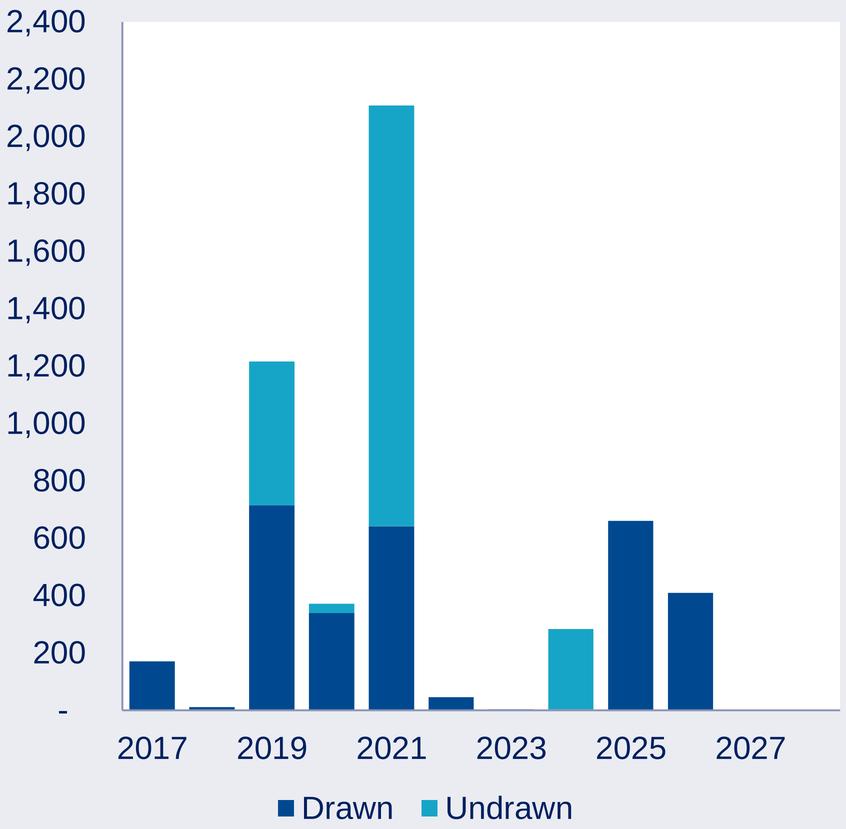
* includes movements in provisions, joint ventures and disposals of PPE and intangibles
** payments to defined benefit post-retirement schemes in excess of PBT charge

Group financial strength

Rolls-Royce

Credit rating	S&P: BBB+/Stable Moody's: A3/Stable Maintain investment-grade rating
Strong liquidity	Total liquidity £5 billion RCF increased £500m
Debt maturities	Net debt £225m Spread to 2026 Maturities: • 2017 – €75m EIB loan; $120m loan • 2018 – minimal repayments (<£10m)
Risk management	Foreign exchange and commodity hedging

Maturity profile (£ million)



Payment of 7.1 pence per share

in line with February 2016 policy

Rolls-Royce

2015

2015 cash:
£421m

Interim
9.27p

Final
7.1p

2016

2016 cash:
£301m

Interim
4.6p

+

Final
7.1p

=

2017

2017 cash:
~£215m

Interim
TBC

Final
TBC

"We recognise the importance of a healthy 'dividend' to our shareholders. Subject to short-term cash needs, we intend to review the payment so that it will be rebuilt over time to an appropriate level. This reflects the Board's long-standing confidence in the strong future cash generation of the business."

12 February 2016

US$ Hedge book

Rolls-Royce

- Average achieved rate year-on-year reduced approx. 2.5 cents
- Net group underlying benefit of £20m, after balance sheet effects
  - movement in achieved rate also affects working capital balances of hedged cash flows

- Do not expect to make any material net additions to the hedge book in 2017
- Expect average achieved rate in 2017 to be broadly unchanged from 2016

- $38 billion USD:GBP hedge book
- Provides average 5-6 years' cover

Value of US dollar hedge book	$29bn	$35bn	$38bn
Average rate in hedge book	1.59	1.57	1.55
Period ending	**FY15**	**HY16**	**FY16**
Movement in achieved rate		~2.5 cents	

Objectives of FX hedging policy

- Reduce volatility caused by FX movements
- Set maximum and minimum levels of FX cover
- Manage changes in forecast exposures

Business outlook for 2017

Rolls-Royce

Civil

- Large engine ramp-up; higher OE revenues but adverse mix
- Aftermarket stable overall, but mix changes
- Business aviation OE expected to weaken further
- Further improvement in lifecycle costs
- Trading cash flow steady after better 2016

Civil Aerospace revenue outlook
(current accounting basis)

Rolls-Royce

£m	2015		2016	2017	2018	2019	2020	2021
Original Equipment (OE)	3,258	↗	**3,357**	↗	↗	↗	→	→
Large engine: linked and other	1,570	↗	1,604	↗	→	→	→	→
Large engine: unlinked installed	504	↗	742	↗	↗	↗	→	→
Business Jet	903	↘	757	↘	↘	↘	↘	→
V2500	281	↘	254	↘	↘	-	-	-
Aftermarket (AM)*	3,486	↘	**3,710**	→	↗	↗	↗	↗
Large engine*	2,182	→	2,289	→	↗	↗	↗	↗
Business Jet	425	↘	452	→	→	→	→	→
Regional	360	↘	342	↘	↘	↘	↘	↘
V2500	519	↗	627	→	→	→	→	→
Total Revenue*	6,744		**7,067**					

Now expect business aviation aftermarket to be broadly unchanged v negative in 2017

i.e. adverse to prior year

i.e. favourable to prior year

* excludes the £189m methodology change

Civil Aerospace trading cash flow outlook
(current accounting)

Rolls-Royce

£m	2015	2016	2017	2018	2019	2020	2021
Underlying profit before financing	812	**367**	↗	↗	↗	↗	↗
Depreciation, amortisation and impairment	410	491	↗	↗	↗	→	→
Sub-total	1,222	**858**	↗	↗	↗	↗	↗
Contractual Aftermarket Rights (CARs) additions	(161)	(208)	↘	↗	↗	↗	↗
Property, plant, equipment and other intangibles	(502)	(739)	↘	↗	→	→	→
Other timing differences*	(75)	111	→	→	→	→	→
Trading cash flow pre-working capital movements	484	**22**	↘	↗	↗	↗	↗
Net TotalCare® asset movements	(406)	(246)	↗	↗	↗	↗	↗
Other working capital movements	(78)	267	↗	↘	↘	↘	↘
Trading cash flow**	0	**43**	↗	↗	↗	↗	↗

Still expect to be marginally ahead despite strong 2016 performance

i.e. adverse variance to prior year   i.e. favourable variance to prior year

* Includes timing differences between underlying profit before financing and cash associated with: joint venture profits less dividends received; provision charges higher /(lower) than cash payments; non-underlying cash and profit timing differences (including restructuring); and financial assets and liabilities movements. ** Trading cash flow is cash flow before: deficit contributions to the pension fund; taxes; payments to shareholders; foreign exchange on cash balances; and, acquisitions and disposals.

Business outlook for 2017

Rolls-Royce

Civil
- Large engine ramp-up; higher OE revenues but adverse mix
- Aftermarket stable overall, but mix changes
- Business aviation OE expected to weaken further
- Further improvement in lifecycle costs
- Trading cash flow steady after better 2016

Power Systems
- Steady to positive overall
- Good order book in attractive segments while some markets remain mixed
- Modest growth in revenue and profit in 2017

Nuclear
- Long term positive outlook through gov't contracts
- 2017 profit impacted by minimal R&D credit and Small Modular Reactor spend

Defence
- Steady revenue
- Margin pressure from investments and lower contract performance incentives

Marine
- Outlook remains cautious
- Oil price still impacting activity/over-capacity
- Ongoing cost reduction programme focused on manufacturing, supply chain, overheads

Technical factors for 2017

- 2017 FX impact if rates remain unchanged from end-2016
  - Underlying revenues: +£400m; underlying profit before tax: +£50m

Guidance at constant 2016 foreign exchange	2016	2017 Guidance
Finance Charges	£102m	£100-110m
Tax rate	32%	c.25-30%
Capital expenditure (Property, plant, and equipment)	£626m 5% of revenue	£600-650m
Net R&D spend	£937m 7% of revenue	~£950m
R&D charge	£862m	~£800m
Free cash flow	£100m	targeting similar outturn to 2016

Financial summary

- Good end to year and delivered on expectations
- Plenty remains to be done – significant execution challenge
- Outlook biased to positive across the five businesses

- Strong focus on embedding transformation benefits

- Priority to deliver long-term cost efficiencies and improving cash flows

Warren East

Chief Executive

Rolls-Royce

Updating our strategic priorities

Rolls-Royce

Strategic priorities

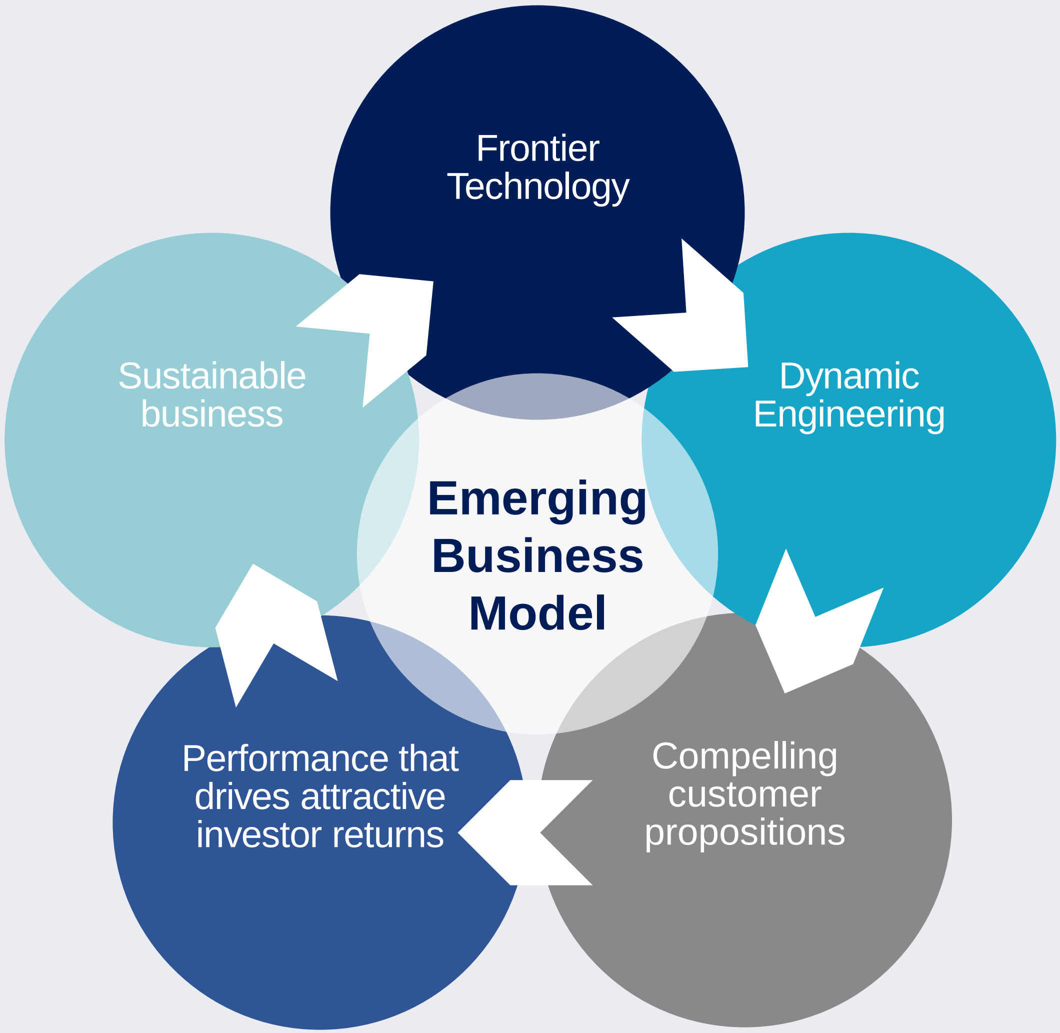
1
Long-term industry and technology trends

2
Update competitive advantage & market attractiveness assessment

3
Further transformative actions on cost and efficiency

4
Investment needs and balance sheet capacity timeframes

Emerging business model



Priorities for 2017

Rolls-Royce

Strengthen our focus on engineering, operational and aftermarket excellence	Deliver good progress on transformation commitments	Rebuild trust and confidence in our long-term growth prospects	Complete strategic update; outline clear goals and priorities for Rolls-Royce

…with a focus on pace and simplicity

Summary

Rolls-Royce

2016

- Met expectations for profit and free cash flow
- No major trading issues arising during second half of the year

2017

- Operational focus on ramp-up, delivery performance, new product introductions and embedding transformation
- Modest performance improvements overall; cash flow similar to 2016

Clear priorities for the team

- Focus on excellence continues
- Transformation momentum building
- Committed to rebuilding trust in the long-term prospects of the business

Growth expectations remain positive

- Long-term market demand in Aerospace, Defence and Power Systems remain positive
- Civil Aerospace order book reinforces strong market share gains

Rolls-Royce

Strengthen our focus on engineering, operational and aftermarket excellence

Deliver good progress on transformation commitments

Rebuild trust and confidence in our long-term growth prospects

Complete strategic update; outline clear goals and priorities for Rolls-Royce

Q&A

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Safe harbour statement

This 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 announcement, and will not be updated during the year. Nothing in this announcement should be construed as a profit forecast. All figures are on an underlying basis unless otherwise stated. See note 2 of the Financial Review for definition.