

24 November 2015

## **ROLLS-ROYCE HOLDINGS PLC PRESENTS UPDATE ON REVIEW OF OPERATIONS**

Rolls-Royce is today presenting the initial findings of Chief Executive Warren East's review of operations including further details on the actions being taken to improve disclosure and transparency. Highlights include:

### **Initial findings of the review of operations**

- Strong portfolio of products and services providing highly differentiated, mission critical, power systems
- Sustainable barriers to entry; engineering excellence in long-life world-class products
- Good investment opportunities to strengthen competitive advantage in key markets

### **Clear areas for business improvement**

- Complex business model with high embedded costs
- Previous disclosure has undermined confidence in the business model in the face of changing markets conditions in several businesses

### **Enhanced disclosure and simplification will help improve transparency while reducing costs and inefficiencies**

- Proposals to increase revenue segmentation, business by business gross margin and trading cash flow analysis
- Major restructuring will simplify the organisation, streamline senior management, reduce fixed costs and add greater pace and accountability to decision making
- Incremental gross cost savings of £150-200m per annum, with benefits accruing from 2017 onwards, targeting a 1-2 year payback

### **Medium to long-term outlook remains strong**

- Strong long-term cash flows will be driven by significant growth in widebody aftermarket, industrial transformation and cost reduction programmes
- Industrial transformation is creating a world-class, cost competitive foundation
- Focused power systems portfolio will provide a strong balance of growth and cash generative businesses, protected by strong engineering-led barriers to entry

**Warren East, commenting on his review, said:** "As a group we are undergoing an unprecedented period of change. Change in our mix of business and how we account for it. Change in our industrial footprint as we invest in a wide-ranging transformation. And change in demand for our products as we double our large engine output and manage reductions in demand in other markets. These changes, while more painful than we expected in the near-term, are vital to our long-term success."

"My review has underpinned my confidence about the opportunities before us and I am convinced that our long-term outlook is positive. It has also highlighted a number of areas where we can simplify the way we work, inject pace into our decision-making and responsiveness, and improve our operational gearing and operational effectiveness. This is fundamental to ensuring Rolls-Royce best positions itself to compete for the long term opportunities before us."

**Ian Davis, Chairman of Rolls-Royce, added:** “As a Board we are committed to providing Warren with the support he needs to implement the findings of his review. He is recommending clear and decisive actions which we fully support and we are committed to ensuring he has the right resources at the highest level to deliver these changes.”

Details of how to join the event online are provided below. Downloadable materials will be available on the Rolls-Royce website this afternoon.

**Online webcast registration details for 24 November presentation (15:30-18:00 GMT)**

To register for the live webcast (including Q&A participation) please visit this link:  
<http://edge.media-server.com/m/p/snr7gmj7>

Use this same link to access the webcast replay after the event.

**For further information, please contact:**

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**About Rolls-Royce Holdings plc**

1. Rolls-Royce's vision is to create better power for a changing world via two main business segments, Aerospace and Land & Sea. These business segments address markets with two strong technology platforms, gas turbines and reciprocating engines. Aerospace comprises Civil Aerospace and Defence Aerospace. Land & Sea comprises Marine, Nuclear and Power Systems.
2. Rolls-Royce has customers in more than 120 countries, comprising more than 380 airlines and leasing customers, 160 armed forces, 4,000 marine customers, including 70 navies, and more than 5,000 power and nuclear customers.
3. Annual underlying revenue was £14.6 billion in 2014, around half of which came from the provision of aftermarket services. The firm and announced order book stood at £76.5 billion at 30 June 2015.
4. In 2014, Rolls-Royce invested £1.2 billion on research and development. We also support a global network of 31 University Technology Centres, which position Rolls-Royce engineers at the forefront of scientific research.

5. Rolls-Royce employs over 54,000 people in 50 countries. Over 15,500 of these are engineers.
6. The Group has a strong commitment to apprentice and graduate recruitment and to further developing employee skills. In 2014 we employed 354 graduates and 357 apprentices through our worldwide training programmes. Globally we have over 1,000 Rolls-Royce STEM ambassadors who are actively involved in education programmes and activities; we have set ourselves a target to reach 6 million people through our STEM outreach activities by 2020.