This announcement contains inside information

30 July 2026

ROLLS-ROYCE HOLDINGS PLC – 2026 Half Year Results

Strong operational and financial performance driven by transformation; FY26 guidance raised

- **Strong first half performance** driven by continued execution of our transformation programme
- **Underlying operating profit** rose by 46% to £2.5bn; underlying operating margin of 22.5% with higher profitability in all divisions reflecting the impact of our strategic initiatives and operational improvements
- **Free cash flow** of £2.0bn driven by higher underlying operating profit and with increased investments to support profitable growth to the mid-term and beyond
- **Full year 2026 guidance raised**; we now expect £4.7bn-£4.9bn underlying operating profit and £3.8bn-£4.0bn free cash flow
- **Further confidence in mid-term guidance**, supported by operational and financial progress to date
- **Resilient and diversified portfolio** with three high-performing and growing businesses, net cash of £2.1bn and a best-in-class TCC/GM ratio of 0.27x
- **Shareholder returns:** An interim dividend of 6.0p per share to be paid in September; we have completed £1.4bn of the planned £2.5bn share buyback for 2026 to date, part of our multi-year buyback programme totalling £7bn-£9bn across 2026 to 2028

Tufan Erginbilgic, CEO said: "Our transformation continues to deliver, and we are demonstrating that Rolls-Royce is now a very different company to that of the past. We have unlocked new growth opportunities across the Group and created a resilient and diversified portfolio, with three strong businesses that can respond to changes in the external environment with agility and pace.

We have made significant operational and strategic progress in the first half of the year. In Civil Aerospace, where we continued to improve our aftermarket profitability, we have also effectively eliminated aircraft on ground, providing a significant operational benefit to our customers. In Defence, we continued to establish our leading position in autonomous propulsion with several key milestones achieved in the period. In Power Systems, we captured further profitable growth in data centres, including growing prime power demand. Following its recent win in Sweden, Rolls-Royce SMR has now been successful in every competitive European nuclear tender and is uniquely positioned to become a global market leader.

A strong start to the year enables us to raise our guidance for 2026 despite the conflict in the Middle East. We now expect to deliver underlying operating profit of £4.7-£4.9bn and free cash flow of £3.8-£4.0bn. This builds further confidence in our mid-term targets. The actions that we have taken and investments we have made will drive significant profitable growth to the mid-term and beyond."

Half Year 2026 Group Results

£ million	Underlying H1 2026 [1]	Underlying H1 2025 [1]	Statutory H1 2026	Statutory H1 2025
Revenue	11,279	9,057	11,448	9,490
Operating profit	2,534	1,733	2,418	2,074
Operating margin %	22.5%	19.1%	21.1%	21.9%
Profit before taxation	2,495	1,689	1,931	4,841
Basic earnings per share (pence) [2]	22.17	15.74	19.32	52.38
Free cash flow	1,964	1,582		
Return on capital (%) [2, 3]	22.0%	16.9%		
Net cash flow from operating activities			2,570	2,018
			30 Jun 2026	**31 Dec 2025**
Net cash			2,136	1,895

[1] All underlying income statement commentary is provided on an organic basis unless otherwise stated. A reconciliation of alternative performance measures to their statutory equivalent is provided on pages 45 to 48
[2] In H1 2026, the Group re-recognised £181m UK surplus advance corporation tax (H1 2025: £277m related to the recognition of deferred tax assets on UK tax losses). This £181m has been adjusted in the calculation of the dividend per share, underlying earnings per share and return on capital. For further details, see note 5, pages 31 to 32
[3] Adjusted return on capital is defined on page 48 and is abbreviated to return on capital

2026 Half Year performance summary

- **Strategic delivery:** The first half of 2026 has been another period of strong strategic delivery, with a significant year on year improvement across all underlying financial metrics. Driving this improvement were our strategic initiatives, including commercial optimisation and cost efficiency benefits, as well as strong operational performance. Strong financial performance was delivered despite an external environment that remains challenging. We are creating a more resilient and agile Rolls-Royce, with a diversified portfolio of three high performing businesses, a strong balance sheet and a best-in-class TCC/GM[1] ratio. We have raised our full year guidance despite the impact of the conflict in the Middle East. We continue to monitor the situation for any future direct and indirect impacts and will take further appropriate actions as necessary.

- **Significant underlying operating profit and margin growth:** Underlying operating profit was £2.5bn (H1 2025: £1.7bn) with an underlying operating margin of 22.5% (H1 2025: 19.1%) and improved profitability across all three divisions. Civil Aerospace delivered an underlying operating margin of 25.3% (H1 2025: 24.9%). This was driven by a strong large engine aftermarket performance, with higher long-term service agreement (LTSA) margins and time and materials performance, and contractual improvements. Defence delivered an underlying operating margin of 21.0% (H1 2025: 15.4%), reflecting our actions to support strong aftermarket performance alongside continued self-help. Power Systems reported an underlying operating margin of 20.3% (H1 2025: 15.3%), driven by strong performance in power generation, reflecting higher volumes, an improved mix and commercial optimisation, alongside higher governmental profit. Across the Group, our cost efficiency actions continue to deliver.

- **Sustainable free cash flow growth:** Free cash flow was £2.0bn compared to £1.6bn in the prior period. Higher free cash flow was primarily driven by stronger underlying operating profit, partly offset by lower LTSA balance growth, higher net investments, and higher cash tax costs. Civil Aerospace net LTSA balance growth net of risk and revenue sharing agreements (RRSAs) was £86m (H1 2025: £472m). This reflects 4% growth in large engine flying hours (EFH) alongside an improved EFH rate, offset by higher shop visit volumes, continued supply chain costs, and the benefits from higher LTSA margins and contract catch-ups as we drive commercial and operational improvements across the business. Net investments of £(73)m (H1 2025: £37m) included capacity expansion in both Civil Aerospace and Power Systems to support profitable growth.

- **Resilient and diversified:** Net cash increased to £2.1bn (FY 2025: £1.9bn). Gross debt was £2.7bn, as we repaid £1.1bn[2] of bonds from cash and we issued €1bn of bonds maturing in 2031 and 2036, and lease liabilities were £1.7bn. Together with cash and cash equivalents of £6.5bn, we have a robust liquidity position of £9.0bn at 30 June 2026 (FY 2025: £8.7bn). Our TCC/GM ratio continued to improve to 0.27x (H1 2025: 0.35x), a best-in-class level for the industry. The credit rating agencies continued to recognise our progress. During the period, Moody's and Fitch upgraded our credit rating to A3 and A-, respectively, both with a stable outlook. S&P Global affirmed our BBB+ rating, moving the outlook to positive.

- **Growing shareholder returns:** In line with our capital framework, we will pay an interim dividend of 6.0p per share in September[3]. We are making good progress with the £2.5bn 2026 tranche of our share buyback programme, having completed £1.1bn by the end of June and £1.4bn to date. This forms part of our multi-year buyback programme, totalling £7bn-£9bn across 2026 to 2028.

[1] *Total underlying cash costs as a proportion of underlying gross margin*
[2] *Debt repaid during the period at hedged rate*
[3] *Further information on the dividend and the Company's Dividend Reinvestment Programme can be found in Note 7 to the condensed consolidated interim financial statements, page 32*

Transformation programme and strategic initiatives

Our strategic framework is founded on four strategic pillars. We continue to make strong progress against each of these pillars.

- **Portfolio choices & partnerships:**
  - In Civil Aerospace, we are continuing to expand our global maintenance, repair and overhaul (MRO) capacity to support long-term fleet growth and our customers. In January, Turkish Technic broke ground on a state-of-the-art engine maintenance centre at Istanbul Airport which is targeted to be operational by the end of 2027.
  - Our partnership with Airbus and Qantas is supporting the increasing demand for ultra long-haul flight. The Rolls-Royce Trent XWB-97 powers Qantas's groundbreaking Project Sunrise programme, including the planned Sydney-London route on the Airbus A350-1000ULR, which will be the world's longest commercial route. The programme demonstrates the durability, efficiency, and reliability of the Trent XWB-97 engine. The first non-stop Project Sunrise test flight from Australia to Europe was completed in July.
  - Our Pearl 10X engine successfully powered the first flight of Dassault's Falcon 10X business jet, completing a key step towards entry into service. Testing will continue over the coming months, delivering key data for the final certification of the aircraft.
  - In Defence, the UK Government published its Defence Investment Plan (DIP), providing a ten-year investment framework supporting sovereign capabilities across combat, transport, submarines and autonomous. The plan pledged to invest £8.6bn into the Global Combat Air Programme (GCAP) between now and the end of the decade, offering significantly improved visibility over the funding of the programme to 2030, in addition to providing support and long-term visibility for other key future programmes such as AUKUS and UK Continuous at Sea Deterrent. We also stand to benefit from the commitments made at the recent NATO summit, including for SAAB Global Eye and MQ-4C Triton.
  - In Power Systems, we are continuing to grow our capacity to support strong growth in power generation and governmental. We are also investing in the development of the next generation engine that will offer a 20% higher power density than our current Series 4000 engine. This remains on track to be launched in 2028, and we have started full system testing in our US facility. We are strengthening our position in governmental through the continued development of the *mtu* Series 199 platform into a scalable powertrain platform for all major vehicle types for global land forces.
  - We are accelerating research into Advanced Modular Reactors (AMRs), supported by agreements with nuclear authorities in the UK and Japan. This activity builds on our unique nuclear capability and supports our ambition to develop a differentiated portfolio of nuclear technologies.

- **Advantaged businesses & strategic initiatives:**
  - In Civil Aerospace, we are continuing to improve LTSA margins across our in-production widebody engines through operational improvements and commercial optimisation, including the further successful renegotiation of onerous contracts. The improvements that we are driving across widebody and business aviation have resulted in gross contractual margin improvements of £574m in the period.
  - Our time on wing programme, which targets more than a 100% increase in durability across in-production engines by the end of 2027, remains on track with the majority of the targeted improvement now delivered. On the Trent 1000, we have begun installing the upgraded HPT blades in shop visits and in new engines. Our Phase 1 improvement delivers a 100% increase in time on wing. Our Phase 2 modification adds a further 30% improvement. Taken together, these can deliver an improvement of up to triple the time on wing for this engine, depending on operations. To date, almost 50% of the Trent 1000 TEN fleet has been fitted with improved HPT blades, bringing them to the new XE standard. The Trent 7000 also benefits from the same HPT blade improvements. Almost the entire fleet has been upgraded to date, and these improvements are performing well in service. On the Trent XWB-84, we have split the improvement programme to accelerate its delivery. Having pulled forward the planned life extensions of critical life limited parts (LLPs), we remain on track to certify the remaining LLP life extensions by the year end. On the Trent XWB-97, we have tested and proven the key pieces of technology such as the combustor and the ceramic matrix composite seal segment with the successful completion of Technology Readiness Level (TRL) 6. This included sand-ingestion tests to replicate the harshest environments these technologies will be subject to in service.
  - We have delivered significant operational improvements in the first half, including effectively eliminating aircraft on ground (AOG) in Civil Aerospace, a best-in-class performance across the industry. This benefits our airline and airframer customers and differentiates us from our competitors. This has been supported by operational improvements across our MRO network, where we have restructured our aftermarket operations to build greater operational resilience, alongside increased supply chain resilience. We are also optimising MRO costs through network efficiencies. In the first half of 2026, we increased large engine MRO output by 13%, with a 35% year on year increase in large engine refurbishments.

- We are seeing positive commercial momentum for the Trent 1000 XE, supported by a combination of improved durability and our strong aftermarket service offering. The Trent 1000 XE has now been selected by three airlines, including LATAM Airlines, with further active campaigns underway.
- In Defence, we are cementing our position as a global leader in autonomous propulsion, a market with significant growth potential, with several important milestones achieved. The UK DIP allocated £5bn of funding for autonomous systems, supporting the development of next-generation autonomous capabilities, including a sovereign world-leading propulsion system. In April, the U.S. Navy's MQ-25A Stingray, powered by our AE 3007N engines, completed its first flight, autonomously executing a digitally programmed mission plan. In Germany, Rolls-Royce is under contract to design a scalable core engine concept capable to be adapted for multiple autonomous platforms in the medium Collaborative Combat Aircraft (CCA) class.
- In Power Systems, we continue to profitably capture strong growth in power generation, led by data centres. We are capturing stronger demand for our backup power solutions alongside growing demand for our Series 4000 gas reciprocating engines for use as a prime power source. As a result, we now expect 25% growth in power generation OE revenues to 2030 (previously: 20% to the mid-term).
- In governmental, where we now expect 20% OE revenue growth to 2030 (previously: 20% to the mid-term), order intake was strong. In the first half of the year, we announced that we will supply 350 upgraded *mtu* Series 199 engines for new Boxer armoured wheeled vehicles for the German Armed Forces and other international customers, we secured an order for around 200 compact *mtu* PowerPacks for the Bunderswehr's Puma armoured personnel carrier, and we signed a memorandum of understanding with Polska Grupa Zbrojeniowa S.A. to provide services to *mtu* engines used by the Polish Armed Forces.

– **Efficiency & simplification:**

- We started the second phase of our efficiency and simplification programme, which will drive further efficiencies and support disciplined growth as the business continues to scale up. As part of this, we are scaling up our Group Business Services (GBS) and Sales, Inventory, and Operations Planning (SIOP) activities, and driving further efficiencies from lean manufacturing and logistics, as well as from leveraging digital and AI solutions across the Group.
- We are continuing to progress the transformation of our SIOP process to deliver more agile and improved decision making and strengthened scenario planning. We are simplifying our planning process, enabled by advanced digital planning systems, and driving greater standardisation, simplification, and integration. We have already delivered a significant reduction in cycle planning time, which has supported the improvement in fleet health and availability.
- We are driving further efficiency improvements by simplifying operations and processes using lean manufacturing. In Civil Aerospace manufacturing, efficiency improvements and a focus on developing the culture and capability of our manufacturing teams have enabled us to deliver a 9% productivity improvement in our factories over a two-year period. In our aftermarket operations, we are also using lean improvement programmes to streamline the shop visit process, leveraging automated inspection tools and 3D-printing for tooling to reduce turnaround times and costs for Trent and Pearl engines.
- We further improved our best-in-class TCC/GM ratio to 0.27x (H1 2025: 0.35x), evidence of the continued strengthening of our competitive advantage and resilience.

– **Lower carbon & digitally enabled businesses:**

- We are building a digital thread through Rolls-Royce including engineering, MRO, and supply chain which allows us to gather dispersed data into a strategic asset for better, faster, decision making and are deploying AI tools to improve operational execution. We are continuing to deploy AI-enabled tools across our MRO network, building on the launch of AiRR (AI at Rolls-Royce) in 2025. These AI agents are being used to improve work scope prediction and shop visit scheduling, supporting our broader programme to reduce turnaround times and shop visit costs over time.
- In Civil Aerospace, the Trent XWB-84 EP engine entered into service last year with Delta Air Lines, building on the Trent XWB-84, which was already the world's most efficient in-service large engine. The Trent XWB-84 EP engine is delivering a 1.8% specific fuel efficiency improvement, significantly above the planned target of 1%. For an airline, this fuel burn improvement can represent a saving of around $450,000 per aircraft per year.
- Our Pearl 700 engines powered the Gulfstream G800's first flight using 100% sustainable aviation fuel (SAF). The test demonstrated a significant reduction in particulates that contribute to contrail formation when using SAF.
- In Power Systems, demand for battery energy storage systems (BESS) to support grid stability and renewable energy integration remains strong. In March, we began construction on a large 86MWh energy storage project

in Falkirk, Scotland for Voltaria Helios Energy Storage, which will connect to the grid later this year. In June, we signed contracts with Sunly for four large-scale BESS in Latvia with a total capacity of 490MWh, which further strengthens our position in the Baltic states.

- Rolls-Royce SMR was selected by Videberg Kraft to supply three SMRs in Sweden. This underscores Rolls-Royce SMR’s position as Europe’s leading SMR technology. Rolls-Royce SMR is the only SMR company with multiple contractual commitments in Europe and is well placed to become a global market leader. Rolls-Royce SMR’s contracts with Great British Energy – Nuclear (GBE-N) in the UK and CEZ Group in the Czech Republic have now entered the execution phase and are now generating revenues and profits for Rolls-Royce SMR.

These strategic initiatives are continuing to expand the earnings and cash potential of the business.

Outlook and 2026 guidance

A strong first half gives us confidence to raise our full year 2026 guidance, despite an uncertain external environment. This reflects continued execution of our strategic initiatives, including commercial optimisation and cost efficiencies.

2026 financial guidance	Upgraded	Previous
Underlying operating profit	£4.7bn-£4.9bn	£4.0bn-£4.2bn
Free cash flow	£3.8bn-£4.0bn	£3.6bn-£3.8bn

Underlying operating profit guidance for full year 2026 now stands at £4.7bn-£4.9bn compared to £4.0bn-£4.2bn previously.

The increase in guidance is driven by higher LTSA margins and an increased level of contract catch-ups in Civil Aerospace, stronger profitability in power generation in Power Systems, and stronger aftermarket profitability in Defence.

We expect a lower contribution from contractual margin improvements in Civil Aerospace in the second half of the year (H1 2026: £497m).

Free cash flow guidance for the full year 2026 now stands at £3.8bn-£4.0bn compared to £3.6bn-£3.8bn previously. As guided in February, our free cash flow guidance for full year 2026 includes a £150-200m cash impact related to the aerospace supply chain. We continue to expect this cash impact to be gone by the mid-term, with a reduced outflow in 2027.

In Civil Aerospace, we now expect large EFH towards the lower end of the range of 115%-120% of 2019 levels. We continue to expect 550-600 total OE deliveries and 1,480-1,550 total shop visits. Our 2026 free cash flow guidance is based on a lower Civil Aerospace net LTSA balance growth compared to 2025 (£572m), due to higher shop visit volumes, increased LTSA margins and contract catch-ups. Additional details are included in the results presentation and supplementary data slides.

Half Year 2026 financial performance by division

£ million	Underlying revenue	Organic change [1]	Underlying operating profit/(loss)	Organic change [1]	Underlying operating margin	Organic margin change [1]
Civil Aerospace	6,186	29%	1,567	31%	25.3%	0.5pt
Defence	2,484	17%	522	57%	21.0%	5.4pt
Power Systems	2,604	28%	528	72%	20.3%	5.3pt
All Other Businesses [2]	5	(17)%	(30)	(41)%	nm[3]	nm[3]
Corporate/eliminations	-	nm[3]	(53)	41%	nm[3]	nm[3]
Total	**11,279**	**26%**	**2,534**	**46%**	**22.5%**	**3.1pt**

Trading cash flow

£ million	H1 2026	H1 2025
Civil Aerospace	1,458	1,111
Defence	615	327
Power Systems	507	425
All Other Businesses [2]	(12)	17
Corporate/eliminations	(50)	(33)
Total trading cash flow	**2,518**	1,847
Underlying operating profit charge exceeded by contributions to defined benefit schemes	(29)	(6)
Taxation	(525)	(259)
Total free cash flow	**1,964**	1,582

[1] Organic change is the measure of change at constant translational currency applying full year 2025 average rates to 2025 and 2026 and excludes M&A and business closures. All underlying income statement commentary is provided on an organic basis unless otherwise stated
[2] All Other Businesses comprises the financial results of the UK Civil Nuclear business and the Group's share of the financial results of Rolls-Royce SMR Limited
[3] nm is defined as not meaningful

Civil Aerospace

H1 2026 key Civil Aerospace operational metrics:	Large engine	Business aviation/ regional	Total	Change
OE deliveries	157	122	**279**	+42
LTSA engine flying hours (millions)	8.4	1.6	**10.0**	+0.4
Total LTSA shop visits	556	156	**712**	+16
…of which major shop visits	294	140	**434**	+28

Higher Civil Aerospace underlying operating profit reflected stronger large engine aftermarket performance, with higher LTSA margins and time and materials performance, alongside a larger contribution from contractual margin improvements.

In the first half of 2026, large EFH rose by 4% versus the prior period to 113% of 2019 levels, driven primarily by new aircraft deliveries. Business aviation and regional EFH rose by 9% in the period.

Demand for new widebody aircraft remains strong. A total of 254 large engines were ordered in the period (H1 2025: 349) with a gross book-to-bill of 1.6x (H1 2025: 2.9x). Significant new orders included 40 Trent XWB-97 engines for Atlas Air Worldwide to power 20 Airbus A350F freighter aircraft, 30 Trent XWB-84 EP and 32 Trent 7000 engines for Delta Air Lines, 40 Trent 7000 engines for SAS, and orders for Trent 1000 XE engines for eight Boeing 787 aircraft, including for LATAM Airlines. As a result of strong order inflow in the period, our large engine order book stood at 2,266 engines at the end of June 2026 (H1 2025: 2,056).

Total OE deliveries of 279 engines were 18% higher than the prior period (H1 2025: 237), comprising 122 business aviation deliveries (H1 2025: 115) and 157 total large engine deliveries (H1 2025: 122). Shop visits increased by 2% versus the prior period to 712 (H1 2025: 696); of these 294 were large engine major shop visits (H1 2025: 217).

Underlying revenue of £6.2bn increased 29%, driven by higher OE deliveries and shop visit volumes, alongside stronger commercial optimisation. Underlying OE revenue grew by 35% in the period to £2.0bn and services revenue grew by 26% to £4.2bn. LTSA revenue catch-ups were £356m (H1 2025: £126m).

Underlying operating profit was £1.6bn (25.3% margin) versus £1.2bn in H1 2025 (24.9% margin). The significant increase in underlying operating profit was driven by stronger large engine aftermarket performance, including higher LTSA margins and shop visit volumes, a larger contribution from contractual margin improvements, higher time and materials profit, and a stronger business aviation performance.

Our efforts to improve the profitability of our aftermarket contracts supported gross contractual margin improvements with a benefit in the period of £574m. This was driven by the commercial and operational improvements that we are making across widebody and business aviation, alongside the successful renegotiation of onerous contracts. These benefits were partially offset by £77m of additional charges related to the impact of higher product costs associated with continued supply chain challenges. As a result, net contractual and operational improvements were £497m (H1 2025: £288m), comprising contract catch-ups of £372m (H1 2025: £107m) and onerous provision releases of £125m (H1 2025: £181m).

Trading cash flow of £1.5bn compared to £1.1bn in the prior period. Higher trading cash flow was primarily driven by stronger underlying operating profit alongside an improved working capital performance, partly offset by a lower LTSA balance growth.

Civil Aerospace net LTSA balance growth net of risk and revenue sharing agreements (RRSAs) of £86m compared to £472m in the prior period. Higher LTSA invoiced flying hour receipts of £3.4bn (H1 2025: £3.0bn) reflected continued EFH growth and an improved EFH rate. This was partly offset by higher LTSA revenues, reflecting higher shop visit volumes, including significantly more large engine refurbishments, and the benefits from higher LTSA margins and contract catch-ups as we drive commercial and operational improvements across the business.

Defence

Higher underlying operating profit was driven by our actions to support a stronger aftermarket performance alongside continued self-help.

Demand remains high, with an order intake of £2.4bn and a book-to-bill ratio of 1.0x. Order backlog now stands at £17.5bn, equivalent to more than three years of revenue, with order cover approaching 90% for the remainder of 2026.

Underlying revenues of £2.5bn grew by 17% compared to the prior period, with OE and services revenue growth of 18% and 16%, respectively. All sectors delivered strong revenue growth including combat (12%), submarines (14%), and transport (14%).

Key milestones in the period included an award in March to the EUROJET Consortium, in which Rolls-Royce is a major partner, to provide EJ200 engines that will power Türkiye's new fleet of 20 Eurofighter Typhoons. In April, our MT30 marine gas turbine was selected to power up to 11 of the Australian Navy's new Japanese-built Mogami-class fleet of general-purpose frigates, helping to enhance undersea warfare and air defence capabilities. Engine testing for the U.S. Army's MV-75 Cheyenne is progressing well, and we are on track to deliver the first AE 1107 flight test engines later this year. We also completed key altitude and operating tests on the F-130, which will re-engine the U.S. Air Force's B-52 fleet, and are moving ahead with the next stages of systems integration and dual-pod testing.

Underlying operating profit was £522m (21.0% margin) compared to £342m (15.4% margin) in the prior period. Higher underlying operating profit reflects our actions to support a stronger aftermarket performance across transport and combat, including reducing shop visit costs and driving manufacturing efficiencies, as well as a strong contribution from profitable international sales, and an increase in flying hours. This was in addition to continued self-help benefits, notably cost efficiencies, and submarines growth.

Trading cash flow was £615m compared to £327m in the prior period, driven by higher underlying operating profit alongside an improved working capital performance, which included increased customer prepayments in the period.

Power Systems

Higher underlying operating profit reflected stronger performance in power generation and governmental, as we captured volume growth with an improved mix, and delivered commercial optimisation benefits.

Order intake was £4.6bn, more than a 50% increase compared to the prior period, with a book-to-bill ratio of 1.8x. OE order coverage remains strong at around 100% for 2026 and more than 50% for 2027, with growing visibility of orders to the mid-term and beyond supported by our framework agreements with data centre customers. Power generation order intake rose by 55%, reflecting strong demand for backup and prime power solutions for data centres. Governmental order intake rose by 50%.

Underlying revenue increased by 28% compared to the prior period to £2.6bn. Power generation underlying revenue growth was 41%, which included strong data centre growth. Governmental underlying revenue growth was 25%, driven by both land and naval. Underlying OE revenue grew by 33% to £1.8bn. Underlying services revenue grew by 17% to £780m.

Underlying operating profit grew by 72% to £528m with underlying operating margin improving by 5.3pts to 20.3% (H1 2025: 15.3%). The increase in underlying operating profit reflected stronger performance in power generation, driven by data centres, as we captured volume growth with an improved customer and product mix alongside commercial optimisation benefits. Governmental performance was also stronger.

Trading cash flow was £507m compared to £425m in the prior period, driven by higher underlying operating profit, partly offset by increased investments and working capital to support disciplined business growth.

Statutory and underlying Group financial performance

	H1 2026					H1 2025
£ million	Statutory	Impact of hedge book [1]	Impact of acquisition accounting	Impact of other non-underlying items	Underlying	Underlying
Revenue	**11,448**	**(169)**	**-**	**-**	**11,279**	9,057
Gross profit	**3,427**	**(38)**	**6**	**2**	**3,397**	2,572
Operating profit	**2,418**	**(37)**	**8**	**145**	**2,534**	1,733
Net financing (costs)/income	(487)	417	-	31	(39)	(44)
Taxation [2]	(316)	(100)	(2)	(43)	(461)	(93)
Profit for the period	**1,615**	**280**	**6**	**133**	**2,034**	1,596
Basic earnings per share (pence) [2]	**19.32**				**22.17**	15.74

Revenue: Underlying revenue of £11.3bn was 26% higher than the prior period, reflecting strong growth across all divisions. Statutory revenue of £11.4bn was 21% higher compared with the prior period. The difference between statutory and underlying revenue is driven by statutory revenue being measured at average prevailing exchange rates (H1 2026: GBP:USD 1.35; H1 2025: GBP:USD 1.30) and underlying revenue being measured at the hedge book achieved rate during the period (H1 2026: GBP:USD 1.38; H1 2025: GBP:USD 1.44).

Operating profit: Underlying operating profit of £2.5bn (22.5% margin) compared to £1.7bn (19.1% margin) in the prior period, with improved profitability across all three divisions. The largest increase in underlying operating profit was in Civil Aerospace, driven by a strong large engine aftermarket performance, with higher LTSA margins and time and materials performance, and contractual margin improvements. Power Systems also delivered a significant increase, reflecting strong performance in power generation, driven by higher volumes, an improved mix and commercial optimisation, alongside higher governmental profit. Higher profit in Defence reflected our actions to support a strong aftermarket performance in combat and transport alongside continued self-help. Statutory operating profit was £2.4bn, compared to underlying operating profit of £2.5bn. The £116m lower statutory operating profit is primarily due to a £(117)m pension past service charge, £(28)m transformation and restructuring charges, £(8)m amortisation of intangible assets from previous acquisitions, partly offset by £37m positive impact from currency hedges. These items have been adjusted in arriving at underlying operating profit.

Net financing (costs)/income: Underlying net financing costs of £(39)m, comprising £112m interest receivable, £(103)m interest payable and £(48)m of other financing charges. Statutory net financing costs of £(487)m included net fair value losses on derivative contracts of £(250)m, net foreign exchange losses of £(167)m, net interest payable of £(5)m, and £(65)m of other financing charges, costs of undrawn facilities and pension scheme financing.

Taxation: Underlying tax charge of £(461)m (H1 2025: £(93)m) reflects an overall tax charge on profits of Group companies and a tax charge of £(23)m relating to the recognition of a deferred tax liability for withholding tax on unremitted earnings from overseas subsidiaries. This is partly offset by a tax credit of £181m relating to the re-recognition of previously derecognised deferred tax asset relating to UK surplus advance corporation tax. These are reflected in the statutory tax charge of £(316)m (H1 2025: tax charge £(433)m), which also includes a £9m tax credit relating to other non-underlying items.

Profit for the period: Underlying profit for the period of £2.0bn was £419m higher than statutory profit for the period with the main drivers of this being set out above. Statutory profit for the period of £1.6bn (H1 2025: £4.4bn) was £2.8bn lower than the prior period primarily due to the impact of exchange rate movements on our hedge book and the disposal of businesses in the prior period. For statutory reporting purposes, we are required to record the hedge book at fair value using the prevailing exchange rate, this resulted in a £(250)m net financing cost in the period (H1 2025: net financing gain of £1.6bn). The movement in foreign exchange rates also resulted in a foreign exchange loss of £(167)m in the period (H1 2025: gain of £529m). The prior period also benefited from a £679m gain on disposal of business.

[1] *Reflecting the impact of measuring revenue and costs at the average exchange rate during the period and the valuation of assets and liabilities using the period end exchange rate rather than the rate achieved on settled foreign exchange contracts in the period or the rate expected to be achieved by the use of the hedge book*

[2] *In H1 2026, the underlying profit attributable to ordinary shareholders has been adjusted for the one-off impact of £181m related to the re-recognition of UK surplus advance corporation tax (H1 2025: £277m related to the recognition of deferred tax assets on UK tax losses), see note 5, pages 31 to 32 for further details*

Free cash flow

	H1 2026					H1 2025
£ million	Cash flow	Impact of hedge book	Impact of acquisition accounting	Impact of other non-underlying items	Funds flow	Funds flow
Operating profit	**2,418**	**(37)**	**8**	**145**	**2,534**	1,733
Depreciation, amortisation and impairment	434	-	(8)	-	426	433
Movement in provisions	(130)	(31)	-	2	(159)	(294)
Movement in Civil Aerospace LTSA balance	56	56	-	-	112	441
Movement in RRSA prepayments for parts	(17)	(9)	-	-	(26)	31
Movement in cost to obtain contracts	(3)	(1)	-	-	(4)	(48)
Settlement of excess derivatives	(27)	-	-	-	(27)	(116)
Interest received	110	-	-	-	110	150
Other operating cash flows [1]	172	-	-	(117)	55	64
Operating cash flow before working capital and income tax	**3,013**	**(22)**	**-**	**30**	**3,021**	2,394
Working capital [2]	114	(38)	-	(11)	65	(22)
Cash flows on other financial assets and liabilities held for operating purposes	(32)	53	-	-	21	(31)
Income tax	(525)	-	-	-	(525)	(259)
Cash from operating activities	**2,570**	**(7)**	**-**	**19**	**2,582**	2,082
Capital element of lease payments	(139)	7	-	-	(132)	(78)
Capital expenditure	(362)	-	-	-	(362)	(349)
Cash received on maturity of share-based payment schemes	-	-	-	-	-	38
Investments	(5)	-	-	-	(5)	31
Interest paid	(117)	-	-	-	(117)	(136)
Other	17	-	-	(19)	(2)	(6)
Free cash flow	**1,964**	**-**	**-**	**-**	**1,964**	1,582

Free cash flow in the period was £2.0bn, £382m higher than the prior period driven by:

Underlying operating profit of £2.5bn was £801m higher than the prior period.

Movement in provisions of £(159)m was primarily driven by a net release of onerous provisions.

Movement in Civil Aerospace LTSA balance was £112m (H1 2025: £441m), driven by continued EFH growth and an improved EFH rate, partly offset by higher shop visit volumes, continued supply chain costs, and the benefits from higher LTSA margins and contract catch-ups as we drive commercial and operational improvements across widebody and business aviation. Catch-ups were £(356)m in H1 2026 compared with £(126)m in the prior period.

Movement in RRSA prepayments for parts of £(26)m (H1 2025: £31m) is driven by growth in income received from customers (based on EFH flown) where the partner receives a share in advance of them providing goods and services to the Group.

Working capital inflow of £65m, compared to an outflow of £(22)m in the prior period. This reflected the continued benefits of our working capital initiatives, and as we supported strong growth across the Group. A net inflow of £556m from receivables, payables and contract liabilities reflected sales volume growth and the receipt of higher advanced payments across the divisions. This was partly offset by a £(491)m increase in inventory to support volume growth in the second half of the year.

Income tax of £(525)m was higher than the prior period of £(259)m due to increased profits and timing of payments.

Capital expenditure of £(362)m includes £(237)m of property, plant and equipment additions and £(153)m of intangibles additions. The combined additions were higher than the prior period (H1 2025: £(349)m) and included capacity expansion in both Civil Aerospace and Power Systems to support profitable growth.

[1] *Other operating cash flows includes profit/(loss) on disposal, share of results and dividends received from joint ventures and associates, flows relating to our defined benefit post-retirement schemes, and share based payments*

[2] *Working capital includes inventory, trade and other receivables and payables, and contract assets and liabilities (excluding Civil Aerospace LTSA balances, prepayment to RRSAs and costs to obtain contracts)*

Balance Sheet

£ million	30 June 2026	31 December 2025	Change
Intangible assets	4,624	4,598	26
Property, plant and equipment	4,148	4,013	135
Right-of-use assets	766	759	7
Joint ventures and associates	1,252	1,289	(37)
Civil Aerospace LTSA [1]	(10,435)	(10,397)	(38)
RRSA prepayments for parts [1]	1,821	1,771	50
Costs to obtain contracts [1]	181	178	3
Working capital [1]	(2,489)	(2,216)	(273)
Provisions	(1,455)	(1,557)	102
Net cash [2]	2,136	1,895	241
Net financial assets and liabilities [2]	(255)	(38)	(217)
Net post-retirement scheme deficits	(727)	(606)	(121)
Taxation	3,315	3,068	247
Assets and liabilities held for sale [3]	-	(4)	4
Net assets	**2,882**	**2,753**	**129**
US$ hedge book (US$bn)	22	21	

Key drivers of balance sheet movements were:

Civil Aerospace LTSA: The £(38)m movement in the net liability balance was mainly driven by an increase in invoiced LTSA receipts exceeding revenue recognised in the period.

RRSA prepayments for parts: The £50m increase corresponds to the increase seen in the Civil Aerospace LTSA balance noted above. RRSA prepayments typically move in line with the Civil Aerospace LTSA balance as the RRSA prepayment represents amounts that we have paid to Risk and Revenue Share Partners for the parts that they will ultimately provide in support of our contracts.

Working capital: The net working capital position of £(2.5)bn increased by £(273)m compared to the prior period. The movement was mainly due to an increase in net contract liabilities of £(717)m, partly offset by a £423m increase in inventory reflecting higher sales volumes and a £21m decrease in net payables.

Provisions: The £102m net reduction in provisions was due to onerous provision reversals and utilisation being greater than onerous provision charges in the period, supported by continued efforts to renegotiate onerous contracts.

Net cash: Increased by £241m to £2.1bn, with a free cash inflow of £2bn, offset by the repayment of loan notes in the period in line with their maturity dates, with €750m repaid in February 2026 and £375m repaid in June 2026. Net cash included £(1.7)bn of lease liabilities (FY 2025: £(1.5)bn). Our liquidity position is strong, standing at £9.0bn and includes cash and cash equivalents of £6.5bn and undrawn facilities of £2.5bn.

Net financial assets and liabilities: A £217m increase in the net financial liabilities primarily driven by fair value losses on foreign exchange and commodity contracts due to the impact on the movement in GBP:USD exchange rates.

Net post-retirement scheme deficits: An increase of £121m largely related to the Rolls-Royce UK Pension Fund. In 2025, we entered into a Buy-in transaction, and in H1 2026 additional benefits were granted to members. The Buy-in was undertaken in anticipation of a full Buy-out, which was completed in July.

Taxation: The net tax asset increased by £247m to £3.3bn. The increase is driven by the re-recognition of £181m deferred tax asset related to UK surplus advance corporation tax previously not recognised and a £267m reduction in the net current tax creditor primarily due to the timing of tax payments. This is partly offset by the £(165)m reduction in deferred tax assets, driven by the utilisation of UK tax losses, utilisation of UK surplus advance corporation tax, and reactivation of previously disallowed interest.

[1] *The total of these lines represent inventory, trade receivables and payables, contract assets and liabilities and other assets and liabilities in the statutory balance sheet*
[2] *Net cash includes £(37)m (2025: £(77)m) of the fair value of derivatives included in fair value hedges and the element of fair value relating to exchange differences on the underlying principal of derivatives in cash flow hedges*
[3] *Assets and liabilities held for sale relate to the naval handling business*

Results meeting and webcast

Our results presentation will be held at UBS, 5 Broadgate, London EC2M 2QS and webcast live at 09:00 (BST) today. Attendance is by pre-registration only. Downloadable materials will also be available on the Investor Relations section of the Rolls-Royce website: https://www.rolls-royce.com/investors/results-reports-and-presentations/financial-results.aspx

To register for the webcast, including Q&A participation, please visit the following link: https://app.webinar.net/YEPKlJLdgyL

Please use this same link to access the webcast replay which will be made available shortly after the event concludes. Photographs and broadcast-standard video are available at www.rolls-royce.com.

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For retail shareholder queries, please contact governanceteam@rolls-royce.com.

Individual holders of ordinary shares can contact our Registrar, Equiniti for support with their shareholding. Contact details and FAQs are available on our website, www.rolls-royce.com/investors/investor-contacts.

The person responsible for arranging the release of this announcement on behalf of Rolls-Royce Holdings plc is Claire-Marie O'Grady, Chief Governance Officer.

This results announcement contains forward-looking statements. Any statements that express forecasts, expectations and projections are not guarantees of future performance and will not be updated. By their nature, these statements involve risk and uncertainty, and a number of factors could cause material differences to the actual results or developments. This report is intended to provide information to shareholders, is not designed to be relied upon by any other party, or for any other purpose and Rolls-Royce Holdings plc and its directors accept no liability to any other person other than under English law.

LSE: RR.; ADR: RYCEY; LEI: 213800EC7997ZBLZJH69

Condensed Consolidated Interim Financial Statements

Condensed consolidated income statement

For the half-year ended 30 June 2026

	Notes	**Half-year to 30 June 2026 £m**	Half-year to 30 June 2025 £m
Revenue	2	**11,448**	9,490
Cost of sales [1, 2]		**(8,021)**	(6,563)
Gross profit	2	**3,427**	2,927
Commercial and administrative costs	2	**(797)**	(631)
Research and development costs [2]	2, 3	**(228)**	(246)
Share of results of joint ventures and associates		**16**	24
Operating profit		**2,418**	2,074
Gain arising on disposal of business [3]		**–**	679
Profit before financing and taxation		**2,418**	2,753
Financing income	4	**197**	2,342
Financing costs	4	**(684)**	(254)
Net financing (costs)/income [4]		**(487)**	2,088
Profit before taxation		**1,931**	4,841
Taxation	5	**(316)**	(433)
Profit for the period		**1,615**	4,408

Attributable to:			
Ordinary shareholders		**1,613**	4,416
Non-controlling interests (NCI)		**2**	(8)
Profit for the period		**1,615**	4,408
Other comprehensive income/(expense) (OCI)		**20**	(330)
Total comprehensive income for the period		**1,635**	4,078

Earnings per ordinary share attributable to ordinary shareholders:	6		
Basic		**19.32p**	52.38p
Diluted		**19.28p**	52.15p

1 Cost of sales includes a net charge for expected credit losses (ECLs) of £5m (30 June 2025: net release of £13m). Further detail can be found in note 12

2 In the period ended 30 June 2025, an exceptional impairment reversal was included within both cost of sales, £176m, and research and development, £9m. Further details can be found in note 2

3 In the period ended 30 June 2025, an exceptional gain on disposal was recognised as a result of the deconsolidation of Rolls-Royce SMR Limited

4 Included within net financing are fair value changes on derivative contracts. Further details can be found in notes 2, 4 and 16

Condensed consolidated statement of comprehensive income

For the half-year ended 30 June 2026

	Notes	**Half-year to 30 June 2026 £m**	Half-year to 30 June 2025 £m
Profit for the period		**1,615**	4,408
Other comprehensive (expense)/income (OCI)			
Actuarial movements on post-retirement schemes	18	**(21)**	(20)
Revaluation to fair value of other investments		**(1)**	1
Share of OCI of joint ventures and associates		**–**	(1)
Related tax movements		**6**	9
Items that will not be reclassified to profit or loss		**(16)**	(11)
Foreign exchange translation differences on foreign operations		**44**	(296)
NCI disposed through disposal of business		**–**	(23)
Movement on fair values credited/(charged) to cash flow hedge reserve		**5**	(58)
Reclassified to income statement from cash flow hedge reserve		**(11)**	51
Share of OCI of joint ventures and associates		**(1)**	5
Related tax movements		**(1)**	2
Items that will be reclassified to profit or loss		**36**	(319)
Total other comprehensive income/(expense)		**20**	(330)
Total comprehensive income for the period		**1,635**	4,078
Attributable to:			
Ordinary shareholders		**1,633**	4,109
NCI		**2**	(31)
Total comprehensive income for the period		**1,635**	4,078

Condensed consolidated balance sheet

At 30 June 2026

	Notes	**30 June 2026 £m**	31 December 2025 £m
ASSETS			
Goodwill	8	**1,024**	1,028
Intangible assets	9	**3,600**	3,570
Property, plant and equipment	10	**4,148**	4,013
Right-of-use assets	11	**766**	759
Investments		**1,252**	1,289
Other financial assets	16	**304**	523
Deferred tax assets		**3,425**	3,460
Post-retirement scheme surpluses	18	**143**	286
Non-current assets		**14,662**	14,928
Inventories		**6,151**	5,728
Trade receivables and other assets	12	**9,504**	8,946
Contract assets	13	**1,821**	1,897
Taxation recoverable		**178**	75
Other financial assets	16	**195**	282
Cash and cash equivalents		**6,484**	6,244
Current assets		**24,333**	23,172
Assets held for sale	21	**11**	15
TOTAL ASSETS		**39,006**	38,115
LIABILITIES			
Borrowings and lease liabilities	14	**(452)**	(1,426)
Other financial liabilities	16	**(447)**	(293)
Trade payables and other liabilities	15	**(9,461)**	(8,863)
Contract liabilities	13	**(8,618)**	(7,832)
Current tax liabilities		**(202)**	(366)
Provisions for liabilities and charges	17	**(467)**	(507)
Current liabilities		**(19,647)**	(19,287)
Borrowings and lease liabilities	14	**(3,859)**	(2,846)
Other financial liabilities	16	**(344)**	(627)
Trade payables and other liabilities	15	**(1,664)**	(1,778)
Contract liabilities	13	**(8,655)**	(8,762)
Deferred tax liabilities		**(86)**	(101)
Provisions for liabilities and charges	17	**(988)**	(1,050)
Post-retirement scheme deficits	18	**(870)**	(892)
Non-current liabilities		**(16,466)**	(16,056)
Liabilities associated with assets held for sale	21	**(11)**	(19)
TOTAL LIABILITIES		**(36,124)**	(35,362)
NET ASSETS		**2,882**	2,753
EQUITY			
Called-up share capital		**1,671**	1,689
Capital redemption reserve		**23**	5
Cash flow hedge reserve		**–**	7
Translation reserve		**461**	418
Retained earnings		**698**	607
Equity attributable to ordinary shareholders		**2,853**	2,726
Non-controlling interest (NCI)		**29**	27
TOTAL EQUITY		**2,882**	2,753

Condensed consolidated cash flow statement

For the half-year ended 30 June 2026

	Notes	**Half-year to 30 June 2026 £m**	Half-year to 30 June 2025 £m
Reconciliation of cash flows from operating activities			
Operating profit		**2,418**	2,074
(Profit)/loss on disposal of property, plant and equipment		**(16)**	4
Profit on disposal of intangible assets		**(1)**	–
Share of results of joint ventures and associates		**(16)**	(24)
Dividends received from joint ventures and associates		**74**	30
Amortisation and impairment of intangible assets	9	**110**	111
Depreciation and impairment of property, plant and equipment	10	**184**	132
Depreciation and impairment of right-of-use assets	11	**140**	13
Decrease in provisions		**(130)**	(395)
Increase in inventories		**(491)**	(608)
Movement in trade receivables/payables and other assets/liabilities		**(130)**	300
Movement in contract assets/liabilities		**771**	972
Cash flows on other financial assets and liabilities held for operating purposes [1]		**(32)**	(389)
Cash flows on settlement of excess derivative contracts [2]		**(27)**	(116)
Interest received		**110**	150
Net defined benefit post-retirement cost recognised in profit before financing	18	**136**	33
Cash funding of defined benefit post-retirement schemes	18	**(48)**	(39)
Share-based payments		**43**	60
Net cash inflow from operating activities before taxation		**3,095**	2,308
Taxation paid		**(525)**	(290)
Net cash inflow from operating activities		**2,570**	2,018
Cash flows from investing activities			
Additions of intangible assets	9	**(153)**	(167)
Disposals of intangible assets		**1**	1
Purchases of property, plant and equipment		**(237)**	(202)
Disposals of property, plant and equipment		**27**	6
Disposals of right-of-use assets		**–**	13
Disposal of businesses (including cash flows on disposals in prior periods)		**–**	(85)
Movement in investments in joint ventures and associates		**(5)**	(4)
Net cash outflow from investing activities		**(367)**	(438)
Cash flows from financing activities			
Repayment of loans		**(1,032)**	(176)
Proceeds from increase in loans		**864**	176
Settlement of swaps hedging fixed rate borrowings		**(25)**	–
Capital element of lease payments		**(139)**	(91)
Net cash outflow from decrease in borrowings and lease liabilities		**(332)**	(91)
Interest paid		**(79)**	(96)
Interest element of lease payments		**(37)**	(38)
Fees paid on undrawn facilities		**(1)**	(2)
Cash received on maturity of share-based payment schemes		**–**	38
Transactions with NCI [3]		**–**	35
Redemption of C Shares		**–**	(1)
Share buyback		**(1,097)**	(380)
Dividends paid	7	**(417)**	(507)
Net cash outflow from financing activities		**(1,963)**	(1,042)
Change in cash and cash equivalents		**240**	538
Cash and cash equivalents at 1 January		**6,241**	5,573
Exchange losses on cash and cash equivalents		**(1)**	(69)
Cash and cash equivalents at 30 June [4]		**6,480**	6,042

[1] Predominantly relates to cash settled on derivative contracts held for operating purposes

[2] In 2020, the Group took action to reduce the size of the USD hedge book by $11.8bn across 2020-2026 to reflect the fact that at that time, future operating cash flows were no longer forecast to materialise. To achieve the necessary reduction in the hedge book, a separate and distinct set of foreign exchange derivative instruments were entered into to buy $11.8bn which had the impact of fixing the fair value of the over-hedged position and provided certainty over when the cash flows to settle the position would occur in future periods. The associated cash outflow of these transactions is £1,674m and has occurred over the period 2020-2026. During the period, the Group incurred the final cash outflow of £27m (30 June 2025: £116m) with no further cash outflows expected in the remainder of 2026

[3] Relates to NCI investment received in the period in respect of Rolls-Royce SMR Limited prior to their deconsolidation on 4 March 2025

[4] The Group considers overdrafts (repayable on demand) to be an integral part of its cash management activities and these are included in cash and cash equivalents for the purposes of the cash flow statement

Condensed consolidated cash flow statement continued

For the half-year ended 30 June 2026

In deriving the condensed consolidated cash flow statement, movements in balance sheet items have been adjusted for non-cash items. The cash flow in the period includes the sale of goods and services to joint ventures and associates – see note 20.

	Half-year to 30 June 2026 £m	Half-year to 30 June 2025 £m
Reconciliation of movements in cash and cash equivalents to movements in net cash		
Change in cash and cash equivalents	**240**	538
Cash flow from decrease in borrowings and lease liabilities	**332**	91
Less: settlement of related derivatives included in fair value of swaps below	**(25)**	–
Change in net cash resulting from cash flows	**547**	629
Lease additions, modifications and other non-cash adjustments on borrowings and lease liabilities	**(311)**	(63)
Exchange (losses)/gains on net cash	**(28)**	89
Fair value adjustments	**(7)**	37
Movement in net cash	**201**	692
Net cash at 1 January excluding the fair value of swaps	**1,972**	442
Net cash at 30 June excluding the fair value of swaps	**2,173**	1,134
Fair value of swaps hedging fixed rate borrowings	**(37)**	(50)
Net cash at 30 June	**2,136**	1,084

The movement in net cash (defined by the Group as including the items shown below) is as follows:

	At 1 January £m	**Funds flow £m**	**Exchange differences £m**	**Fair value adjustments £m**	**Reclassi-fications £m**	**Other movements £m**	**At 30 June £m**
2026							
Cash at bank and in hand	**889**	**(182)**	**2**	**–**	**–**	**–**	**709**
Money market funds	**2,424**	**1,342**	**5**	**–**	**–**	**–**	**3,771**
Short-term deposits	**2,931**	**(919)**	**(8)**	**–**	**–**	**–**	**2,004**
Cash and cash equivalents (per balance sheet)	**6,244**	**241**	**(1)**	**–**	**–**	**–**	**6,484**
Overdrafts	**(3)**	**(1)**	**–**	**–**	**–**	**–**	**(4)**
Cash and cash equivalents (per cash flow statement)	**6,241**	**240**	**(1)**	**–**	**–**	**–**	**6,480**
Other current borrowings [1]	**(1,031)**	**1,028**	**2**	**(3)**	**–**	**–**	**(4)**
Non-current borrowings	**(1,768)**	**(860)**	**(13)**	**(4)**	**–**	**(2)**	**(2,647)**
Lease liabilities	**(1,470)**	**139**	**(16)**	**–**	**–**	**(309)**	**(1,656)**
Financial liabilities	**(4,269)**	**307**	**(27)**	**(7)**	**–**	**(311)**	**(4,307)**
Net cash/(debt) excluding fair value of swaps	**1,972**	**547**	**(28)**	**(7)**	**–**	**(311)**	**2,173**
Fair value of swaps hedging fixed rate borrowings [2]	**(77)**	**25**	**11**	**4**	**–**	**–**	**(37)**
Net cash/(debt)	**1,895**	**572**	**(17)**	**(3)**	**–**	**(311)**	**2,136**
2025							
Cash at bank and in hand	714	121	(20)	–	–	–	815
Money market funds	1,900	1,548	6	–	–	–	3,454
Short-term deposits	2,961	(1,131)	(55)	–	–	–	1,775
Cash and cash equivalents (per balance sheet)	5,575	538	(69)	–	–	–	6,044
Overdrafts	(2)	–	–	–	–	–	(2)
Cash and cash equivalents (per cash flow statement)	5,573	538	(69)	–	–	–	6,042
Other current borrowings	(799)	–	(19)	61	(988)	(1)	(1,746)
Non-current borrowings	(2,776)	–	68	(24)	988	(1)	(1,745)
Lease liabilities	(1,555)	91	109	–	–	(61)	(1,416)
Lease liabilities included within liabilities held for sale	(1)	–	–	–	–	–	(1)
Financial liabilities	(5,131)	91	158	37	–	(63)	(4,908)
Net cash/(debt) excluding fair value of swaps	442	629	89	37	–	(63)	1,134
Fair value of swaps hedging fixed rate borrowings [2]	33	–	(48)	(35)	–	–	(50)
Net cash/(debt)	475	629	41	2	–	(63)	1,084

1 Debt repaid during the period of £1,028m is shown at prevailing market rates

2 Fair value of swaps hedging fixed rate borrowings reflects the impact of derivatives on repayments of the principal amount of debt. Net cash/(debt) therefore includes the fair value of derivatives in fair value hedges (30 June 2026: £(21)m, 31 December 2025: £(26)m) and the element of fair value relating to exchange differences on the underlying principal of derivatives in cash flow hedges (30 June 2026: £(16)m, 31 December 2025: £(51)m). The impact of derivatives on debt repaid during the period was £25m (30 June 2025: £nil), which represents the difference between the debt repaid recorded at the hedged rate (£1,053m) and prevailing market rates (£1,028m)

Condensed consolidated statement of changes in equity

For the half-year ended 30 June 2026

	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Cash flow hedging reserve £m	Translation reserve £m	Retained earnings / (accumulated losses)[1] £m	Total £m	NCI £m	Total equity £m
		Attributable to ordinary shareholders								
At 1 January 2026		**1,689**	**–**	**5**	**7**	**418**	**607**	**2,726**	**27**	**2,753**
Profit for the period		–	–	–	–	–	1,613	1,613	2	1,615
Foreign exchange translation differences on foreign operations		–	–	–	–	44	–	44	–	44
Actuarial movements on post-retirement schemes	18	–	–	–	–	–	(21)	(21)	–	(21)
Fair value movement on cash flow hedges		–	–	–	5	–	–	5	–	5
Reclassified to income statement from cash flow hedge reserve		–	–	–	(11)	–	–	(11)	–	(11)
Revaluation to fair value of other investments		–	–	–	–	–	(1)	(1)	–	(1)
OCI of joint ventures and associates		–	–	–	(1)	–	–	(1)	–	(1)
Related tax movements		–	–	–	–	(1)	6	5	–	5
Total comprehensive (expense)/income for the period		–	–	–	(7)	43	1,597	1,633	2	1,635
Share buyback programme [2]		(18)	–	18	–	–	(1,136)	(1,136)	–	(1,136)
Share-based payments - direct to equity [3]		–	–	–	–	–	43	43	–	43
Dividends paid		–	–	–	–	–	(417)	(417)	–	(417)
Related tax movements		–	–	–	–	–	4	4	–	4
Other changes in equity in the period		(18)	–	18	–	–	(1,506)	(1,506)	–	(1,506)
At 30 June 2026		**1,671**	**–**	**23**	**–**	**461**	**698**	**2,853**	**29**	**2,882**

1 At 30 June 2026, 36,496,152 ordinary shares with an aggregate value of £265m were held for the purpose of share-based payment plans and included in retained earnings / (accumulated losses). During the period, 32,794,510 ordinary shares with an aggregate value of £238m vested in share-based payment plans

2 On 26 February 2026, the Group announced a multi-year share buyback across 2026-2028, with £2.5bn expected to be completed in 2026, this included a £200m interim programme announced on 16 December 2025 which was completed between 2 January and 20 February 2026.

At 31 December 2025, the Company had accrued £11m in relation to the interim programme representing an estimate of the amount it was committed to purchase in 2026 under the terms of its Share Purchase Agreement but had not yet purchased. On 20 February 2026, the Company completed the interim programme in February 2026, having purchased with cash and cancelled 15,971,931 of its ordinary shares for total consideration of £200m.

During the period to 30 June 2026, the Company also purchased 75,054,243 of its ordinary shares for total consideration of £911m, of which 73,660,842 ordinary shares at a cost of £891m were paid in cash and cancelled and 1,393,401 ordinary shares at a cost of £20m were recognised as a creditor and held as Treasury shares at 30 June 2026, representing ordinary shares that had been purchased but not yet paid for. At 30 June 2026, the Company recognised an accrual of £30m, representing an estimate of the amount committed to be purchased under the terms of its Share Purchase Agreement but as yet not purchased.

During the period, the Company separately paid costs of £6m in relation to its multi-year buyback programme

3 Share-based payments – direct to equity is the share-based payment charge for the period, less actual cost of vesting, excluding those vesting from own shares and cash received on share-based schemes

Condensed consolidated statement of changes in equity continued

For the half-year ended 30 June 2025

	Notes	Attributable to ordinary shareholders								
		Share capital £m	Share premium £m	Capital redemption reserve £m	Cash flow hedging reserve £m	Translation reserve £m	Accumulated losses[1] £m	Total £m	NCI £m	Total equity £m
At 1 January 2025		1,701	1,012	168	13	603	(4,409)	(912)	31	(881)
Profit/(loss) for the period		–	–	–	–	–	4,416	4,416	(8)	4,408
Foreign exchange translation differences on foreign operations		–	–	–	–	(296)	–	(296)	–	(296)
NCI disposed of on disposal of businesses		–	–	–	–	–	–	–	(23)	(23)
Actuarial movements on post-retirement schemes		–	–	–	–	–	(20)	(20)	–	(20)
Fair value movement on cash flow hedges		–	–	–	(58)	–	–	(58)	–	(58)
Reclassified to income statement from cash flow hedge reserve		–	–	–	51	–	–	51	–	51
Revaluation to fair value of other investments		–	–	–	–	–	1	1	–	1
OCI of joint ventures and associates		–	–	–	5	–	(1)	4	–	4
Related tax movements		–	–	–	2	–	9	11	–	11
Total comprehensive income/(expense) for the period		–	–	–	–	(296)	4,405	4,109	(31)	4,078
Bonus issue [2]		6,962	–	–	–	–	(6,962)	–	–	–
Capital reduction [2]		(6,962)	(1,012)	(177)	–	–	8,151	–	–	–
Share buyback programme [3]		(10)	–	10	–	–	(397)	(397)	–	(397)
Redemption of C Shares		–	–	1	–	–	(1)	–	–	–
Share-based payments – direct to equity [4]		–	–	–	–	–	96	96	–	96
Dividends paid		–	–	–	–	–	(507)	(507)	–	(507)
Transactions with NCI		–	–	–	–	–	9	9	26	35
Related tax movements		–	–	–	–	–	10	10	–	10
Other changes in equity in the period		(10)	(1,012)	(166)	–	–	399	(789)	26	(763)
At 30 June 2025		1,691	–	2	13	307	395	2,408	26	2,434

[1] At 30 June 2025, 31,666,521 ordinary shares with an aggregate value of £8m were held for the purpose of share-based payment plans and included in accumulated losses. During the period, 74,400,310 ordinary shares with an aggregate value of £18m vested in share-based payment plans

[2] On 1 May 2025, the Company performed a bonus issue of one share from its merger reserve for £6,962m. The merger reserve is eliminated within the consolidated statement of changes in equity and therefore is not shown in the movement table above. Subsequently, the Company performed a capital reduction against share capital, share premium, and capital redemption reserve

[3] On 27 February 2025, the Group announced a £1bn share buyback programme. During the period to 30 June 2025, the Company purchased 49,137,347 of its ordinary shares for a total consideration of £383m, of which 48,623,940 ordinary shares at a cost of £378m were paid in cash and cancelled and 513,407 ordinary shares with a cost of £5m were recognised as a creditor and held as Treasury shares. The 513,407 Treasury shares held at 30 June 2025 were cancelled later in 2025. At 30 June 2025, the Company recognised an accrual of £14m, representing an estimate of the amount it was committed to purchase under the terms of its Share Price Agreement but had not yet purchased. During the period to 30 June 2025, the Company paid costs of £2m in relation to the programme

[4] Share-based payments – direct to equity is the share-based payment charge for the period, less actual cost of vesting, excluding those vesting from own shares and cash received on share-based schemes

Notes to the Condensed Consolidated Financial Statements

1 Basis of preparation and accounting policies

Reporting entity

Rolls-Royce Holdings plc (the ‘Company’) is a public company limited by shares incorporated under the Companies Act 2006 and domiciled in the UK. These condensed consolidated interim financial statements of the Company as at and for the six months to 30 June 2026 consist of the consolidation of the Financial Statements of the Company and its subsidiaries (together referred to as the ‘Group’) and include the Group’s interest in jointly controlled and associated entities.

The Consolidated Financial Statements of the Group as at and for the year-ended 31 December 2025 (2025 Annual Report) are available upon request from the Company Secretary, Rolls-Royce Holdings plc, Kings Place, 90 York Way, London, N1 9FX.

The Board of Directors approved the condensed consolidated interim financial statements on 30 July 2026.

Statement of compliance

These condensed consolidated interim financial statements have been prepared on the basis of the policies set out in the 2025 Annual Report, and in accordance with UK adopted IAS 34 *Interim Financial Reporting* and the Disclosure Guidance and Transparency Rules sourcebook of the UK’s Financial Conduct Authority. They do not include all of the information required for full annual statements and should be read in conjunction with the 2025 Annual Report.

The interim figures up to 30 June 2026 and 2025 are unaudited. The 2025 Financial Statements, which were prepared in accordance with UK adopted International Accounting Standards (IAS) and interpretations issued by the IFRS interpretations Committee applicable to companies reporting under UK adopted IAS, have been reported on by the Group’s auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Revisions to IFRS applicable in 2026

There are no new standards or interpretations issued by the IASB that had a significant impact on these condensed consolidated interim financial statements.

Revisions to IFRS not applicable to 2026

Standards and interpretations issued by the International Accounting Standards Board (IASB) are only applicable if endorsed by the UK. Other than IFRS 18 *Presentation and Disclosure in Financial Statements* described below, the Group does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable will have a significant impact on the condensed consolidated interim financial statements.

IFRS 18 *Presentation and Disclosure in Financial Statements*

The IASB issued a new Standard, IFRS *18 Presentation and Disclosure in Financial Statements*, on 9 April 2024 that will replace IAS 1 *Presentation of Financial Statements*. The purpose of the new standard is to provide more consistent presentation of financial information across preparers as it is acknowledged that existing standards have given flexibility to present information in different ways. IFRS 18 *Presentation and Disclosure in Financial Statements* will not impact the recognition or measurement of items in the Financial Statements. Many of the existing presentation principles in IAS 1 *Presentation of Financial Statements* are retained, but there are some more specific requirements that will require the Group to make some changes in its future Annual Reports and Interim Financial Statements.

The new Standard has been endorsed by the UK Endorsement Board (UKEB) and will be applicable for reporting periods beginning on or after 1 January 2027. The Group does not anticipate its early adoption of the new Standard. Comparative information for 2026 will need to be restated when subsequent Financial Statements are published.

The Group has continued its implementation activities, determined that it does not have any specified main business activities and expects the most significant changes to be in relation to the presentation of items within the Statutory Consolidated Income Statement. The changes are expected to include: 'share of results of joint ventures and associates' being presented in the new investing category (30 June 2026: £16m) and included when arriving at a new subtotal ‘operating profit including share of results of joint ventures and associates’; interest income (30 June 2026: £113m) will be reclassified from net financing into the new investing category; the majority of foreign exchange differences will be reclassified from net financing into the operating category (at 30 June 2026, it is expected that around £15m would have been recognised within the new investing category and around £(35)m within the financing category; the remainder of around £(150)m would have been operating); and fair value gains/(losses) related to foreign currency contracts and commodity contracts (30 June 2026: £(256)m) will be reclassified from net financing into the operating category.

The Group has made accounting policy decisions to recognise foreign exchange differences on intercompany lending and borrowing within the investing and financing categories respectively and to net any interest income and costs, and associated foreign exchange differences, on its notional cash pooling arrangement within the investing category.

The process of assessing the financial impact on the Consolidated Financial Statements will continue during the second half of 2026.

Post balance sheet events

The Group has taken the latest legal position in relation to any ongoing legal proceedings and reflected these in the 30 June 2026 results as appropriate.

On 3 July 2026, the Trustee of the Rolls-Royce UK Pension Fund signed a Deed of Issue and Assignment to formally assign individual policy rights to members, thereby completing the Buy-out transaction with Pension Insurance Corporation plc (PIC) and transferring liabilities from Rolls-Royce Plc to PIC. At the point of Buy-out, the insured defined benefit pension liabilities of around £3.9bn and the corresponding asset, representing the Buy-in insurance policy, are removed from the Group's balance sheet. As the Buy-in and Buy-out have been treated as two separate transactions, with the Buy-in impact having already been recognised largely through OCI, this constitutes a cost neutral settlement event. Consequently, there is no impact on the overall balance sheet surplus position.

On 6 July 2026 the Group completed the disposal of its naval handling business to Fairbanks Morse Defense as set out in note 21. Disposal proceeds were in excess of the carrying value of the assets and liabilities.

On 26 February 2026, the Group announced a multi-year share buyback across 2026-2028, with £2.5bn expected to be completed in 2026 (including a £200m interim programme completed between 2 January and 20 February 2026). At 30 June 2026, the Company had purchased 91,026,174 shares under this programme for total consideration of £1,111m. Since the balance sheet date, the Group has settled £293m under the ongoing share buyback programme.

Climate change

In preparing the condensed consolidated interim financial statements, the Directors have continued to consider the potential impact of climate change, particularly in the context of the disclosures made in the Strategic Report within the 2025 Annual Report that set out climate-related commitments, targets and the pillars of the Rolls-Royce energy strategy.

The Directors have assessed the impact of climate change on a number of estimates, including those identified as being key sources of estimation uncertainty within the financial statements such as Civil Aerospace LTSA revenues. When making these assessments the Directors include consideration of the risks associated with changing customer demand, changes in costs due to carbon pricing and commodity price changes and change in investment requirements. As details of what specific future intervention measures will be taken by governments are not yet available, carbon pricing continues to be used to quantify the potential impact of future policy changes on the Group. The approach is consistent with that disclosed in note 1 of the 2025 Annual Report.

There has been no material impact on the Group's financial reporting from changes in climate-related estimates since the year-ended 31 December 2025. The Group's assessment remains that climate change is not expected to have a significant impact on the Group's current going concern assessment nor on the viability of the Group over the next five years.

Going concern

Overview

In adopting the going concern basis for preparing these condensed consolidated financial statements, the Directors have undertaken a review of the Group's cash flow forecasts and available liquidity, along with consideration of the principal risks and uncertainties through to December 2027 (the 'going concern period'). The processes for identifying and managing risk are described in the Group's 2025 Annual Report on pages 48 to 56. As described on those pages, the risk management process and the going concern statement are designed to provide reasonable but not absolute assurance.

Forecasts

Recognising the challenges of reliably estimating and forecasting the impact of external factors on the Group, the Directors have reviewed the financial forecasts and liquidity forecasts with consideration given to the potential impact of severe but plausible risks. Two forecasts have been modelled in the assessment of going concern, along with a likelihood assessment of these forecasts. The base case forecast reflects the Directors' current expectations of future trading. A downside forecast has also been modelled which envisages severe but plausible downside risks. Both forecasts have been modelled over the going concern period.

The Group's base case forecast reflects the Directors' best estimation of how the business plans to perform over the going concern period considering the current macroeconomic environment. Macro-economic assumptions have been modelled using externally available data based on the most likely forecasts with general inflation at around 2%-3%, wage inflation at an average of 3%-4%, interest rates at around 2%-4% and GDP growth at around 2%-4%.

The downside forecast assumes Civil Aerospace large engine flying hours remain at average second quarter 2026 levels throughout the going concern period, reflecting slower GDP growth in this forecast when compared with the base case. It also assumes a more pessimistic view of general inflation at around 2%-3% higher than the base case covering a broad range of costs including product costs, energy, commodities and jet fuel. Wage inflation in the downside forecast is 1%-2% higher than the base case and interest rates are 1%-2% higher. These macro-economic pressures have been modelled across the whole going concern period. The downside forecast also considers lower demand as a result of slower market growth, and potential output risks associated with increasing volumes and possible ongoing supply chain challenges.

In reviewing the Group's cash flow forecasts and available liquidity, the Directors have considered the ongoing geopolitical uncertainty and the impact on macroeconomic variables, including the potential indirect impact on economic growth, foreign exchange and inflation. The Directors continue to closely monitor these factors to ensure that appropriate action is taken to mitigate any potential business impact.

In modelling both the base case and downside forecast, the repayment of bonds due in 2027 (being $1bn and £545m respectively) are assumed to be repaid from cash in both the base case and downside forecast although a decision on this has not yet been taken.

Going concern continued

In preparing the condensed consolidated interim financial statements, the Directors have continued to consider the impact of climate change, particularly in the context of disclosures made in the Strategic Report in the 2025 Annual Report. Consistent with our assessment in the 2025 Annual Report, climate change is not expected to have a significant impact on the Group over the going concern period.

Liquidity and borrowings

At 30 June 2026, the Group had liquidity of £9.0bn including cash and cash equivalents of £6.5bn and undrawn facilities of £2.5bn.

The Group's committed borrowing facilities at 30 June 2026 and 31 December 2027 are set out below. None of the facilities are subject to any financial covenants or rating triggers which could accelerate repayment.

£m	30 June 2026	31 December 2027
Issued bond notes [1]	2,668	1,351
Revolving credit facility (undrawn) [2]	2,500	2,500
Total committed borrowing facilities	**5,168**	**3,851**

[1] The value of issued bond notes reflects the impact of derivatives on repayments of the principal amount of debt. Bonds outstanding at 31 December 2027 mature in May 2028 (€550m), May 2031 (€500m) and May 2036 (€500m)

[2] The £2.5bn revolving credit facility matures in December 2030 with two subsequent one-year extension options

Taking into account the maturity of these borrowing facilities, the Group has committed facilities of at least £3.8bn available throughout the going concern period.

Conclusion

After reviewing the current liquidity position and the cash flows modelled under both the base case and downside forecasts, the Directors consider that the Group has sufficient liquidity to continue in operational existence over the going concern period to 31 December 2027 and are therefore satisfied that it is appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Basis of preparation and accounting policies continued

Key areas of judgement and sources of estimation uncertainty

The determination of the Group's accounting policies requires judgement. The subsequent application of these policies requires estimates, and the actual outcome may differ from that calculated. The key areas of judgement and sources of estimation uncertainty as at 31 December 2025, that were assessed as having a significant risk of causing material adjustments to the carrying amount of assets and liabilities, are set out in note 1 to the Consolidated Financial Statements in the 2025 Annual Report and are summarised below. During the period, the Group has re-assessed these and where necessary updated the key judgements and estimation uncertainties. Sensitivities for key sources of estimation uncertainty are disclosed where this is appropriate and practical.

Area	Key judgements	Key sources of estimation uncertainty	Sensitivities performed
Revenue recognition and contract assets and liabilities	Whether Civil Aerospace OE and aftermarket contracts should be combined. How performance on long-term aftermarket contracts should be measured. Whether long-term aftermarket contracts contain a significant financing component. Whether any costs should be treated as wastage. Whether the Civil Aerospace LTSA contracts are warranty style contracts entered into in connection with OE sales and therefore can be accounted for under IFRS 15 *Revenue from Contracts with Customers*. Whether sales of spare engines to joint ventures are at fair value. When revenue should be recognised in relation to spare engine sales.	Estimates of future revenue, including customer pricing, and costs of long-term contractual arrangements, including the impact of climate change.	Based upon the stage of completion of all large engine LTSA contracts within Civil Aerospace at 30 June 2026, the following changes in estimate would result in catch-up adjustments being recognised in the period in which the estimates change (at underlying FX rates): A change in forecast EFH of 1% over the remaining term of the contracts would impact LTSA income and to a lesser extent costs, resulting in an impact of around £30m. This would be expected to be seen as a catch-up change in revenue or, to the extent it impacts onerous contracts, within cost of sales. A 2% increase or decrease in our pricing to customers over the life of the contracts would lead to a revenue catch-up adjustment in the next 12 months of around £440m. A 2% increase or decrease in shop visit costs over the life of the contracts would lead to a revenue catch-up adjustment in the next 12 months of around £130m.
Risk and revenue sharing arrangements (RRSAs)	Determination of the nature of entry fees received.		
Research and development	Determination of the point in time where costs incurred on an internal programme development meet the criteria for capitalisation. Determination of the basis for amortising capitalised development costs.		
Impairment of non-current assets	Determination of cash-generating units for assessing impairment of goodwill.		
Provisions	Whether any costs should be treated as wastage.	Estimates of the future revenues and costs to fulfil onerous contracts.	An increase in Civil Aerospace large engines estimates of LTSA costs of 2% over the remaining term of the contracts could lead to a £50m to £70m increase in the provision for contract losses across all programmes.

2 Segmental analysis

The analysis by segment is presented in accordance with IFRS 8 *Operating Segments*, on the basis of those segments whose operating results are regularly reviewed by the Board (who acts as the Chief Operating Decision Maker as defined by IFRS 8 *Operating Segments*). The Group's three divisions are set out below.

Civil Aerospace	-	development, manufacture, marketing and sales of commercial aero engines and aftermarket services
Defence	-	development, manufacture, marketing and sales of military aero engines, naval engines, submarine nuclear power plants and aftermarket services
Power Systems	-	development, manufacture, marketing and sales of integrated solutions for onsite power and propulsors

Underlying results

The Group presents the financial performance of the divisions in accordance with IFRS 8 *Operating Segments* and consistently with the basis on which performance is communicated to the Board each month.

Underlying results are presented by recording all relevant revenue and cost of sales transactions at the average exchange rate achieved on effective settled derivative contracts for the Company and its subsidiaries in the period that the cash flow occurs. The impact of the revaluation of monetary assets and liabilities (other than lease liabilities) using the exchange rate that is expected to be achieved by the use of the effective hedge book is recorded within underlying cost of sales. Underlying financing excludes the impact of revaluing monetary assets and liabilities to period end exchange rates. Lease liabilities are not revalued to reflect the expected exchange rates due to their multi-year remaining term. Transactions between segments are presented on the same basis as underlying results and eliminated on consolidation. Unrealised fair value gains/(losses) on foreign exchange contracts, which are recognised as they arise in the statutory results, are excluded from underlying results. To the extent that the previously forecast transactions are no longer expected to occur, an appropriate portion of the unrealised fair value gain/(loss) on foreign exchange contracts is recorded immediately in the underlying results.

Amounts receivable/(payable) on interest rate swaps which are not designated as hedge relationships for accounting purposes are reclassified from fair value movement on a statutory basis to interest receivable/(payable) on an underlying basis, as if they were in an effective hedge relationship.

In the period to 30 June 2026, the Group was a net seller of USD at an achieved exchange rate of GBP:USD 1.38 (30 June 2025: 1.44) based on the USD hedge book.

In 2020, the Group experienced a significant decline in its medium-term outlook and consequently a significant deterioration to its forecast net USD cash inflows. The Group took action to reduce the size of the USD hedge book by $11.8bn across 2020-2026 to reflect the fact that, at that time, future operating cash flows were no longer forecast to materialise. An underlying charge of £1.7bn was recognised within the underlying finance costs in 2020 and the associated cash settlement costs have occurred over the period 2020-2026. The derivatives relating to this underlying charge have been subsequently excluded from the hedge book, and therefore are also excluded from the calculation of the average exchange rate achieved in the current period.

Underlying performance also excludes the following:

- the effect of acquisition accounting and business disposals;
- impairment of goodwill, other non-current and current assets where the reasons for the impairment are outside of normal operating activities;
- exceptional items; and
- certain other items which are market driven and outside of the control of management.

Subsequent changes in items excluded from underlying performance recognised in a prior period will also be excluded from underlying performance. All other changes will be recognised within underlying performance.

Acquisition accounting, business disposals and impairment

The Group excludes these from underlying results so that the current period and comparative results are directly comparable.

Exceptional items

Items are classified as exceptional where the Directors believe that presentation of the results in this way is useful in providing an understanding of the Group's financial performance. Exceptional items are identified by virtue of their size, nature or incidence.

In determining whether an event or transaction is exceptional, the Directors consider quantitative as well as qualitative factors such as the frequency or predictability of occurrence. Examples of exceptional items include one-time costs and charges in respect of aerospace programmes, costs of exceptional restructuring and transformation programmes and one-time past service charges and credits on post-retirement schemes.

Exceptional items are not allocated to segments and may not be comparable to similarly titled measures used by other companies.

Other items

The financing component of the defined benefit pension scheme cost is determined by market conditions and has therefore been excluded from underlying performance.

The tax effects of adjustments above are excluded from the underlying tax charge. Changes in tax rates are excluded from the underlying tax charge. In addition, changes in the amount of recoverable deferred tax recognised are excluded from the underlying results to the extent that their recognition or derecognition was not originally recorded within the underlying results.

The following analysis sets out the results of the Group's divisions on the basis described above and also includes a reconciliation of the underlying results to those reported in the condensed consolidated income statement.

	Civil Aerospace £m	Defence £m	Power Systems £m	All Other Businesses [1] £m	Corporate and Inter-segment [2] £m	Total Underlying £m
For the half-year ended 30 June 2026						
Underlying revenue from sale of original equipment	**2,019**	**1,125**	**1,824**	**5**	**–**	**4,973**
Underlying revenue from aftermarket services	**4,167**	**1,359**	**780**	**–**	**–**	**6,306**
Total underlying revenue	**6,186**	**2,484**	**2,604**	**5**	**–**	**11,279**
Gross profit	**1,857**	**639**	**901**	**–**	**–**	**3,397**
Commercial and administrative costs	**(199)**	**(105)**	**(297)**	**–**	**(53)**	**(654)**
Research and development costs	**(128)**	**(12)**	**(84)**	**–**	**–**	**(224)**
Share of results of joint ventures and associates	**37**	**–**	**8**	**(30)**	**–**	**15**
Underlying operating profit/(loss)	**1,567**	**522**	**528**	**(30)**	**(53)**	**2,534**
For the half-year ended 30 June 2025						
Underlying revenue from sale of original equipment	1,478	1,000	1,381	6	–	3,865
Underlying revenue from aftermarket services	3,308	1,223	661	–	–	5,192
Total underlying revenue	4,786	2,223	2,042	6	–	9,057
Gross profit/(loss)	1,477	462	635	–	(2)	2,572
Commercial and administrative costs	(213)	(103)	(251)	(7)	(35)	(609)
Research and development costs	(138)	(18)	(79)	(21)	–	(256)
Share of results of joint ventures and associates	67	1	8	(50)	–	26
Underlying operating profit/(loss)	1,193	342	313	(78)	(37)	1,733

[1] For the period ended 30 June 2026, All Other Businesses consists of the financial results of the UK Civil Nuclear business and the Group's share of the financial results of Rolls-Royce SMR Limited. On 4 March 2025 the Group relinquished control of Rolls-Royce SMR Limited, as a result the Group's income statement for the period ended 30 June 2025 includes two months of Rolls-Royce SMR Limited as a subsidiary and four months of the Group's share of the financial results of Rolls-Royce SMR Limited

[2] Corporate and Inter-segment consists of costs that are not attributable to a specific segment and consolidation adjustments

2 Segmental analysis continued

Reconciliation to statutory results

	Total underlying £m	Underlying adjustments and adjustments to foreign exchange £m	Group statutory results £m
For the half-year ended 30 June 2026			
Revenue from sale of original equipment	**4,973**	**24**	**4,997**
Revenue from aftermarket services	**6,306**	**145**	**6,451**
Total revenue	**11,279**	**169**	**11,448**
Gross profit	**3,397**	**30**	**3,427**
Commercial and administrative costs	**(654)**	**(143)**	**(797)**
Research and development costs	**(224)**	**(4)**	**(228)**
Share of results of joint ventures and associates	**15**	**1**	**16**
Operating profit	**2,534**	**(116)**	**2,418**
Profit before financing and taxation	**2,534**	**(116)**	**2,418**
Net financing	**(39)**	**(448)**	**(487)**
Profit before taxation	**2,495**	**(564)**	**1,931**
Taxation	**(461)**	**145**	**(316)**
Profit for the period	**2,034**	**(419)**	**1,615**
Attributable to:			
Ordinary shareholders	**2,032**	**(419)**	**1,613**
NCI	**2**	**–**	**2**
For the half-year ended 30 June 2025			
Revenue from sale of original equipment	3,865	114	3,979
Revenue from aftermarket services	5,192	319	5,511
Total revenue	9,057	433	9,490
Gross profit	2,572	355	2,927
Commercial and administrative costs	(609)	(22)	(631)
Research and development costs	(256)	10	(246)
Share of results of joint ventures and associates	26	(2)	24
Operating profit	1,733	341	2,074
Gain arising on the disposal of business	–	679	679
Profit before financing and taxation	1,733	1,020	2,753
Net financing	(44)	2,132	2,088
Profit before taxation	1,689	3,152	4,841
Taxation	(93)	(340)	(433)
Profit for the period	1,596	2,812	4,408
Attributable to:			
Ordinary shareholders	1,604	2,812	4,416
NCI	(8)	–	(8)

2 Segmental analysis continued

Disaggregation of revenue from contracts with customers

Analysis by type and basis of recognition	Civil Aerospace £m	Defence £m	Power Systems £m	All Other Businesses £m	Corporate and Inter-segment £m	Total underlying £m
For the half-year ended 30 June 2026						
Original equipment recognised at a point in time	**2,019**	**197**	**1,746**	**–**	**–**	**3,962**
Original equipment recognised over time	**–**	**928**	**78**	**5**	**–**	**1,011**
Aftermarket services recognised at a point in time	**888**	**456**	**700**	**–**	**–**	**2,044**
Aftermarket services recognised over time	**3,240**	**903**	**80**	**–**	**–**	**4,223**
Total underlying customer contract revenue	**6,147**	**2,484**	**2,604**	**5**	**–**	**11,240**
Other underlying revenue [1]	**39**	**–**	**–**	**–**	**–**	**39**
Total underlying revenue	**6,186**	**2,484**	**2,604**	**5**	**–**	**11,279**
For the half-year ended 30 June 2025						
Original equipment recognised at a point in time	1,478	295	1,351	–	–	3,124
Original equipment recognised over time	–	705	30	6	–	741
Aftermarket services recognised at a point in time	766	493	518	–	–	1,777
Aftermarket services recognised over time	2,505	730	143	–	–	3,378
Total underlying customer contract revenue	4,749	2,223	2,042	6	–	9,020
Other underlying revenue [1]	37	–	–	–	–	37
Total underlying revenue	4,786	2,223	2,042	6	–	9,057

[1] Includes leasing revenue

	Total underlying £m	Underlying adjustments and adjustments to foreign exchange £m	Group statutory results £m
For the half-year ended 30 June 2026			
Original equipment recognised at a point in time	**3,962**	**24**	**3,986**
Original equipment recognised over time	**1,011**	**–**	**1,011**
Aftermarket services recognised at a point in time	**2,044**	**18**	**2,062**
Aftermarket services recognised over time	**4,223**	**126**	**4,349**
Total customer contract revenue	**11,240**	**168**	**11,408**
Other revenue	**39**	**1**	**40**
Total revenue	**11,279**	**169**	**11,448**
For the half-year ended 30 June 2025			
Original equipment recognised at a point in time	3,124	113	3,237
Original equipment recognised over time	741	1	742
Aftermarket services recognised at a point in time	1,777	73	1,850
Aftermarket services recognised over time	3,378	242	3,620
Total customer contract revenue	9,020	429	9,449
Other revenue	37	4	41
Total revenue	9,057	433	9,490

2 Segmental analysis continued

Underlying adjustments

		Half-year to 30 June 2026				Half-year to 30 June 2025			
		Revenue £m	**Profit before financing £m**	**Net financing £m**	**Taxation £m**	Revenue £m	Profit before financing £m	Net financing £m	Taxation £m
Underlying performance		**11,279**	**2,534**	**(39)**	**(461)**	9,057	1,733	(44)	(93)
Impact of foreign exchange differences as a result of hedging activities on trading transactions [1]	A	**169**	**37**	**(167)**	**36**	433	102	529	(159)
Unrealised fair value changes on derivative contracts held for trading [2]	A	**–**	**–**	**(256)**	**65**	–	–	1,640	(414)
Unrealised fair value change to derivative contracts held for financing [3]	A	**–**	**–**	**6**	**(1)**	–	–	(6)	1
Exceptional programme credits/(charges) [4]	B	**–**	**–**	**–**	**–**	–	83	–	(21)
Exceptional transformation and restructuring (charges)/credits [5]	B	**–**	**(28)**	**–**	**7**	–	(21)	–	5
Impairment reversals/(charges) [6]	C	**–**	**–**	**–**	**–**	–	185	–	(46)
Effect of acquisition accounting [7]	C	**–**	**(8)**	**–**	**2**	–	(8)	–	2
Other [8]	D	**–**	**(117)**	**(31)**	**36**	–	–	(31)	6
Gain arising on the disposal of business [9]	C	**–**	**–**	**–**	**–**	–	679	–	–
Recognition of deferred tax assets [10]	D	**–**	**–**	**–**	**–**	–	–	–	286
Total underlying adjustments		**169**	**(116)**	**(448)**	**145**	433	1,020	2,132	(340)
Statutory performance per condensed consolidated income statement		**11,448**	**2,418**	**(487)**	**(316)**	9,490	2,753	2,088	(433)

A – FX, B – Exceptional, C – M&A and impairment, D – Other

[1] The impact of measuring revenues and costs at the average exchange rate during the period and the impact of valuation of assets and liabilities using the period end exchange rate rather than the achieved rate or the exchange rate that is expected to be achieved by the use of the hedge book increased statutory revenues by £169m (30 June 2025: £433m) and increased profit before financing and taxation by £37m (30 June 2025: £102m). Underlying financing excludes the impact of revaluing monetary assets and liabilities at the period end exchange rate

[2] The underlying results exclude the fair value changes on derivative contracts held for trading. These fair value changes are subsequently recognised in the underlying results when the contracts are settled

[3] Includes net fair value gain of £6m (30 June 2025: loss of £6m) on any interest rate swaps not designated into hedging relationships for accounting purposes

[4] During the period to 30 June 2025, contract loss provisions reduced by £83m as a result of amounts released following contractual renegotiations where the original charge was treated as non-underlying

[5] In 2023, the Group announced a major multi-year transformation programme (set out in the 2022 Annual Report). The second phase of this programme commenced in 2026. During the period to 30 June 2026, the Group incurred charges of £28m related to this programme (30 June 2025: £21m). The charges comprise advisory fees and transformation office costs of £27m (30 June 2025: £22m) and severance costs of £1m (30 June 2025: credit of £1m)

[6] The Group has assessed the carrying value of its assets and reviewed for potential impairment and impairment reversal triggers. During the period to 30 June 2026, there were no impairment charges or reversals. During the period to 30 June 2025, there was an impairment reversal of £185m in relation to Trent programme assets in Civil Aerospace, of which £12m related to intangible assets, £52m to property plant and equipment and £121m to right-of-use assets. Of the £185m reversed, £176m was included within cost of sales, and £9m within research and development costs

[7] The effect of acquisition accounting includes the amortisation of intangible assets arising on previous acquisitions

[8] Includes interest received of £13m (30 June 2025: £30m) on interest rate swaps which are not designated into hedge relationships for statutory purposes from interest payable on an underlying basis to fair value movement and £117m past-service charge (30 June 2025: £nil) on defined benefit schemes

[9] During the period to 30 June 2025, an exceptional gain on disposal was recognised as a result of the deconsolidation of Rolls-Royce SMR Limited

[10] During the period to 30 June 2026, the Group re-recognised a deferred tax asset of £181m related to UK surplus advance corporation tax, all of which is included in underlying performance. During the period to 30 June 2025, the Group recognised a deferred tax asset of £563m relating to UK tax losses, of which £277m was included in underlying performance and £286m in non-underlying. Further details are provided in note 5

2 Segmental analysis continued

Balance sheet analysis

	Civil Aerospace £m	Defence £m	Power Systems £m	Total reportable segments £m
At 30 June 2026				
Segment assets	**20,312**	**3,628**	**5,200**	**29,140**
Interests in joint ventures and associates	**555**	**8**	**44**	**607**
Segment liabilities	**(25,698)**	**(3,634)**	**(2,864)**	**(32,196)**
Net (liabilities)/assets	**(4,831)**	**2**	**2,380**	**(2,449)**
At 31 December 2025				
Segment assets	20,754	3,582	4,691	29,027
Interests in joint ventures and associates	570	9	34	613
Segment liabilities	(25,932)	(3,523)	(2,404)	(31,859)
Net (liabilities)/assets	(4,608)	68	2,321	(2,219)

Reconciliation to the balance sheet

	30 June 2026 £m	31 December 2025 £m
Segment assets (excluding held for sale)	**29,140**	29,027
Interests in joint ventures and associates	**607**	613
All Other Businesses	**657**	681
Corporate and Inter-segment	**(1,646)**	(2,286)
Assets held for sale	**11**	15
Cash and cash equivalents and short-term investments	**6,484**	6,244
Fair value of swaps hedging fixed rate borrowings	**7**	–
Deferred and income tax assets	**3,603**	3,535
Post-retirement scheme surpluses	**143**	286
Total assets	**39,006**	38,115
Segment liabilities (excluding held for sale)	**(32,196)**	(31,859)
All Other Businesses	**(50)**	(62)
Corporate and Inter-segment	**1,646**	2,286
Liabilities associated with assets held for sale	**(11)**	(19)
Borrowings and lease liabilities	**(4,311)**	(4,272)
Fair value of swaps hedging fixed rate borrowings	**(44)**	(77)
Deferred and income tax liabilities	**(288)**	(467)
Post-retirement scheme deficits	**(870)**	(892)
Total liabilities	**(36,124)**	(35,362)
Net assets	**2,882**	2,753

3 Research and development

	Half-year to 30 June 2026 £m	Half-year to 30 June 2025 £m
Gross research and development costs	**(729)**	(687)
Contributions and fees	**470**	387
Net expenditure	**(259)**	(300)
Capitalised as intangible assets [1]	**86**	104
Amortisation and impairment of capitalised costs [2, 3]	**(55)**	(50)
Net amount recognised in the income statement	**(228)**	(246)
Underlying adjustments [3]	**4**	(10)
Net underlying cost recognised in the income statement	**(224)**	(256)

1 R&D capitalised as intangibles is presented net of £5m (30 June 2025: £nil) Government funding received
2 See note 9 for analysis of amortisation and impairment
3 Underlying adjustments include impact of acquisition accounting and foreign exchange (30 June 2025: acquisition accounting, foreign exchange and an impairment reversal of £9m). Further details can be found in note 2

4 Net financing

	Half-year to 30 June 2026		Half-year to 30 June 2025	
	Statutory £m	**Underlying [1] £m**	Statutory £m	Underlying [1] £m
Interest receivable and similar income [2]	**113**	**112**	150	147
Net fair value gains on foreign currency contracts	**–**	**–**	1,652	–
Net fair value gains on non-hedge accounted interest rate swaps [3]	**6**	**–**	–	–
Net fair value gains on commodity contracts	**73**	**–**	–	–
Financing on post-retirement scheme surpluses	**5**	**–**	11	–
Net foreign exchange gains	**–**	**–**	529	–
Financing income	**197**	**112**	2,342	147
Interest payable	**(118)**	**(103)**	(161)	(125)
Net fair value losses on foreign currency contracts	**(329)**	**–**	–	–
Net fair value losses on non-hedge accounted interest rate swaps [3]	**–**	**–**	(6)	–
Net fair value losses on commodity contracts	**–**	**–**	(12)	–
Financing on post-retirement scheme deficits	**(19)**	**–**	(9)	–
Net foreign exchange losses	**(167)**	**–**	–	–
Cost of undrawn facilities	**(1)**	**(1)**	(4)	(4)
Other financing charges	**(50)**	**(47)**	(62)	(62)
Financing costs	**(684)**	**(151)**	(254)	(191)
Net financing (costs)/income	**(487)**	**(39)**	2,088	(44)
Analysed as:				
Net interest (payable)/receivable	**(5)**	**9**	(11)	22
Net fair value (losses)/gains on derivative contracts	**(250)**	**–**	1,634	–
Net post-retirement scheme financing	**(14)**	**–**	2	–
Net foreign exchange (losses)/gains	**(167)**	**–**	529	–
Net other financing	**(51)**	**(48)**	(66)	(66)
Net financing (costs)/income	**(487)**	**(39)**	2,088	(44)

1 See note 2 for definition of underlying results
2 Includes interest income on cash balances and short-term deposits of £59m (30 June 2025: £90m) and similar income of £54m (30 June 2025: £59m) on money market funds
3 The condensed consolidated income statement shows the net fair value gain on any interest rate swaps not designated into hedging relationships for accounting purposes. Underlying financing reclassifies the realised fair value movements on these interest rate swaps to net interest payable

5 Taxation

The income tax expense has been calculated by applying the annual effective tax rate for each jurisdiction to the half-year profits of each jurisdiction.

The tax charge for the period is £316m on a statutory profit before taxation of £1,931m (30 June 2025: tax charge of £433m on a statutory profit before taxation of £4,841m), giving a statutory tax rate of 16.4% (30 June 2025: 8.9%). The key drivers of the tax charge in the period are the profits in key jurisdictions taxed at local rates together with a tax charge relating to unremitted earnings from overseas entities, offset by tax credits on the recognition of a deferred tax asset relating to UK surplus advance corporation tax.

Tax reconciliation:

	Half-year to 30 June 2026		Half-year to 30 June 2025	
	£m	**Tax rate**	£m	Tax rate
Profit before taxation	**1,931**		4,841	
Nominal tax charge at UK corporation tax rate	**483**	**25.0%**	1,210	25.0%
Movement in UK deferred tax assets not recognised [1]	**(181)**	**(9.4%)**	(563)	(11.7%)
Utilisation of previously unrecognised tax losses [2]	**–**	**–**	(31)	(0.6%)
Withholding tax on unremitted earnings [3]	**23**	**1.2%**	–	–
Effect of deconsolidation of Rolls-Royce SMR Limited [4]	**–**	**–**	(170)	(3.5%)
Other [5]	**(9)**	**(0.4%)**	(13)	(0.3%)
Statutory tax charge and rate	**316**	**16.4%**	433	8.9%
Analysis of statutory tax charge:				
Underlying items	**461**		93	
Non underlying items (see note 2)	**(145)**		340	
	316		433	

[1] Movement in the period to 30 June 2026 relates to the re-recognition of a deferred tax asset relating to UK surplus advance corporation tax. Movement in the period to 30 June 2025 relates to the recognition of a deferred tax asset relating to UK tax losses previously not recognised
[2] Movement in the period to 30 June 2025 relates to the utilisation of previously unrecognised brought forward losses against UK taxable profits
[3] The charge in the period to 30 June 2026 relates to withholding tax on unremitted earnings from overseas subsidiaries
[4] The credit in the period to 30 June 2025 relates to non-taxable credit arising on the deconsolidation of Rolls-Royce SMR Limited from the Group
[5] Includes Pillar Two income taxes of £1m (30 June 2025: less than £1m)

The Group is within the scope of the OECD Pillar Two (Global Minimum Tax) model rules, which came into effect from 1 January 2024. For the period to 30 June 2026, the Group has continued to apply the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which to recover the asset. Where necessary, this is based on management's assumptions and probability assessments relating to the amounts and timing of future taxable profits. The Directors continually reassess the appropriateness of recovering deferred tax assets, which includes a consideration of the level of future profits and the time period over which they are recovered.

Of the total deferred tax asset of £3,425m (31 December 2025: £3,460m), £2,857m (31 December 2025: £2,835m) relates to the UK and is made up as follows:

- £2,872m (31 December 2025: £2,954m) relating to tax losses [1];
- £146m (31 December 2025: £nil) relating to UK surplus advance corporation tax [2];
- £11m (31 December 2025: £(40)m) arising on unrealised losses on derivative contracts;
- £(416)m (31 December 2025: £(416)m) relating to intangible fixed assets; and
- £244m (31 December 2025: £337m) relating to other deductible temporary differences [3].

[1] The £82m reduction in the deferred tax asset during the period to 30 June 2026 relates to the utilisation of recognised losses against current period profits. Using current forecasts and applying various downside scenarios, the Directors continue to expect these losses to be used in full within eight to 15 years, which is within the expected programme lifecycles
[2] Following the repeal of the UK's shadow advance corporation tax provisions effective 1 April 2026, the Group has re-recognised a previously de-recognised deferred tax asset in respect of UK surplus advance corporation tax of £181m (all of which is underlying). The Group's assessment of recoverability is based on the enacted legislative changes, which have significantly reduced restrictions associated with utilisation of UK surplus advance corporation tax balances against UK taxable profits
[3] Comprises share-based payments of £104m (31 December 2025: £134m), accelerated capital allowances of £61m (31 December 2025: £72m), net contract liabilities of £57m (31 December 2025: £57m), disallowed interest of £nil (31 December 2025: £49m) and other items of £22m (31 December 2025: £25m)

Impact of recognition of UK deferred tax assets on underlying profit after tax

The Group de-recognised its UK surplus advance corporation tax balance in 2024 following its commitment to resume shareholder distributions in the form of cash as, under the UK shadow and surplus advance corporation tax legislation at the time, it was no longer recoverable. The associated income statement charge was recognised in underlying taxation on the basis that it was improvements in underlying operating performance that had enabled the reinstatement of cash distributions. As outlined above, the Group has re-recognised £181m UK surplus advance corporation tax in the period to 30 June 2026, which has been recognised in underlying taxation to mirror the treatment when it was previously derecognised.

5 Taxation continued

In the period to 30 June 2025, the Group recognised £563m of previously unrecognised deferred tax assets related to UK tax losses. Of this, £286m was recognised as non-underlying and £277m as underlying. The recognition of previously unrecognised deferred tax assets related to UK tax losses is recorded in the Income Statement as underlying or non-underlying in line with where the losses were originally recorded.

Underlying profit after taxation measures are used in the calculation of basic underlying EPS, return on capital (see pages 45 and 48 for further detail on these alternative performance measure calculations) and interim dividend per share. In the period to 30 June 2026, the £181m credit (30 June 2025: £277m) to underlying taxation in the period has been excluded when calculating these metrics as the Group consider the amount to be a one-off adjustment that would have a disproportionate impact on these metrics. The presented information reflects how management has reviewed business trading performance trends. Underlying profit after taxation measures are not used in the calculation of any other alternative performance measures.

6 Earnings per ordinary share

Basic earnings per share (EPS) is calculated by dividing the profit/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares held under trust, which have been treated as if they had been cancelled.

	Half-year to 30 June 2026			Half-year to 30 June 2025		
	Basic	**Potentially dilutive share options**	**Diluted**	Basic	Potentially dilutive share options	Diluted
Profit attributable to ordinary shareholders (£m):	**1,613**		**1,613**	4,416		4,416
Weighted average number of ordinary shares (millions)	**8,350**	**18**	**8,368**	8,430	38	8,468
EPS (pence):	**19.32**	**(0.04)**	**19.28**	52.38	(0.23)	52.15

The reconciliation between underlying EPS and basic EPS is as follows:

	Half-year to 30 June 2026		Half-year to 30 June 2025	
	Pence	**£m**	Pence	£m
EPS/Profit attributable to ordinary shareholders	**19.32**	**1,613**	52.38	4,416
Total underlying adjustments to profit before tax (note 2)	**6.75**	**564**	(37.39)	(3,152)
Related tax effects	**(1.74)**	**(145)**	4.03	340
Adjustment for recognition of deferred tax assets [1]	**(2.16)**	**(181)**	(3.28)	(277)
Underlying EPS/Underlying profit attributable to ordinary shareholders	**22.17**	**1,851**	15.74	1,327
Diluted underlying EPS attributable to ordinary shareholders	**22.12**		15.67	

[1] Underlying profit attributable to ordinary shareholders has been adjusted for the one-off impact of £181m related to the re-recognition of UK surplus advance corporation tax (30 June 2025: £277m related to the recognition of deferred tax assets on UK tax losses), see note 5 for further details

7 Dividends

	Half-year to 30 June 2026 £m	Half-year to 30 June 2025 £m
Dividends paid during the period	**417**	507

Ordinary dividends paid in the period ended 30 June 2026 comprised of a final dividend for 2025 of 5.0p (30 June 2025: final dividend for 2024 of 6.0p) per ordinary share.

The Employee Benefit Trust has currently waived the right to receive dividends on Rolls-Royce Holdings plc shares. This waiver has been applied to dividends paid in 2025 and 2026.

On 30 July 2026, the Board announced an interim cash dividend in respect of the first half of 2026 of 6.0p (30 June 2025: 4.5p) per ordinary share. The expected total cost of servicing this dividend is £499m (30 June 2025: actual cost of £378m), for which no liability has been recognised at the balance sheet date. The interim dividend will be paid on 18 September 2026 to shareholders on the register on 7 August 2026. The election deadline for ordinary shareholders wishing to participate in the Dividend Reinvestment Programme (DRIP) is 28 August 2026, further details can be obtained from the Company's Registrar, Equiniti Limited.

8 Goodwill

In accordance with the requirements of IAS 36 *Impairment of Assets*, goodwill allocated to the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the business combination that gave rise to the goodwill as follows:

	Rolls-Royce Power Systems AG £m	Rolls-Royce Deutschland Ltd & Co KG £m	Other £m	Total £m
Cost:				
At 1 January 2026	787	240	27	1,054
Exchange differences	(1)	(3)	–	(4)
At 30 June 2026	786	237	27	1,050
Accumulated amortisation and impairment:				
At 1 January 2026	–	3	23	26
At 30 June 2026	–	3	23	26
Net book value at:				
30 June 2026	786	234	4	1,024
1 January 2026	787	237	4	1,028

9 Intangible assets

	Certification costs £m	Development expenditure £m	Customer relationships £m	Software [1] £m	Other [2] £m	Total £m
Cost:						
At 1 January 2026	962	3,821	60	1,097	584	6,524
Additions	9	91	–	52	1	153
Disposals	–	–	–	(3)	(2)	(5)
Exchange differences	(1)	(12)	(1)	2	(3)	(15)
At 30 June 2026	970	3,900	59	1,148	580	6,657
Accumulated amortisation and impairment:						
At 1 January 2026	522	1,328	37	768	299	2,954
Charge for the period [3]	14	55	1	29	11	110
Disposals	–	–	–	(3)	(2)	(5)
Exchange differences	–	–	(1)	1	(2)	(2)
At 30 June 2026	536	1,383	37	795	306	3,057
Net book value at:						
30 June 2026	434	2,517	22	353	274	3,600
1 January 2026	440	2,493	23	329	285	3,570

[1] Includes £195m (31 December 2025: £160m) of software under course of construction which is not amortised
[2] Other intangible assets include trademarks, brands and the costs incurred testing and analysing engines with the longest time in service (fleet leader engines) to gather technical knowledge on engine endurance which will improve reliability and enable us to reduce the costs of meeting our LTSA obligations
[3] Charged to cost of sales and commercial and administrative costs except development costs, which are charged to research and development costs

Intangible assets (including programme intangible assets) have been reviewed for impairment in accordance with IAS 36 *Impairment of Assets*. Assessments have considered potential triggers of impairment such as external factors including climate change, significant changes with an adverse effect on a programme and by analysing latest management forecasts against those prepared in 2025 to identify any deterioration in performance. There have been no impairment charges or reversals recognised during the period (30 June 2025: reversal of £12m). Further details can be found in note 2.

10 Property, plant and equipment

	Land and buildings £m	Plant and equipment £m	Aircraft and engines £m	In course of construction £m	Total £m
Cost:					
At 1 January 2026	1,961	4,904	1,250	636	8,751
Additions	25	42	138	120	325
Disposals/write-offs	(1)	(33)	(28)	(1)	(63)
Reclassifications within PPE [1]	31	73	11	(115)	–
Exchange differences	–	(2)	2	5	5
At 30 June 2026	2,016	4,984	1,373	645	9,018
Accumulated depreciation and impairment:					
At 1 January 2026	822	3,417	491	8	4,738
Charge for the period [2]	41	104	39	–	184
Disposals/write-offs	(1)	(33)	(18)	–	(52)
Reclassifications within PPE [1]	–	6	–	(6)	–
Exchange differences	–	(1)	1	–	–
At 30 June 2026	862	3,493	513	2	4,870
Net book value at:					
30 June 2026	1,154	1,491	860	643	4,148
1 January 2026	1,139	1,487	759	628	4,013

1 Includes reclassifications from assets under construction into the other categories of property, plant and equipment when the assets become available for use
2 Depreciation is charged to cost of sales and commercial and administrative costs or included in the cost of inventory as appropriate

The carrying values of property, plant and equipment have been assessed during the period in line with IAS 36 *Impairment of Assets*. Material items of plant and equipment and aircraft and engines are assessed for impairment together with other assets used in individual programmes – see potential triggers considered in note 9. Land and buildings are generally used across multiple programmes and are considered based on future expectations of the use of the site, which includes any implications from climate-related risks. As a result of this assessment, there are no impairment charges or reversals in the period (30 June 2025: reversal of £52m). Further details can be found in note 2.

11 Right-of-use assets

	Land and buildings £m	Plant and equipment £m	Aircraft and engines £m	Total £m
Cost:				
At 1 January 2026	569	248	1,895	2,712
Additions/modification of leases	81	25	40	146
Disposals	(6)	(3)	(6)	(15)
Exchange differences	4	(1)	(1)	2
At 30 June 2026	648	269	1,928	2,845
Accumulated depreciation and impairment:				
At 1 January 2026	323	148	1,482	1,953
Charge for the period [1]	24	22	94	140
Disposals	(6)	(3)	(6)	(15)
Exchange differences	1	–	–	1
At 30 June 2026	342	167	1,570	2,079
Net book value at:				
30 June 2026	306	102	358	766
1 January 2026	246	100	413	759

1 Depreciation is charged to cost of sales and commercial and administrative costs as appropriate

The carrying values of right-of-use assets have been assessed during the period in line with IAS 36 *Impairment of Assets*. Material items of plant and equipment and aircraft and engines are assessed for impairment together with other assets used in individual programmes – see potential triggers considered in note 9. Land and buildings are generally used across multiple programmes and are considered based on future expectations of the use of the site (which includes any implications from climate-related risks). As a result of this assessment, there are no impairment charges or reversals in the period (30 June 2025: reversal of £121m). Further details can be found in note 2.

12 Trade receivables and other assets

	Current		Non-current [1]		Total	
	30 June 2026 £m	31 December 2025 £m	**30 June 2026 £m**	31 December 2025 £m	**30 June 2026 £m**	31 December 2025 £m
Trade receivables	**3,242**	3,046	**48**	78	**3,290**	3,124
Prepayments	**1,111**	1,083	**88**	78	**1,199**	1,161
RRSA prepayment for parts [2]	**609**	570	**1,212**	1,201	**1,821**	1,771
Receivables due on RRSAs	**1,299**	1,114	**84**	91	**1,383**	1,205
Amounts owed by joint ventures and associates	**668**	706	**4**	7	**672**	713
Other taxation and social security receivable	**174**	184	**25**	2	**199**	186
Costs to obtain contracts with customers	**17**	2	**164**	176	**181**	178
Other receivables and similar assets [3]	**710**	532	**49**	76	**759**	608
	7,830	7,237	**1,674**	1,709	**9,504**	8,946

[1] Trade receivables and other assets have been presented on the face of the balance sheet in line with the operating cycle of the business. Further disclosure is included in the table above and relates to amounts not expected to be received in the next 12 months, in line with specific customer payment arrangements, including customers on payment plans

[2] These amounts reflect the contractual share of EFH flows and original equipment deposits from customers paid to RRSA partners in return for the supply of parts in future periods under long-term supply contracts. During the period £288m (30 June 2025: £279m) has been charged to cost of sales in relation to parts supplied and used in the period

[3] Other receivables include unbilled recoveries relating to completed overhaul activity where the right to consideration is unconditional

The Group has adopted the simplified approach to provide for expected credit losses (ECLs), measuring the loss allowance at a probability weighted amount incorporated by using credit ratings which are publicly available, or through internal risk assessments derived using the customer's latest available financial information.

The ECLs for trade receivables and other financial assets has decreased by £5m to £227m (31 December 2025: decreased by £7m to £232m).

The movements of the Group's ECLs provision are as follows:

	30 June 2026 £m	31 December 2025 £m
At 1 January	**(232)**	(239)
Increases in loss allowance recognised in the income statement during the period	**(52)**	(83)
Loss allowance utilised	**8**	18
Releases of loss allowance previously provided	**47**	55
Exchange differences	**2**	17
At 30 June/31 December	**(227)**	(232)

13 Contract assets and liabilities

	Current		Non-current [1]		Total [2]	
	30 June 2026 £m	31 December 2025 £m	**30 June 2026 £m**	31 December 2025 £m	**30 June 2026 £m**	31 December 2025 £m
Contract assets						
Contract assets with customers	**524**	561	**995**	1,019	**1,519**	1,580
Participation fee contract assets	**20**	31	**282**	286	**302**	317
	544	592	**1,277**	1,305	**1,821**	1,897

[1] Contract assets have been presented on the face of the balance sheet in line with the operating cycle of the business. Further disclosure of contract assets is provided in the table above, which shows within current the element of consideration that will become unconditional in the next year

[2] Contract assets are classified as non-financial instruments

Contract assets with customers includes £1,023m (31 December 2025: £973m) of Civil Aerospace LTSA assets and £284m (31 December 2025: £477m) Defence LTSA assets. No impairment losses in relation to these contract assets (31 December 2025: none) have arisen during the period.

The increase in the Civil Aerospace balance is driven by revenue recognised (when performance obligations have been completed during the period) being greater than the amount invoiced on those contracts that have a contract asset balance. This is partially offset by a decrease of £18m (30 June 2025: decrease of £56m) as a result of a reduction in revenue being recognised in relation to performance obligations satisfied in previous years. The decrease in the Defence balance is due to revenue recognition in relation to performance obligations completed being lower than the payments received from the customer.

Participation fee contract assets have decreased by £15m (30 June 2025: decreased by £6m) primarily due to an amortisation charge of £12m (30 June 2025: £11m) and a foreign exchange loss on consolidation of £3m (30 June 2025: gain of £5m).

	Current		Non-current [1]		Total	
	30 June 2026 £m	31 December 2025 £m	**30 June 2026 £m**	31 December 2025 £m	**30 June 2026 £m**	31 December 2025 £m
Contract liabilities	**8,618**	7,832	**8,655**	8,762	**17,273**	16,594

[1] Contract liabilities have been presented on the face of the balance sheet in line with the operating cycle of the business. Contract liabilities are further split according to when the related performance obligation is expected to be satisfied and, therefore, when revenue is estimated to be recognised in the income statement

During the period, £3,585m (30 June 2025: £3,277m) of the opening contract liability was recognised as revenue.

Contract liabilities have increased by £681m (30 June 2025: increased by £894m). The movement in the Group balance is primarily as a result of an increase in Civil Aerospace of £244m (30 June 2025: increased by £632m). This is mainly as a result of growth in LTSA liabilities of £88m (30 June 2026: £11,458m, 31 December 2025: £11,370m) driven almost wholly by large engines, with customer invoicing during the period ended 30 June 2026 (based on EFH) being in advance of revenue recognised (based on costs incurred completing performance obligations). The contract liability movement includes a decrease of £374m (30 June 2025: decrease of £182m) as a result of revenue being recognised in relation to performance obligations satisfied in previous years. Contract liability increases in Defence of £228m (30 June 2025: increased by £146m) and Power Systems of £210m (30 June 2025: increased by £124m) are from the receipt of deposits in advance of performance obligations being completed.

14 Borrowings and lease liabilities

	Current		Non-current		Total	
	30 June 2026 £m	31 December 2025 £m	**30 June 2026 £m**	31 December 2025 £m	**30 June 2026 £m**	31 December 2025 £m
Unsecured						
Overdrafts	**4**	3	**–**	–	**4**	3
Bank loans	**4**	5	**6**	4	**10**	9
Loan notes	**–**	1,026	**2,632**	1,754	**2,632**	2,780
Other loans	**–**	–	**9**	10	**9**	10
Total unsecured	**8**	1,034	**2,647**	1,768	**2,655**	2,802
Total lease liabilities	**444**	392	**1,212**	1,078	**1,656**	1,470
Total borrowings and lease liabilities	**452**	1,426	**3,859**	2,846	**4,311**	4,272

All outstanding items described as loan notes above are listed on the London Stock Exchange.

14 Borrowings and lease liabilities continued

During the period to 30 June 2026, the Group repaid loan notes of €750m in February 2026 and £375m in June 2026 in line with their maturity dates and issued new bonds of €500m due to mature in May 2031 and €500m due to mature in May 2036.

The Group has access to the following undrawn committed borrowing facilities at the end of the period:

	30 June 2026 £m	31 December 2025 £m
Expiring after one year	**2,500**	2,500
Total undrawn facilities	**2,500**	2,500

Further details can be found in the going concern statement on page 22

15 Trade payables and other liabilities

	Current		Non-current		Total	
	30 June 2026 £m	31 December 2025 £m	**30 June 2026 £m**	31 December 2025 £m	**30 June 2026 £m**	31 December 2025 £m
Trade payables	**2,374**	2,167	**–**	40	**2,374**	2,207
Accrued liabilities	**2,142**	2,242	**113**	113	**2,255**	2,355
Customer discounts [1]	**1,165**	1,113	**601**	631	**1,766**	1,744
Payables due on RRSAs	**2,092**	1,800	**4**	14	**2,096**	1,814
Deferred receipts from RRSA workshare partners	**34**	35	**736**	747	**770**	782
Amounts owed to joint ventures and associates	**816**	564	**–**	–	**816**	564
Government grants [2]	**45**	42	**37**	33	**82**	75
Other taxation and social security	**110**	116	**–**	–	**110**	116
Other payables [3]	**683**	784	**173**	200	**856**	984
	9,461	8,863	**1,664**	1,778	**11,125**	10,641

[1] Customer discounts include customer concession credits. Revenue recognised comprises sales to the Group's customers after such items. Customer concession credits are discounts given to a customer upon the sale of goods or services. A liability is recognised to correspond with the recognition of revenue when the performance obligation is met, as set out on page 125 of the 2025 Annual Report. The largest element of the balance, approximately £1.1bn (31 December 2025: £1.2bn) arises when the Civil business delivers its engines to an airframer. A concession is often payable to the end customer (e.g. an airline) on delivery of the aircraft from the airframer. The concession amounts are known and the payment date is reasonably certain, hence there is no significant judgement or uncertainty associated with the timing of these amounts

[2] During the period, £3m (30 June 2025: £4m) of government grants were released to the income statement

[3] Other payables include payroll liabilities and HM Government UK levies

The Group's payment terms with suppliers vary based on the products and services being sourced, the competitive global markets the Group operates in and other commercial aspects of suppliers' relationships. Industry average payment terms vary between 90 to 120 days.

In line with civil aviation industry practice, the Group offers a supply chain financing (SCF) programme in partnership with banks to enable suppliers (including joint ventures who are on 90-day standard payment terms) to receive their payments sooner. This SCF programme is available to suppliers at their discretion and does not change the Group's rights and obligations with the suppliers or the timing of payment by the Group to settle its liabilities arising from transactions with these suppliers.

At 30 June 2026, £641m (31 December 2025: £646m) of trade payables and other liabilities were within the scope of SCF arrangements of which suppliers had drawn £467m (31 December 2025: £536m), with £216m (31 December 2025: £227m) drawn by joint ventures. In some cases, the Group settles the costs incurred by joint ventures as a result of them utilising SCF arrangements and, during the period to 30 June 2026, the Group incurred costs of £4m (30 June 2025: £5m). These costs were included within cost of sales.

16 Financial assets and liabilities

Carrying value of other financial assets and liabilities

	Derivatives							
	Foreign exchange contracts £m	**Commodity contracts £m**	**Interest rate contracts [1] £m**	**Total derivatives £m**	**Financial RRSAs £m**	**Other £m**	**C Shares £m**	**Total £m**
At 30 June 2026								
Non-current assets	**232**	**16**	**37**	**285**	**–**	**19**	**–**	**304**
Current assets	**154**	**27**	**–**	**181**	**–**	**14**	**–**	**195**
Assets	**386**	**43**	**37**	**466**	**–**	**33**	**–**	**499**
Current liabilities	**(346)**	**(8)**	**–**	**(354)**	**–**	**(72)**	**(21)**	**(447)**
Non-current liabilities	**(140)**	**(8)**	**(41)**	**(189)**	**(5)**	**(150)**	**–**	**(344)**
Liabilities	**(486)**	**(16)**	**(41)**	**(543)**	**(5)**	**(222)**	**(21)**	**(791)**
	(100)	**27**	**(4)**	**(77)**	**(5)**	**(189)**	**(21)**	**(292)**
At 31 December 2025								
Non-current assets	467	6	32	505	–	18	–	523
Current assets	257	6	5	268	–	14	–	282
Assets	724	12	37	773	–	32	–	805
Current liabilities	(193)	(19)	(24)	(236)	(1)	(35)	(21)	(293)
Non-current liabilities	(382)	(17)	(45)	(444)	(4)	(179)	–	(627)
Liabilities	(575)	(36)	(69)	(680)	(5)	(214)	(21)	(920)
	149	(24)	(32)	93	(5)	(182)	(21)	(115)

[1] Includes the foreign exchange impact of cross-currency interest rate swaps

Derivative financial instruments

Movements in fair value of derivative financial assets and liabilities were as follows:

	Half-year to 30 June 2026 £m					Year-ended 31 December 2025 £m
	Foreign exchange instruments £m	**Commodity instruments £m**	**Interest rate instruments – hedge accounted [1] £m**	**Interest rate instruments – non-hedge accounted £m**	**Total**	Total
At 1 January	**149**	**(24)**	**(69)**	**37**	**93**	(1,756)
Movements in fair value hedges	**–**	**–**	**(6)**	**–**	**(6)**	(33)
Movements in cash flow hedges	**–**	**–**	**5**	**–**	**5**	(40)
Movements in other derivative contracts [2]	**(329)**	**73**	**–**	**6**	**(250)**	1,324
Contracts settled	**80**	**(22)**	**36**	**(13)**	**81**	598
At 30 June/31 December	**(100)**	**27**	**(34)**	**30**	**(77)**	93

[1] Includes the foreign exchange impact of cross-currency interest rate swaps
[2] Included in net financing

Financial risk and revenue sharing arrangements (RRSAs) and other financial assets and liabilities

Movements in the carrying values were as follows:

	Financial RRSAs		Other level 3 – assets		Other level 3 – liabilities	
	Half-year to 30 June 2026 £m	Year-ended 31 December 2025 £m	**Half-year to 30 June 2026 £m**	Year-ended 31 December 2025 £m	**Half-year to 30 June 2026 £m**	Year-ended 31 December 2025 £m
At 1 January	**(5)**	(7)	**11**	14	**(214)**	(198)
Exchange adjustments included in OCI	**–**	6	**1**	(3)	**(3)**	3
Additions	**–**	–	**–**	–	**–**	(29)
Financing charge [1]	**–**	–	**–**	–	**(6)**	(16)
Excluded from underlying profit:						
Changes in forecast payments [1]	**–**	(4)	**–**	–	**–**	–
Cash paid	**–**	–	**–**	–	**12**	17
Other	**–**	–	**–**	–	**(11)**	9
At 30 June/31 December	**(5)**	(5)	**12**	11	**(222)**	(214)

[1] Included in net financing

16 Financial assets and liabilities continued

Fair values of financial instruments equate to book values with the following exceptions:

	Half-year to 30 June 2026		Year-ended 31 December 2025	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Other Assets	**14**	**14**	14	15
Borrowings – Level 1	**(2,632)**	**(2,635)**	(2,780)	(2,778)
Borrowings – Level 2	**(23)**	**(31)**	(22)	(23)
Financial RRSAs – Level 3	**(5)**	**(5)**	(5)	(5)

The fair value of a financial instrument is the price at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. There have been no transfers during the period from or to Level 3 valuation. Fair values have been determined with reference to available market information at the balance sheet date, using the methodologies described below:

- non-current investments - primarily comprise unconsolidated companies where fair value approximates to the book value. Listed investments are valued using Level 1 methodology;
- money market funds, included within cash and cash equivalents, are valued using Level 1 methodology. Fair values are assumed to approximately equal cost either due to the short-term maturity of the instruments or because the interest rate of the investments is reset after periods not exceeding six months;
- the fair values of held to collect trade receivables and similar items, trade payables and other similar items, other non-derivative financial assets and liabilities, short-term investments and cash and cash equivalents are assumed to approximate to cost either due to the short-term maturity of the instruments or because the interest rate of the investments is reset after periods not exceeding six months;
- fair values of derivative financial assets and liabilities and trade receivable held to collect or sell are estimated by discounting expected future contractual cash flows using prevailing interest rate curves or cost of borrowing, as appropriate. Amounts denominated in foreign currencies are valued at the exchange rate prevailing at the balance sheet date. These financial instruments are included on the balance sheet at fair value, derived from observable market prices (Level 2 as defined by IFRS 13 *Fair Value Measurement*);
- borrowings are carried at amortised cost. Amounts denominated in foreign currencies are valued at the exchange rate prevailing at the balance sheet date. The fair value of borrowings is estimated using quoted prices (Level 1 as defined by IFRS 13 *Fair Value Measurement*) or by discounting contractual future cash flows (Level 2 as defined by IFRS 13 *Fair Value Measurement*);
- the fair values of RRSAs and other liabilities, which primarily includes royalties to be paid to airframers, are estimated by discounting expected future cash flows. The contractual cash flows are based on future trading activity, which is estimated based on latest forecasts (Level 3 as defined by IFRS 13 *Fair Value Measurement*);
- other assets and borrowings are carried at amortised cost. Amounts denominated in foreign currencies are valued at the exchange rate prevailing at the balance sheet date. The fair value of borrowings is estimated by discounting contractual future cash flows (Level 2 as defined by IFRS 13 *Fair Value Measurement*);
- other assets are included on the balance sheet at fair value, derived from observable market prices or latest forecast (Level 2/3 as defined by IFRS 13 *Fair Value Measurement*). At 30 June 2026, Level 3 assets totalled £12m (31 December 2025: £11m); and
- the fair value of lease liabilities are estimated by discounting future contractual cash flows using either the interest rate implicit in the lease or the Group's incremental cost of borrowing (Level 2 as defined by IFRS 13 *Fair Value Measurement*).

17 Provisions for liabilities and charges

	At 1 January 2026 £m	Charged to income statement [1] £m	Reversed £m	Utilised £m	Exchange differences £m	At 30 June 2026 £m
Onerous contracts	**986**	**94**	**(176)**	**(60)**	**–**	**844**
Warranty and guarantees	**422**	**86**	**(14)**	**(44)**	**(1)**	**449**
Employer liability claims	**20**	**–**	**–**	**–**	**–**	**20**
Transformation and restructuring	**22**	**1**	**–**	**(2)**	**–**	**21**
Tax related interest and penalties	**17**	**–**	**–**	**–**	**–**	**17**
Claims and litigation	**36**	**16**	**(3)**	**(1)**	**–**	**48**
Other	**54**	**9**	**(2)**	**(5)**	**–**	**56**
	1,557	**206**	**(195)**	**(112)**	**(1)**	**1,455**
Current liabilities	**507**					**467**
Non-current liabilities	**1,050**					**988**

[1] The charge to the income statement within net financing includes £29m (30 June 2025: £14m) as a result of the unwinding of the discounting of provisions previously recognised and £16m (30 June 2025: £9m) as a result of changes in discount rates during the period

17 Provisions for liabilities and charges continued

Onerous contracts

Onerous contract provisions are recorded when the direct costs to fulfil a contract are assessed as being greater than the expected recoverable amount. Onerous contract provisions are measured on a fully costed basis. During the period, additional contract losses for the Group of £94m (30 June 2025: £320m) have been recognised. These are mainly a result of increases in the estimate of future LTSA costs due to continued supply chain challenges and inflationary cost increases. Contract losses of £176m (30 June 2025: £544m) previously recognised have been reversed following improvements to the forecast revenue, cost estimates and time on wing across various engine programmes as a result of operational improvements, contractual renegotiations and extensions. During the period £60m (30 June 2025: £101m) of the provisions have been utilised. The Group continues to monitor onerous contract provisions for changes in the market and revises the provisions as required. The value of the remaining onerous contract provisions reflect, in each case, the single most likely outcome. The provisions are expected to be utilised over the term of the customer contracts, typically within eight to 15 years.

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* requires a company to recognise any impairment loss that has occurred on assets used in fulfilling the contract before recognising a separate provision for an onerous contract. No impairments were required for any of the assets solely used in the fulfilment of onerous contracts.

Warranty and guarantees

Provisions for warranty and guarantees relate to products sold and are calculated based on an assessment of the remediation costs related to future claims based on past experience. The provision generally covers a period of up to three years.

Employer liability claims

The provision relating to employer healthcare liability claims is as a result of a historical insolvency of the previous provider and is expected to be utilised over the next 30 years.

Transformation and restructuring

The Group announced a major multi-year transformation programme in 2023. The second phase of this programme commenced in 2026. During the period £2m (30 June 2025: £26m) was utilised and £nil reversed (30 June 2025: £5m). As part of these plans a further £2m (30 June 2025: £3m) has been charged directly to the income statement that had not been provided for. The remaining provision is expected to be utilised by 31 December 2027.

Tax related interest and penalties

Provisions for tax related interest and penalties relate to uncertain tax positions in some of the jurisdictions in which the Group operates. Utilisation of the provisions will depend on the timing of resolution of these matters with the relevant tax authorities.

Claims and litigation

Provisions for claims and litigation represent ongoing matters where the outcome for the Group may be unfavourable.

The balance also includes the best estimate of any retained exposure by the Group’s captive insurance company for any claims that have been incurred but not yet reported to the Group, as that entity retains a portion of the exposures it insures on behalf of the remainder of the Group. Such exposures include policies for aviation claims, employer liabilities and healthcare claims. Significant delays can occur in the notification and settlement of claims, and judgement is involved in assessing outstanding liabilities, the ultimate cost and timing of which cannot be known with certainty at the balance sheet date. The insurance provisions are based on information currently available, however, it is inherent in the nature of the business that ultimate liabilities may vary if the frequency or severity of claims differs from estimated.

Other

Other items are individually immaterial. The value of any remaining provisions reflects the single most likely outcome in each case.

There were no provisions held for customer financing at 30 June 2026 (31 December 2025: £nil). Provisions are held to cover potential calls on guarantees provided over asset values and/or financing when it is considered probable by management that the exposure will crystallise. The Group discloses contingent liabilities for customer financing arrangements where the payment is not probable. See note 19.

18 Post-retirement benefits

The net post-retirement surplus/(deficit) at 30 June 2026 is calculated on a year to date basis, using the latest funding valuation at 31 March 2023, updated to 30 June 2026 for the principal schemes.

Amounts recognised in the balance sheet in respect of defined benefit schemes

	UK schemes £m	Overseas schemes £m	Total £m
At 1 January 2026	**284**	**(890)**	**(606)**
Exchange adjustments	**–**	**2**	**2**
Current service cost and administrative expenses	**(3)**	**(16)**	**(19)**
Past service cost [1]	**(117)**	**–**	**(117)**
Financing recognised in the income statement	**5**	**(19)**	**(14)**
Contributions by employer	**–**	**48**	**48**
Actuarial gains recognised in OCI [1]	**240**	**7**	**247**
(Loss)/return on plan assets excluding financing recognised in OCI [1]	**(274)**	**6**	**(268)**
At 30 June 2026	**135**	**(862)**	**(727)**
Post-retirement scheme surpluses – included in non-current assets [2]	**135**	**8**	**143**
Post-retirement scheme deficits – included in non-current liabilities	**–**	**(870)**	**(870)**

[1] Past service costs, actuarial gains and the loss of plan assets for the UK scheme predominantly relate to the additional benefits granted to members following the sharing of the surplus as detailed below, from updated information arising since 31 December 2025 and from data cleansing activities in advance of the Buy-out of the scheme

[2] The surplus in the UK scheme is recognised as the Group would be entitled to receive any remaining surplus and has the power to determine how it is used on ultimate wind-up when there are no longer any remaining members

Buy-in and Buy-out of the Rolls-Royce UK Pension Fund

In August 2025, the Trustee of the Rolls-Royce UK Pension Fund entered into a Buy-in transaction with Pension Insurance Corporation plc (PIC), whereby the Fund purchased a bulk purchase annuity policy in exchange for consideration of £4.3bn.

Following the transaction, the bulk purchase annuity policy has been treated as an asset of the Fund and valued on the same basis as the liabilities to which it relates, as until a Buy-out occurs, the legal responsibility to pay the relevant benefits remains with the Trustee.

Subsequently, on 2 February 2026, Rolls-Royce plc and the Trustee of the UK pension scheme signed an agreement to trigger the wind up of the UK scheme. Under this agreement, and subject to consultation with members, the residual surplus on the scheme was to be shared between the Company and the scheme's members. Following the conclusion of the consultation process, additional benefits were granted and subsequently insured with PIC.

A data cleanse exercise has also been undertaken in the first half of 2026 in preparation for the Buy-out of the scheme. Following this exercise, a small number of further historic liabilities were identified, and true-up premiums were paid.

At 30 June 2026, a past service charge of £117m has been recognised in the income statement, with a further £34m recognised through other comprehensive income. These charges predominantly relate to the additional benefits granted to members following the sharing of the surplus described above, as well as small amounts related to updated information since 31 December 2025 and data cleanse undertaken with PIC.

On 3 July 2026, the Trustee of the Rolls-Royce UK Pension Fund signed a Deed of Issue and Assignment to formally assign individual policy rights to members, thereby completing the Buy-out transaction with PIC and transferring the associated liabilities from Rolls-Royce plc to PIC. See note 1 for further details.

Virgin Media

A UK High Court legal ruling that took place in June 2023 between Virgin Media Limited and NTL Pension Trustees II Limited, found that certain historic rule amendments were invalid if they were not accompanied by actuarial certifications. The ruling was subject to an appeal with a judgment delivered on 25 July 2024. The Court of Appeal unanimously upheld the decision of the High Court and concluded that the pre-April 2013 conditions applied to amendments to both future and past service. Whilst this ruling was in respect of another scheme, its relevance and hence the potential impact of this to the RRUKPF scheme, and other UK schemes was unclear.

On 5th June 2025 it was announced that the Department of Work & Pensions would legislate to provide a statutory override to the High Court's judgement to resolve this issue. The Pension Schemes Act 2026 was granted royal assent on 29 April 2026, granting potentially affected pension schemes the ability to retrospectively obtain written actuarial confirmation from scheme actuaries that historic rule amendments met the necessary standards. As a result of this Government intervention the Group does not anticipate any scheme amendments or additional liabilities.

19 Contingent liabilities

In January 2017, after full cooperation, the Company concluded deferred prosecution agreements (DPA) with the Serious Fraud Office and the US Department of Justice and a leniency agreement with the Ministério Público Federal, the Brazilian federal prosecutor. The terms of both DPAs have now expired. The Company has also met all its obligations under a two-year leniency agreement with Brazil's Comptroller General (CGU), signed in October 2021, relating to the same historical matters. In April 2024, the CGU confirmed that the Company would no longer be subject to compliance monitorship. Certain authorities are investigating members of the Group for matters relating to misconduct in relation to historical matters. The Group is responding appropriately. Action may be taken by further authorities against the Group or individuals. In addition, the Group could still be affected by actions from other parties, including customers, customers' financiers and the Company's current and former investors, including certain potential claims in respect of the Group's historical ethics and compliance disclosures which have been notified to the Group. The Directors are not currently aware of any matters that are likely to lead to a material financial loss over and above the penalties imposed to date, but cannot anticipate all the possible actions that may be taken or their potential consequences.

The Group has, in the normal course of business, entered into arrangements in respect of export finance, performance bonds, grant funding, countertrade obligations and minor miscellaneous items, which could result in potential outflows if the requirements related to those arrangements are not met. Various Group undertakings are party to legal actions and claims (including with tax authorities) which arise in the ordinary course of business, some of which are for substantial amounts.

In connection with the sale of its products the Group will, on some occasions, provide financing support for its customers, generally in respect of civil aircraft. The Group's commitments relating to these financing arrangements are spread over many years, they relate to a number of customers, a broad product portfolio and are generally secured on the asset subject to the financing. These include commitments of $341m (31 December 2025: $339m) (on a discounted basis) to provide facilities to enable customers to purchase aircraft (of which approximately $44m could be called during 2026). These facilities may only be used if the customer is unable to obtain financing elsewhere and are priced at a premium to the market rate. Significant events impacting the international aircraft financing market, the failure by customers to meet their obligations under such financing agreements, or inadequate provisions for customer financing liabilities may adversely affect the Group's financial position.

Customer financing provisions would be made to cover guarantees provided for asset value and/or financing were it probable that a payment would be made. These would be measured on a discounted basis at the Group's borrowing rate to reflect the time span over which these exposures could arise. The values of aircraft providing security are based on advice from a specialist aircraft appraiser. There were no provisions for customer financing provisions at 30 June 2026 or 31 December 2025.

The Group has responded appropriately to the Russia-Ukraine conflict to comply with international sanctions and export control regime, and to continue to implement the business decision to exit from Russia. The Group could be subject to action by impacted customers, suppliers and other contract parties.

While the outcome of the above matters cannot precisely be foreseen, the Directors do not expect any of these arrangements, legal actions or claims, after allowing for provisions already made, to result in significant loss to the Group.

20 Related party transactions

	Half-year to 30 June 2026 £m	Half-year to 30 June 2025 £m
Sales of goods and services [1]	**3,699**	5,055
Purchases of goods and services [1]	**(3,426)**	(5,195)

[1] During the period ended 30 June 2026 all sales and purchases of goods and services presented relate to transactions with joint ventures (30 June 2025: all), the Group had no transactions with associates (30 June 2025: none)

Included in sales of goods and services to related parties are sales of spare engines amounting to £234m (30 June 2025: £92m). Profit recognised in the period on such sales amounted to £36m (30 June 2025: £37m), including profit on current year sales and recognition of profit deferred on similar sales in previous years. Cash receipts relating to the sale of spare engines amounted to £234m (30 June 2025: £92m).

Included in cost of sales in the income statement are interest costs of £4m (30 June 2025: £5m) incurred during the period which have been settled by the Group on behalf of joint ventures.

21 Business held for sale

Business held for sale

At 30 June 2026 the assets and liabilities of the naval handling business continued to be disclosed as held for sale in line with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. They were measured at the lower of their carrying value or fair value less costs to sell as summarised below. Completion of the sale of the naval handling business to Fairbanks Morse Defense took place on 6 July 2026, in line with the sale and disposal agreement signed on 18 September 2024.

The table below summarises the assets and liabilities of the naval handling business classified as held for sale.

	30 June 2026 £m	31 December 2025 £m
Property, plant and equipment	**3**	3
Inventories	**1**	1
Trade receivables and other assets	**7**	11
Assets held for sale	**11**	15
Trade payables and other liabilities	**(11)**	(19)
Liabilities associated with assets held for sale	**(11)**	(19)
Net liabilities held for sale	**–**	(4)

22 Derivation of summary funds flow statement

	Half-year to 30 June 2026					Half-year to 30 June 2025
	Cash flow £m	**Impact of hedge book £m**	**Impact of acquisition accounting £m**	**Impact of other non-underlying items £m**	**Funds flow £m**	Funds flow £m
Operating profit/(loss)	2,418	(37)	8	145	**2,534**	1,733
(Profit)/loss on disposal of property, plant and equipment [1]	(16)	–	–	–	**(16)**	4
Profit on disposal of intangible assets [1]	(1)	–	–	–	**(1)**	–
Joint venture trading [1]	58	–	–	–	**58**	6
Depreciation, amortisation and impairment	434	–	(8)	–	**426**	433
Movement in provisions	(130)	(31)	–	2	**(159)**	(294)
Increase in inventories [2]	(491)	–	–	–	**(491)**	(608)
Movement in prepayments to RRSAs for LTSA parts	(17)	(9)	–	–	**(26)**	31
Movement in cost to obtain contracts	(3)	(1)	–	–	**(4)**	(48)
Movement in trade receivables/payables and other assets/liabilities [2]	4	(7)	–	(11)	**(14)**	(538)
Revaluation of trading assets [2]	(167)	(16)	–	–	**(183)**	243
Realised derivatives in financing	53	–	–	–	**53**	358
Movement in Civil LTSA balance	56	56	–	–	**112**	441
Movement in contract assets/liabilities (excluding Civil LTSA) [2]	715	(15)	–	–	**700**	523
Settlement of excess derivatives	(27)	–	–	–	**(27)**	(116)
Interest received	110	–	–	–	**110**	150
Contributions to defined benefit schemes in excess of underlying operating profit charge [1]	88	–	–	(117)	**(29)**	(6)
Cash flows on other financial assets and liabilities held for operating purposes	(32)	53	–	–	**21**	(31)
Share-based payments [1]	43	–	–	–	**43**	60
Income tax	(525)	–	–	–	**(525)**	(259)
Cash from operating activities	**2,570**	**(7)**	**–**	**19**	**2,582**	2,082
Capital element of lease payments	(139)	7	–	–	**(132)**	(78)
Capital expenditure	(362)	–	–	–	**(362)**	(349)
Cash received on maturity of share-based payment schemes	–	–	–	–	–	38
Investments	(5)	–	–	–	**(5)**	31
Interest paid	(117)	–	–	–	**(117)**	(136)
Other [3]	17	–	–	(19)	**(2)**	(6)
Free cash flow	**1,964**	**–**	**–**	**–**	**1,964**	1,582

[1] Included in other operating cash flows in the summarised free cash flow on page 10
[2] Included in working capital (excluding Civil LTSA balance) in the summarised free cash flow on page 10
[3] Other includes M&A related costs, exceptional transformation and restructuring costs

Free cash flow is a measure of the financial performance of the businesses' cash flows which is consistent with the way in which performance is communicated to the Board. Free cash flow is cash flows from operating activities, adjusted to include capital expenditure and movements in investments, capital elements of lease payments, interest paid, cash received on maturity of share-based payment schemes and amounts paid relating to the settlement of excess derivatives. It excludes amounts spent/received on business acquisitions/disposals, and other material exceptional or one-off cash flows. Cash flows from operating activities is our statutory equivalent. The Board considers that free cash flow reflects cash generated from the Group's underlying trading.

Reconciliation of Alternative Performance Measures (APMs) to their statutory equivalent

Alternative Performance Measures (APMs)

Business performance is reviewed and managed on an underlying basis. The Group believes this is a useful basis to measure the in-year performance, as underlying results reflect the substance of trading activity. In addition, a number of other APMs are utilised to measure and monitor the Group's performance.

Definitions and reconciliations to the relevant statutory measure are included below. All comparative periods relate to 30 June 2025.

Underlying results

Underlying results are presented by recording all relevant revenue and cost of sales transactions at the average exchange rate achieved on effective settled derivative contracts in the period that the cash flow occurs. Underlying results also exclude: the effect of acquisition accounting and business disposals, impairment of goodwill and other non-current assets where the reasons for the impairment are outside of normal operating activities, exceptional items and certain other items which are market driven and outside of management's control. Further detail can be found in note 2.

	Half-year to 30 June 2026 £m	Half-year to 30 June 2025 £m
Revenue		
Statutory revenue	**11,448**	9,490
Derivative and FX adjustments	**(169)**	(433)
Underlying revenue	**11,279**	9,057
Gross profit		
Statutory gross profit	**3,427**	2,927
Derivative and FX adjustments	**(38)**	(102)
Programme exceptional credits	**–**	(83)
Exceptional transformation and restructuring charges/(credits)	**2**	(1)
Acquisition accounting and M&A	**6**	7
Civil Aerospace programme asset impairment reversal	**–**	(176)
Underlying gross profit	**3,397**	2,572
Commercial and administrative costs		
Statutory commercial and administrative (C&A) costs	**(797)**	(631)
Exceptional transformation and restructuring charges	**26**	22
Other underlying adjustments	**117**	–
Underlying C&A costs	**(654)**	(609)
Research and development costs		
Statutory research and development (R&D) costs	**(228)**	(246)
Derivative and FX adjustments	**2**	(2)
Acquisition accounting	**2**	1
Civil Aerospace programme asset impairment reversal	**–**	(9)
Underlying R&D costs	**(224)**	(256)
Operating profit		
Statutory operating profit	**2,418**	2,074
Derivative and FX adjustments	**(37)**	(102)
Programme exceptional credits	**–**	(83)
Exceptional transformation and restructuring charges	**28**	21
Acquisition accounting and M&A	**8**	8
Civil Aerospace programme asset impairment reversal	**–**	(185)
Other underlying adjustments	**117**	–
Underlying operating profit	**2,534**	1,733
Underlying operating margin	**22.5%**	19.1%

	Half-year to 30 June 2026 pence	Half-year to 30 June 2025 pence
Basic EPS		
Statutory basic EPS	**19.32**	52.38
Effect of underlying adjustments to profit before tax	**6.75**	(37.39)
Related tax effects	**(1.74)**	4.03
Adjustment for recognition of deferred tax assets [1]	**(2.16)**	(3.28)
Basic underlying EPS	**22.17**	15.74

[1] Underlying profit attributable to ordinary shareholders has been adjusted for the one-off impact of £181m related to the re-recognition of UK surplus advance corporation tax (30 June 2025: £277m related to the recognition of deferred tax assets on UK tax losses), see note 5, pages 31 to 32 for further details

Organic change

Organic change is the measure of change at constant translational currency applying full year 2025 average rates to 2025 and 2026 and excludes M&A changes and business disposals. The movement in underlying change to organic change is reconciled below.

All amounts below are shown on an underlying basis and reconciled to the nearest statutory measure above on page 45. All comparative periods relate to the half-year ended 30 June 2025.

Total Group income statement	Half-year to 30 June 2026 £m	Half-year to 30 June 2025 £m	Change £m	FX £m	M&A [1] £m	Organic Change £m	Organic Change %
Underlying revenue	**11,279**	9,057	2,222	(29)	(59)	2,310	26%
Underlying gross profit	**3,397**	2,572	825	(8)	(6)	839	33%
Underlying operating profit	**2,534**	1,733	801	(17)	22	796	46%
Net financing costs	**(39)**	(44)	5	1	–	4	(9%)
Taxation	**(461)**	(93)	(368)	(5)	1	(364)	383%
Underlying profit for the period	**2,034**	1,596	438	(21)	23	436	27%

[1] During 2025, the sale of the naval propulsors business completed and the Group relinquished control of Rolls-Royce SMR Limited. As a result, organic change excludes these results from 2025

Civil Aerospace	Half-year to 30 June 2026 £m	Half-year to 30 June 2025 £m	Change £m	FX £m	M&A £m	Organic Change £m	Organic Change %
Underlying revenue	**6,186**	4,786	1,400	20	–	1,380	29%
Underlying OE revenue	**2,019**	1,478	541	16	–	525	35%
Underlying services revenue	**4,167**	3,308	859	4	–	855	26%
Underlying gross profit	**1,857**	1,477	380	2	–	378	26%
Commercial and administrative costs	**(199)**	(213)	14	–	–	14	(7%)
Research and development costs	**(128)**	(138)	10	(1)	–	11	(8%)
Joint ventures and associates	**37**	67	(30)	(1)	–	(29)	(43%)
Underlying operating profit	**1,567**	1,193	374	–	–	374	31%

Defence	Half-year to 30 June 2026 £m	Half-year to 30 June 2025 £m	Change £m	FX £m	M&A [1] £m	Organic Change £m	Organic Change %
Underlying revenue	**2,484**	2,223	261	(38)	(59)	358	17%
Underlying OE revenue	**1,125**	1,000	125	(13)	(33)	171	18%
Underlying services revenue	**1,359**	1,223	136	(25)	(26)	187	16%
Underlying gross profit	**639**	462	177	(9)	(6)	192	42%
Commercial and administrative costs	**(105)**	(103)	(2)	–	1	(3)	3%
Research and development costs	**(12)**	(18)	6	2	–	4	(24%)
Joint ventures and associates	**–**	1	(1)	–	–	(1)	(100%)
Underlying operating profit	**522**	342	180	(7)	(5)	192	57%

[1] On 1 July 2025 the sale of the naval propulsors business completed. As a result, organic change excludes the naval propulsors results from 2025

Power Systems	Half-year to 30 June 2026 £m	Half-year to 30 June 2025 £m	Change £m	FX £m	M&A £m	Organic Change £m	Organic Change %
Underlying revenue	**2,604**	2,042	562	(11)	–	573	28%
Underlying OE revenue	**1,824**	1,381	443	(15)	–	458	33%
Underlying services revenue	**780**	661	119	4	–	115	17%
Underlying gross profit	**901**	635	266	(1)	–	267	42%
Commercial and administrative costs	**(297)**	(251)	(46)	(5)	–	(41)	16%
Research and development costs	**(84)**	(79)	(5)	(2)	–	(3)	4%
Joint ventures and associates	**8**	8	–	(1)	–	1	14%
Underlying operating profit	**528**	313	215	(9)	–	224	72%

Trading cash flow

Trading cash flow is defined as free cash flow (as defined below) before the deduction of recurring tax and post-employment benefit expenses. Trading cash flow per segment is used as a measure of business performance for the relevant segments.

	Half-year to 30 June 2026 £m	Half-year to 30 June 2025 £m
Civil Aerospace	**1,458**	1,111
Defence	**615**	327
Power Systems	**507**	425
Total reportable segments trading cash flow	**2,580**	1,863
All Other Businesses [1]	**(12)**	17
Corporate and Inter-segment	**(50)**	(33)
Trading cash flow	**2,518**	1,847
Underlying operating profit charge exceeded by contributions to defined benefit schemes	**(29)**	(6)
Taxation [2]	**(525)**	(259)
Free cash flow	**1,964**	1,582

[1] For the period ended 30 June 2026, All Other Businesses includes the financial results of the UK Civil Nuclear business. For the period ended 30 June 2025, All Other Businesses also included the financial results of Rolls-Royce SMR Limited prior to the relinquishment of control on 4 March 2025

[2] See page 44 for taxation paid in the summary funds flow statement

Free cash flow

Free cash flow is a measure of the financial performance of the businesses' cash flows which is consistent with the way in which performance is communicated to the Board. Free cash flow is cash flows from operating activities, adjusted to include capital expenditure and movements in investments, capital elements of lease payments, interest paid, cash received on maturity of share-based payment schemes and amounts paid relating to the settlement of excess derivatives. It excludes amounts spent/received on business acquisitions/disposals, and other material exceptional or one-off cash flows. Cash flows from operating activities is our statutory equivalent.

	Half-year to 30 June 2026 £m	Half-year to 30 June 2025 £m
Statutory cash flows from operating activities	**2,570**	2,018
Capital expenditure	**(362)**	(349)
Cash received on maturity of share-based payment schemes	**–**	38
Investment (including investment from NCI and movement in joint ventures, associates and other investments)	**(5)**	31
Capital element of lease payments	**(139)**	(91)
Interest paid	**(117)**	(136)
Exceptional transformation and restructuring costs	**19**	68
M&A costs	**–**	5
Other	**(2)**	(2)
Free cash flow	**1,964**	1,582

Gross R&D expenditure

In period gross cash expenditure on R&D excludes contributions and fees, amortisation and impairment of capitalised costs and amounts capitalised during the period. For further detail, see note 3.

Gross capital expenditure

Gross capital expenditure during the period. All proposed investments are subject to rigorous review to ensure that they are consistent with forecast activity and provide value for money. The Group measures annual capital expenditure as the cash purchases of PPE acquired during the period.

	Half-year to 30 June 2026 £m	Half-year to 30 June 2025 £m
Purchases of PPE (cash flow statement)	**237**	202

Key performance indicators

The following measures are key performance indicators and are calculated using APMs or statutory results. See below for calculation of these amounts.

Order backlog

Total value of firm orders placed by customers for delivery of products and services where there is no right to cancel. Further details are included in note 2 of the Condensed Consolidated Financial Statements.

Adjusted return on capital (abbreviated to return on capital)

Return on capital is defined as net operating profit after tax (NOPAT) as a percentage of average invested capital. NOPAT is defined as underlying net profit excluding net financing and the tax shield on net financing. Invested capital is defined as current and non-current assets less current liabilities. It excludes pension assets, cash and cash equivalents, and borrowings and lease liabilities. Return on capital assesses the efficiency in allocating capital to profitable investments.

	Year-ended 30 June 2026 £m	Year-ended 30 June 2025 £m
Underlying income statement		
Underlying operating profit	**1,729**	1,315
Less: taxation [1]	**(520)**	(329)
Underlying operating profit (post-taxation) (six-month period ended 31 December)	**1,209**	986
Underlying operating profit	**2,534**	1,733
Less: taxation [1]	**(649)**	(372)
Underlying operating profit (post-taxation) (six-month period ended 30 June)	**1,885**	1,361
Total underlying operating profit (post-taxation)	**3,094**	2,347
Statutory balance sheet		
Total assets	**39,006**	37,940
Less: post-retirement scheme surpluses	**(143)**	(750)
Less: cash and cash equivalents	**(6,484)**	(6,044)
Current liabilities	**(19,647)**	(18,218)
Liabilities associated with assets held for sale	**(11)**	(88)
Less: borrowings and lease liabilities	**452**	2,071
Invested capital (closing)	**13,173**	14,911
Invested capital (average)	**14,042**	13,882
Return on capital	**22.0%**	16.9%

[1] Excluding underlying taxation on underlying net financing of £(7)m (30 June 2025: £(2)m) and adjusted for the one-off impact of £181m related to the re-recognition of UK surplus advance corporation tax (30 June 2025: £277m related to the recognition of deferred tax assets on UK tax losses), see note 5, pages 31 to 32 for further details

Total underlying cash costs as a proportion of underlying gross margin (abbreviated to TCC/GM)

Total underlying cash costs during the period (represented by underlying research and development (R&D) expenditure and underlying commercial and administrative (C&A) costs) as a proportion of underlying gross profit. This measure provides an indicator of total cash costs relative to gross profit. A reduction in total cash costs relative to gross profit indicates how effective the business is at managing and/or reducing its costs.

	Half-year to 30 June 2026 £m	Half-year to 30 June 2025 £m
Underlying R&D expenditure [1]	**258**	299
Underlying C&A	**654**	609
Total cash costs	**912**	908
Underlying gross profit	**3,397**	2,572
Total cash costs as a proportion of underlying gross profit	**0.27**	0.35

[1] Excludes £1m derivatives and FX (30 June 2025: £1m impact of acquisition accounting, exceptional transformation costs, derivatives and FX)

Principal risks and uncertainties

Our risk management framework is described on pages 48 to 50 of our 2025 Annual Report. It sets out requirements for managing risk across the organisation, in a continuous process where risk owners identify, quantify, evaluate, control, assure and act to mitigate risks, including ongoing monitoring and oversight.

Each principal risk is owned by one or more members of the Executive Team and managed in relation to achieving target risk appetite or better. The actions needed to achieve or maintain these target positions are also monitored. We continued to monitor our principal risks portfolio to ensure that it remains current and dynamic. All principal risks facing the Group are summarised below and reported in detail on pages 51 to 56 of our 2025 Annual Report.

Principal risks

Safety

Failure to: i) create a place to work which minimises the risk of harm to our people, those who work with us, and the environment, would adversely affect our reputation and long-term sustainability or ii) to meet the expectations of our customers to provide safe products which also meet the relevant regulations.

Compliance

Failure to comply with legislation and/or other regulatory requirements in the heavily regulated environment in which we operate (e.g. export controls; data privacy; use of controlled chemicals and substances; antibribery and corruption; human rights; and tax and customs legislation). This could affect our ability to conduct business in certain jurisdictions and would potentially expose us to: reputational damage; financial penalties; debarment from government contracts for a period of time; and/or suspension of export privileges (including export credit financing), each of which could have a material adverse effect.

Strategy

Failure to develop an optimal strategy and continuously evolve it, investing in key areas for performance improvement and growth (taking into account risk-reward), making difficult decisions for competitive advantage and the right portfolio and partnership choices, could result in us underperforming against our competitors and significantly reduce our ability to build a high performing, competitive, resilient and growing business.

Execution

Failure to deliver as One Rolls-Royce on short to medium term financial plans, including efficient and effective delivery of quality products, services and programmes, and/or falling significantly short of customer expectations.

Business interruption

Failure to prevent a major disruption of our operations and ability to deliver our products, services and programmes could have an adverse impact on our people, internal facilities and/or external supply chain which could result in failure to meet agreed customer commitments and damage our prospects of winning future orders.

Disruption could be caused by a range of events, for example, extreme weather or natural hazards (such as earthquakes or floods) which could increase in severity or frequency given the impact of climate change; political events; financial insolvency of a critical supplier; scarcity of materials; loss of data; fire; pandemic or other infectious disease.

Energy transition

Failure to reach net zero by 2050, leveraging technology to transition from carbon intensive products and services at pace could impact our ability to win future business; achieve operating results; attract and retain talent; secure access to funding; realise future growth opportunities; and/or force government intervention to limit emissions.

Information & data (including cyber)

Failure to protect the integrity, confidentiality and availability of data, both physical and digital, systems, services or products from attempts to cause us and/or our customers harm, which could hinder data-driven decision making, disrupt internal business operations and services for customers, or result in a data breach or non-compliance to regulatory requirements, all of which could damage our reputation, reduce resilience, and cause financial loss.

Market & financial shock

Failure to minimise our exposure to market and financial risks, some of which are of a macroeconomic nature (e.g. economic growth rates, foreign currency, oil price, interest rates) and some of which are more specific to us (e.g. cyclical aviation industry, reduction in air travel or defence spending, disruption to other customer operations, liquidity, and credit risks). This could affect demand for our products and services.

Significant extraneous market events could also materially damage our competitiveness and/or creditworthiness and our ability to access funding. This would affect operational results or the outcomes of financial transactions.

Political

Failure to respond strategically and tactically to geopolitical developments and events, such as adverse changes in key political relationships, trade protectionism and conflicts, deteriorating tax or regulatory regimes, and armed conflict, would lead to an unfavourable business climate which could impact our short and/or long-term execution commitments.

Talent & capability

Failure to attract, retain and develop the critical talent, skills and capabilities required to deliver our strategic priorities could threaten our ability to be a high-performing, competitive, resilient and growing business.

Technology

Failure to ensure products and services are based on competitive technology, leveraging substantial engineering and/or scientific challenges, adopting digital tools (such as AI) and new ways of working, could hinder our ability to accelerate product design and deliver a competitive offer that ensures superior performance; enhances the customer experience; drives the transition to lower carbon; improves productivity and reduces costs. This will negatively impact our competitiveness and market share.

Dividend

An interim cash dividend in respect of the first half of 2026 of 6.0 pence per ordinary share, to be paid on 18 September 2026 to shareholders on the register on 7 August 2026. The election deadline for ordinary shareholders wishing to participate in the Dividend Reinvestment Programme (DRIP) is 28 August 2026, further details can be obtained from the Company’s Registrar, Equiniti Limited.

Statement of Directors' responsibilities

The Directors confirm that, to the best of their knowledge:

• the condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the UK;

• the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

By order of the Board

Tufan Erginbilgic	Helen McCabe
Chief Executive	Chief Financial Officer
30 July 2026	30 July 2026

Independent review report to Rolls-Royce Holdings plc
Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Rolls-Royce Holdings plc's condensed consolidated interim financial statements (the "interim financial statements") in the 2026 Half Year Results of Rolls-Royce Holdings plc for the 6 month period ended 30 June 2026 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Condensed consolidated balance sheet as at 30 June 2026;
- the Condensed consolidated income statement for the period then ended;
- the Condensed consolidated statement of comprehensive income for the period then ended;
- the Condensed consolidated cash flow statement for the period then ended;
- the Condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the 2026 Half Year Results of Rolls-Royce Holdings plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the 2026 Half Year Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The 2026 Half Year Results, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the 2026 Half Year Results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the 2026 Half Year Results, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the 2026 Half Year Results based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report.

Use of this report

This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
30 July 2026