

2014 Half-Year Results

Data pack

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Table of contents

Section	Page
The Group	3
Financials	14
Civil Aerospace	28
Defence Aerospace	45
Marine	50
Nuclear & Energy	56
Power Systems	60
Additional Information	63



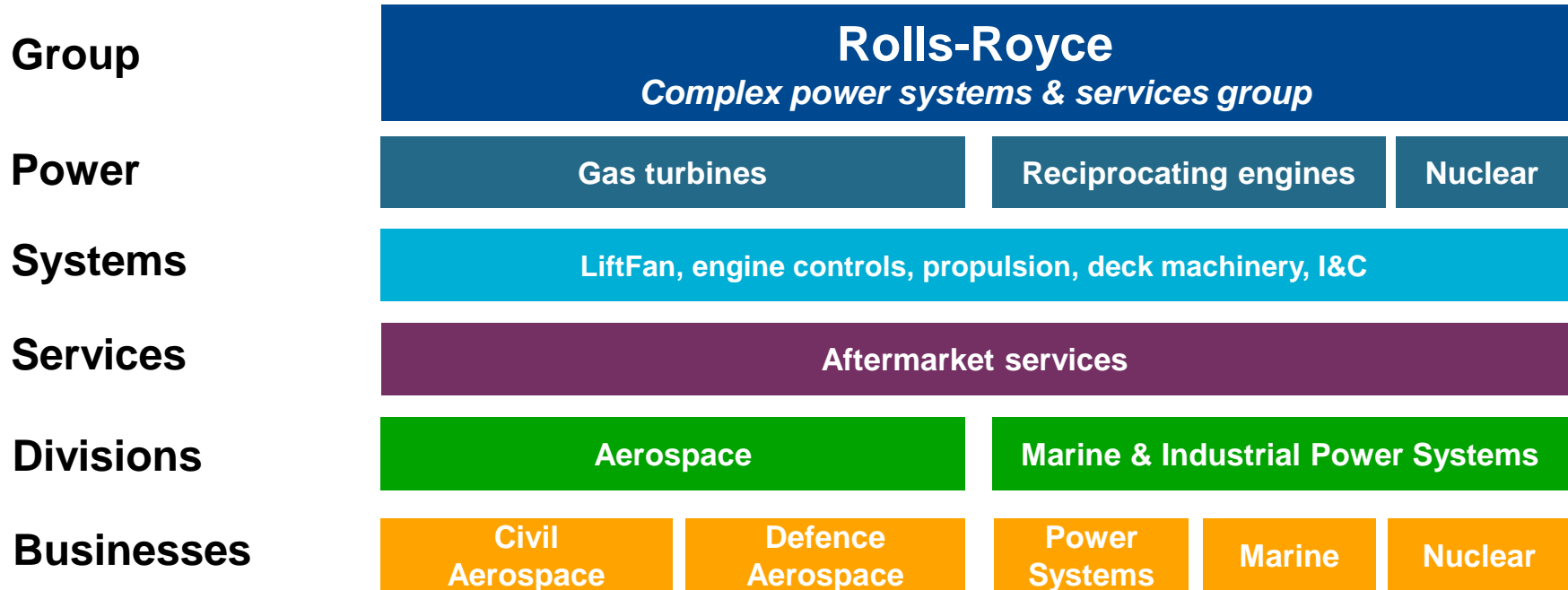
The Group



Rolls-Royce

Who we are

“ ...for use on land or water or in the air.”*



* from Rolls-Royce Ltd. Memorandum & Articles of Association 1904



Rolls-Royce

Customer

Place the customer at the heart of the organisation

Understand and shape their requirements

Relentless focus on delivering our promises

Innovation

Value innovation in everything we do

Ensure competitive technology ahead of product requirements

Establish an environment and culture in which innovation thrives

Profitable growth

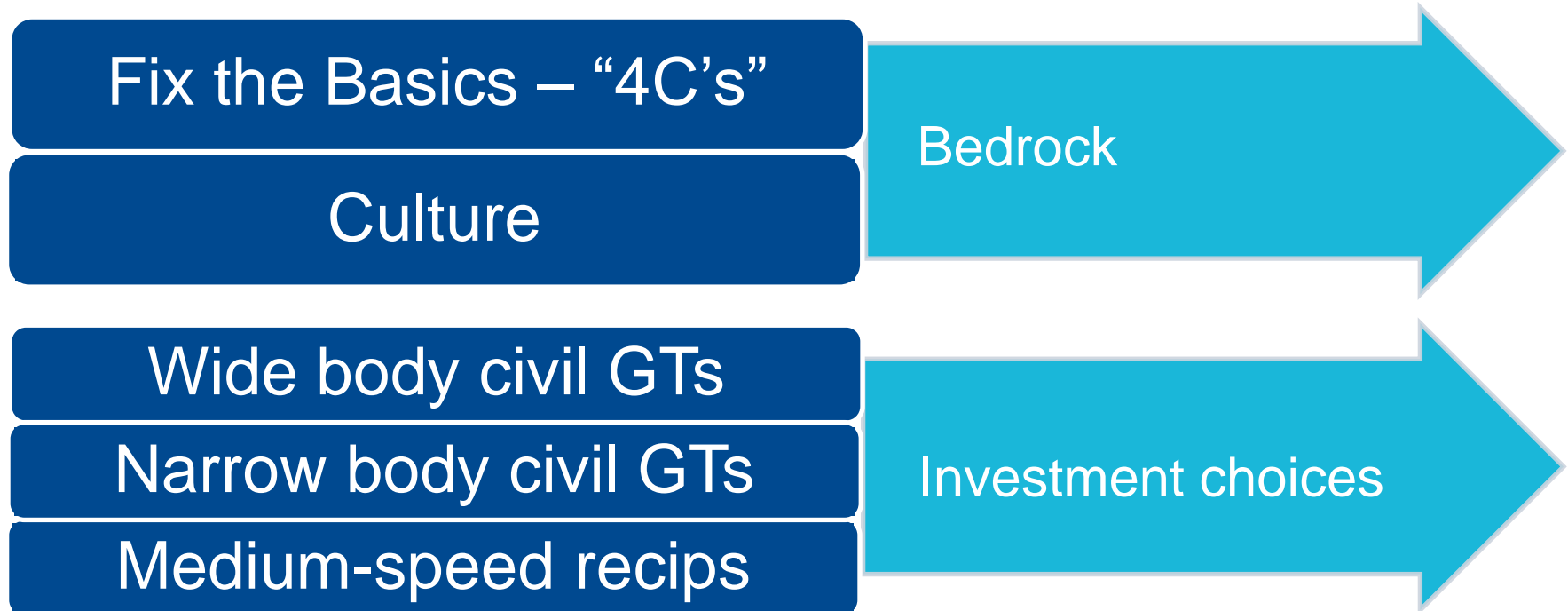
Grow our market share and installed base

Competitive portfolio of products and services

Focus on cost and cash

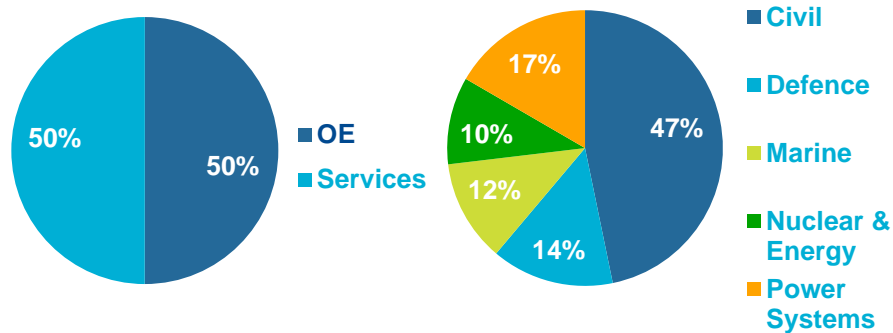


Our 5 priorities

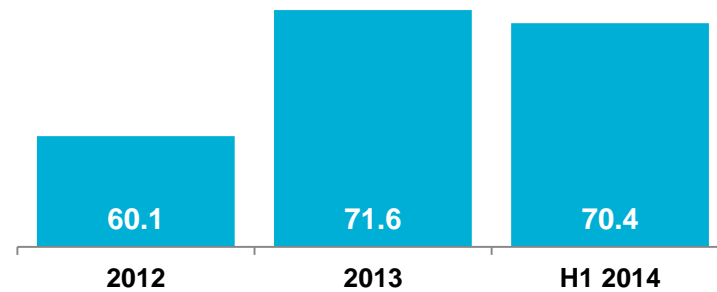


Summary 2014 Half-Year

Group revenue £6.8bn



Order book £70.4bn



Profit before tax £644m



Growth drivers:

- Substantial order book provides excellent visibility of future growth
- Good opportunities to improve margins and cash flow conversion
- Long Term Service Agreements drive operational efficiency in aftermarket services






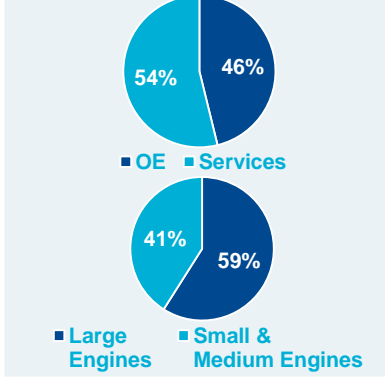
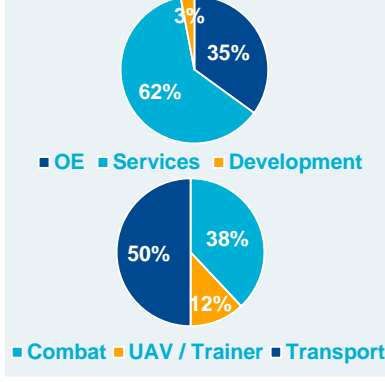
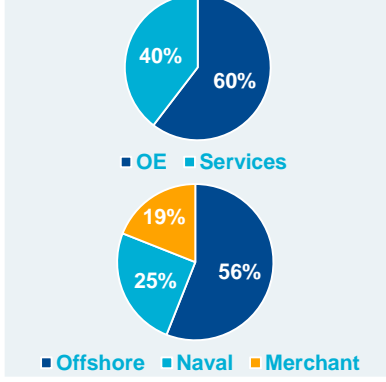
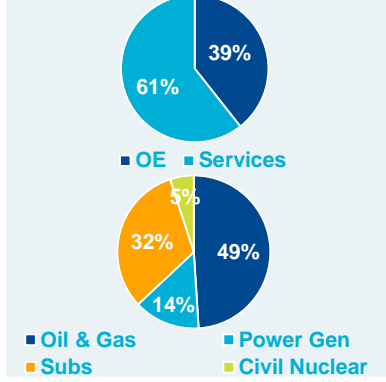
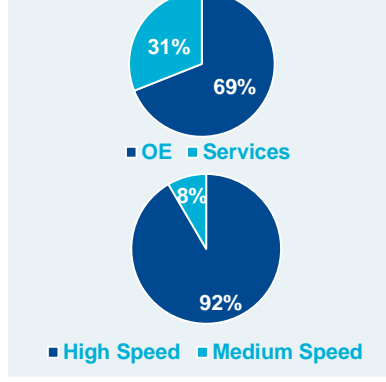
*H1 2013 figures restated for the change in accounting policy for RRSA Entry Fees



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Global markets

A diverse portfolio

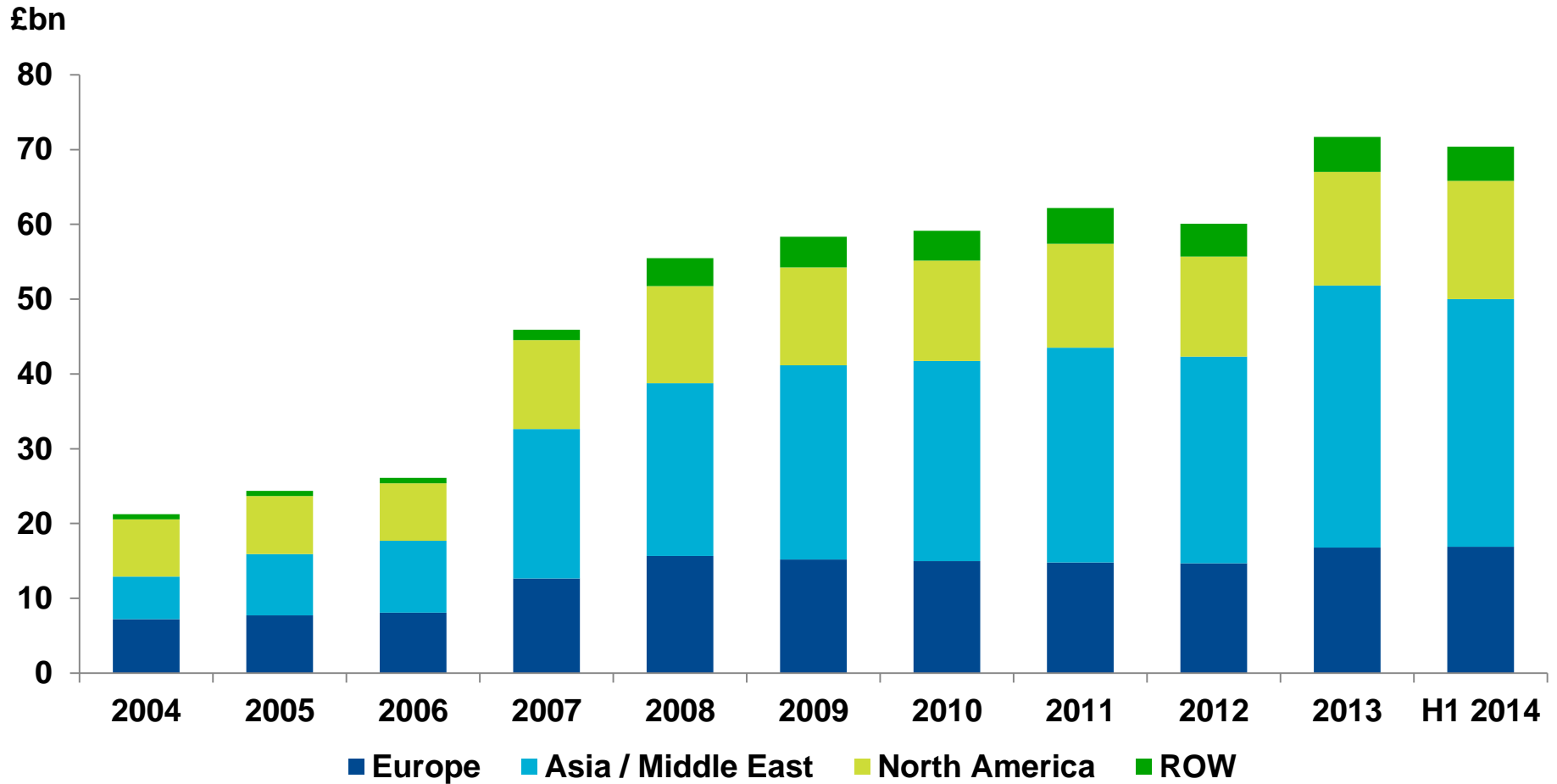
Civil Aerospace	Defence Aerospace	Marine	Nuclear & Energy	Power Systems
				
<ul style="list-style-type: none"> 13,000 gas turbine engines Powers >30 types of aircraft 380 airline and leasing customers >30 million flying hours in 2012 	<ul style="list-style-type: none"> 16,000 gas turbine engines 24 engine programmes 103 countries 160 armed forces 	<ul style="list-style-type: none"> 25,000 power & propulsion units 4,000 customers 70 navies Products on 30,000 vessels 	<ul style="list-style-type: none"> 4,000 power systems 1,600 customers 120 countries UK's nuclear-powered subs 	<ul style="list-style-type: none"> 800,000 power systems Customers across the marine, industrial, oil & gas, defence and power generation markets
<ul style="list-style-type: none"> 72% services revenue = LTSAs with "TotalCare" 	<ul style="list-style-type: none"> 30% services revenue = LTSAs with "MissionCare" 	<ul style="list-style-type: none"> 1% services revenue = LTSAs mainly Naval 	<ul style="list-style-type: none"> 38% services revenue = LTSAs 	<ul style="list-style-type: none"> 5% services revenue = LTSAs
<p>HY14 Revenue £3,197m</p>	<p>HY14 Revenue £983m</p>	<p>HY14 Revenue £818m</p>	<p>HY14 Revenue £701m</p>	<p>HY14 Revenue £1,214m</p>
				
<p>HY 2014 RoS 12.7%</p>	<p>HY 2014 RoS 19.1%</p>	<p>HY 2014 RoS 4.9%</p>	<p>HY 2014 RoS 2.1%</p>	<p>HY 2014 RoS 5.1%</p>



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Order book*

Long-term visibility



*Firm and announced order book stated on a constant currency basis



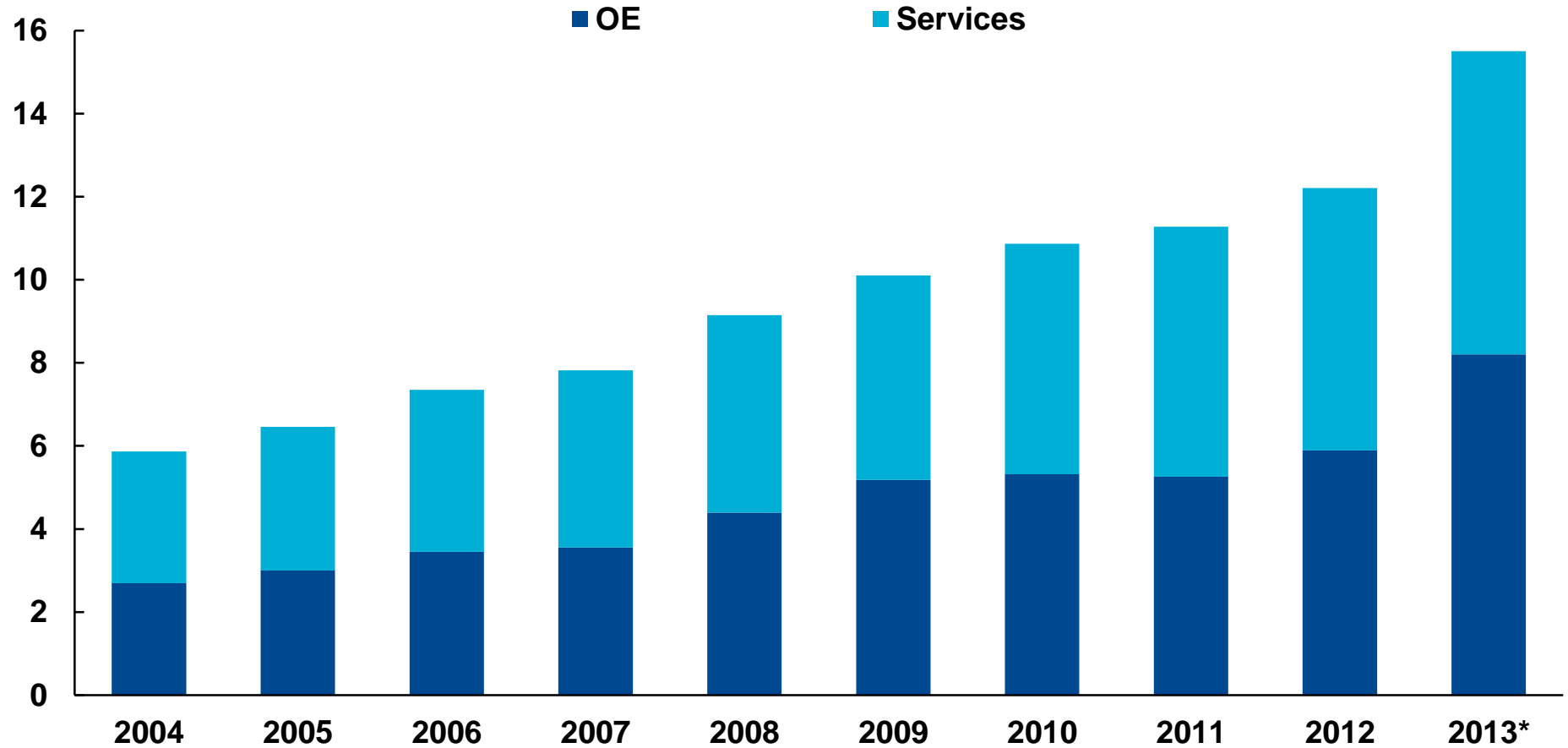
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Group revenue

Long-term growth

CAGR: 11.41%

£bn



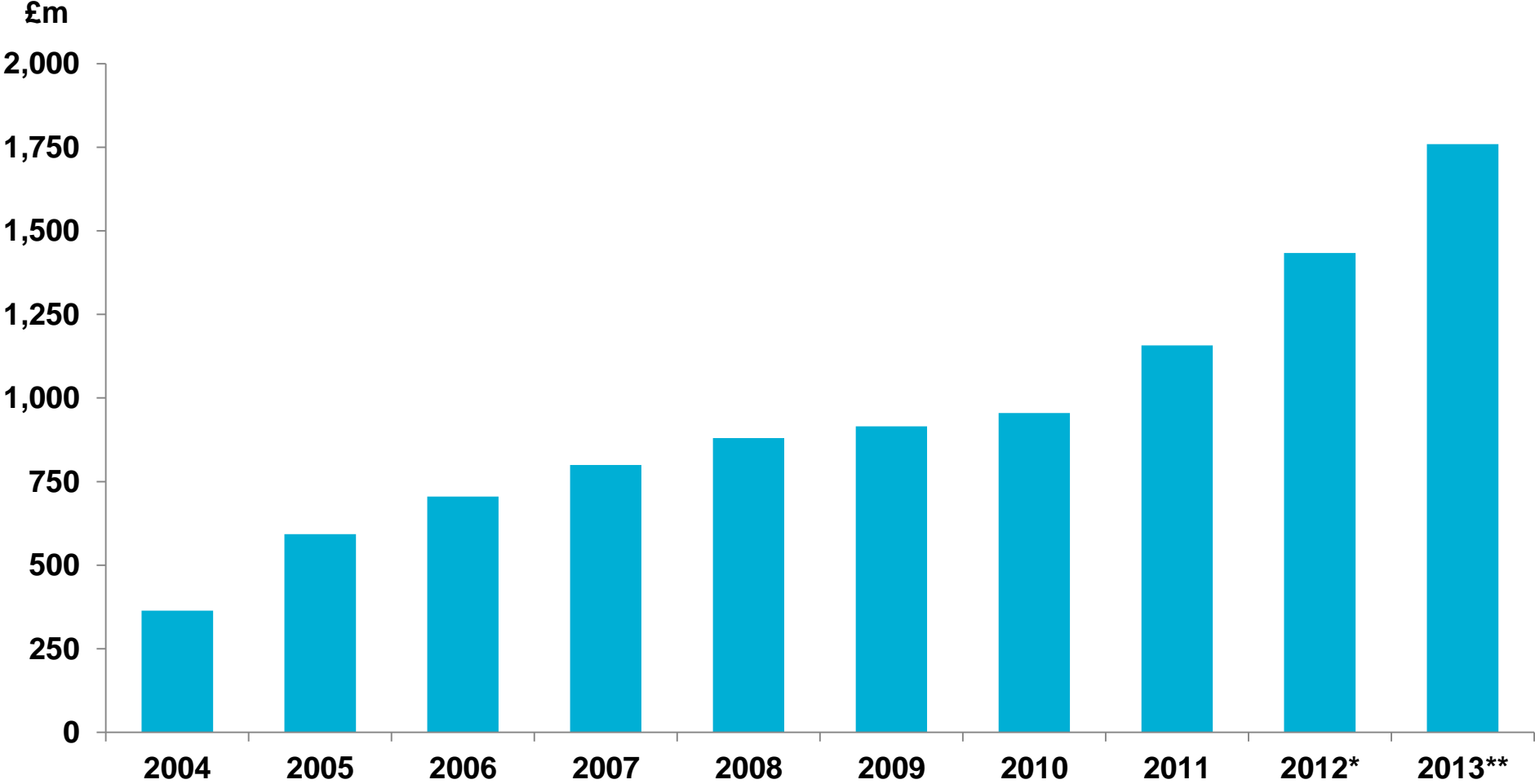
*Includes Tognum revenue of £2.6bn



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Profit

Long-term earnings growth
CAGR: 19.13%



Graphic shows Underlying Profit Before Taxation (UPBT)

*2012 profit restatement for change to IAS19

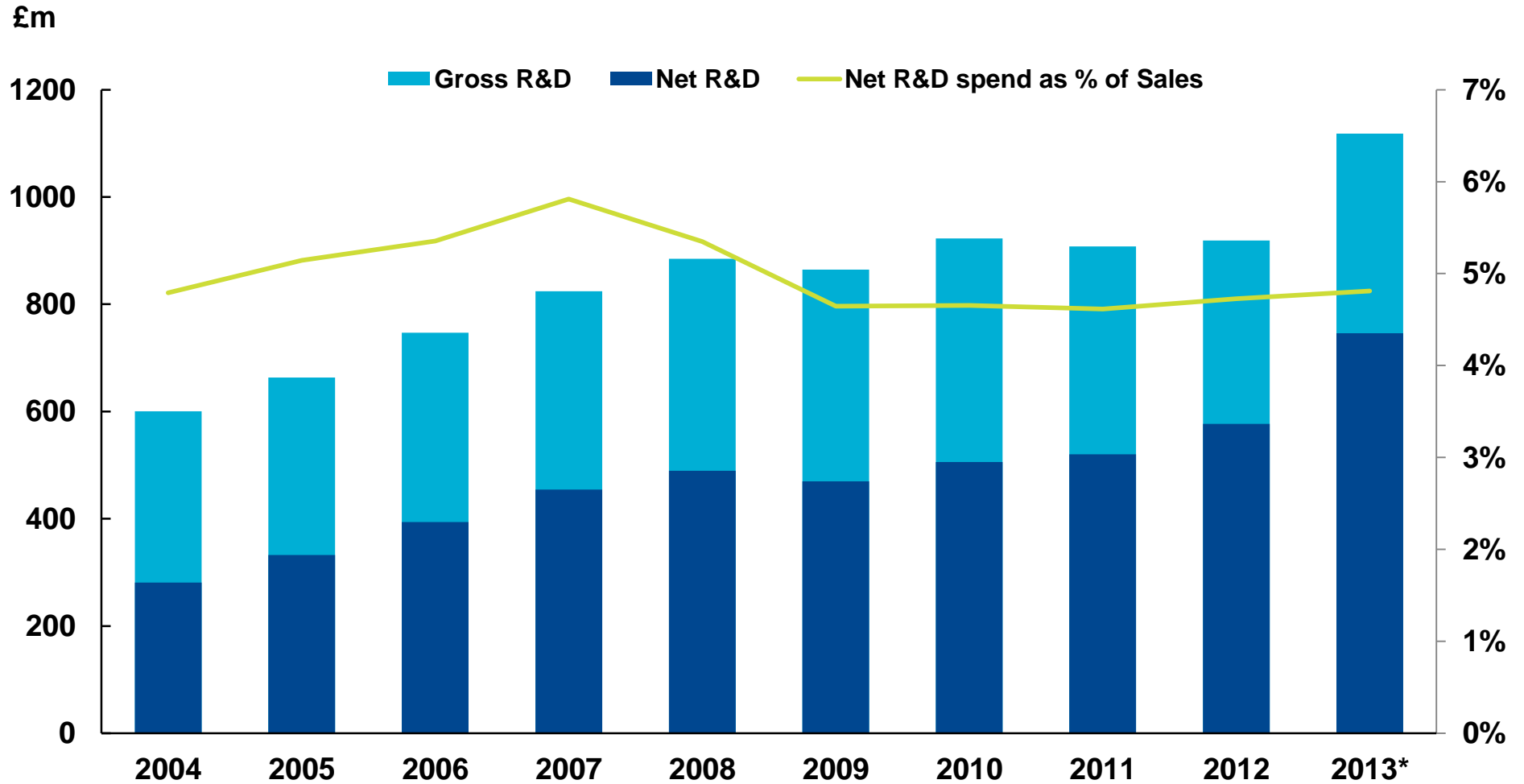
**Includes Tognum UPBT of £257m



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Research & development spend

Continued investment in future technology



*Includes Tognum R&D of £165m

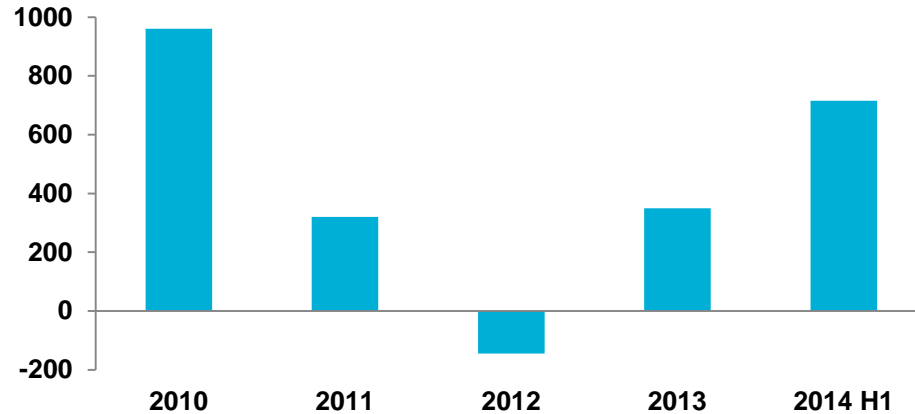


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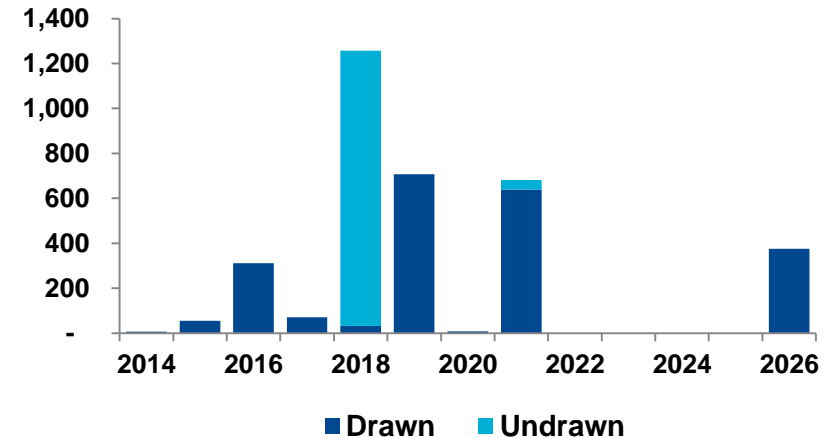
Balance Sheet

Strong liquidity position – total liquidity £4bn

Average net cash (£m)



Debt maturities (£m)



‘A’ credit rating and liquidity provide confidence for:

- Customers signing Long-Term Service Agreements spanning decades
- Customer and supplier financing
- Investing in opportunities at the right time
- Suppliers and JV partners making long-term investments
- Weathering financial market uncertainties



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Financials



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Historic Financials

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	H1 2013*	H1 2014
Underlying revenue (£m)	10,108	10,866	11,277	12,209	15,505	7,320	6,836
Underlying profits before tax (£m)	915	955	1,157	1,434	1,759	804	644
Underlying EPS	39.67p	38.73p	48.54p	59.59p	65.59p	31.88p	25.64p
Free Cash flow (£m)	257	658	525	455	781	(326)	(432)
Average net cash (£m)	635	960	320	(145)	350	355	715
Order intake (£bn)	14.1	12.3	16.3	16.1	26.9	15.3	6.5
Order book (£bn)	58.3	59.2	62.2	60.1	71.6	69.2	70.4
Payment to shareholders (p/share)	15.0p	16.0p	17.5p	19.5p	22.0p	8.6p	9.0p

*H1 2013 figures restated for the change in accounting policy for RRSA Entry Fees



Underlying income statement

(£m)	FY 2013	H1 2013	H1 2014
Underlying revenue	15,505	7,320	6,836
Underlying gross profit	3,653	1,720	1,582
Commercial and administrative costs	(1,298)	(628)	(570)
Net R&D charge*	(624)	(294)	(348)
Other income & costs	100	38	10
UPBFCT	1,831	836	674
Net financing charge	(72)	(32)	(30)
UPBT	1,759	804	644
Tax	(434)	(189)	(157)
Minority interests	(101)	(21)	(6)
UPAT	1,224	594	481
Underlying EPS (p/share)	65.59p	31.88p	25.64p
Payment to shareholders (p/share)	22.0p	8.6p	9.0p

*R&D P&L charge includes the impact of RRSA entry fee recognition



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Underlying financing costs

(£m)	FY 2013	H1 2013	H1 2014
UPBFCT	1,831	836	674
Interest	(43)	(21)	(23)
Financial RRSAs	(9)	(4)	(3)
Others	(20)	(7)	(4)
Underlying net finance charge	(72)	(32)	(30)
UPBT	1,759	804	644



Summary balance sheet

(£m)	FY2013	H1 2014
Intangible assets	4,987	4,951
Property, plant and equipment	3,392	3,357
Net post retirement scheme deficits	(793)	(225)
Net working capital	(970)	(143)
Net funds	1,939	1,177
Provisions	(733)	(739)
Net financial assets and liabilities	(1,587)	(1,436)
Investment in joint ventures and associates	601	583
Other net assets and liabilities	(533)	(784)
Net assets	6,303	6,741
Other items		
USD hedge book (\$m)	24,700	23,900
Net TotalCare assets (£m)	1,587	1,752

* H1 2013 figures restated for the change in accounting policy for RRSA Entry Fees



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Cash flow

(£m)	FY2013	H1 2013*	H1 2014
Group UPBT	1,759	804	644
Depreciation & amortisation	608	277	281
Net working capital	91	(843)	(634)
Capital expenditure & intangibles	(1,172)	(430)	(541)
Other	(169)	9	7
Trading cash flow	1,117	(183)	(243)
Pension / tax / other	(336)	(143)	(189)
Free Cash Flow	781	(326)	(432)
Shareholder payments	(417)	(198)	(236)
Base cash flow (exc. acquisitions & FX)	364	(524)	(668)
Acquisitions & disposals	265	(52)	(3)
Net funds of businesses acquired / disposed	36	36	(29)
FX	(43)	107	(62)
Change in net funds	622	(433)	(762)
Period end cash balance	1,939	921	1,177
Average net cash	350	355	715

* H1 2013 figures restated for the change in accounting policy for RRSA Entry Fees



Headline to underlying adjustments

(£m)	Revenue		Profit	
	H1 2013	H1 2014	H1 2013	H1 2014
Headline	7,345	6,632	848	491
FX gain/(loss)	(25)	204	(13)	93
Amortisation of intangibles			123	73
Acquisitions & disposals			(123)	11
Restructuring			-	5
Other			1	1
Underlying	7,320	6,836	836	674



Research & development

(£m)	FY 2010	FY 2011	FY 2012	FY 2013	HY 2013	HY 2014
Gross R&D	(923)	(908)	(919)	(1,118)	(558)	(566)
Net R&D	(506)	(520)	(577)	(746)	(387)	(399)
Net R&D spend as % of underlying revenues	4.7%	4.6%	4.7%	4.8%	5.3%	5.8%
Capitalised	111	93	38	108	65	44
Amortised	(27)	(36)	(50)	(69)	(29)	(33)
R&D charged to Income Statement (before RRSA entry fees)	(422)	(463)	(589)	(707)	(351)	(388)
Net RRSA entry fee impact*			58	83	57	40
R&D charge to the Income Statement	(422)	(463)	(531)	(624)	(294)	(348)

* Change to RRSA entry fee recognition only made from 2012 onwards – no retrospective restatement of prior years



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Foreign exchange - translational

	HY 2013	HY 2014		FY2013	HY 2014
Period average rates			Period end-spot rates		
USD	1.54	1.67	USD	1.65	1.70
Euro	1.18	1.22	Euro	1.20	1.25
NOK	8.84	10.07	NOK	10.03	10.48

Revenue impact

- Translational FX impact on Group revenue of -4%; -£226m
- By business segment:
 - Civil Aerospace -1%; Defence Aerospace -3%; Marine -7%; Nuclear & Energy -5%; RRPS -3.5%

Profit impact

- Translational FX impact on Group UPBT of -£21m
- Segmental impact concentrated in Civil, Defence and RRPS:
 - Civil Aerospace -£13m; Defence Aerospace -£6m; RRPS -£2m
- Impact by currency: USD -£16m; EUR -£6m

Balance Sheet effects

- Movement in period end spot rates changes valuation of overseas cash balances
- Spot rates at HY14 vs. FY13 caused an impact of -£62m on cash balances held



Foreign exchange - translational

Impact of translational FX on segment performance

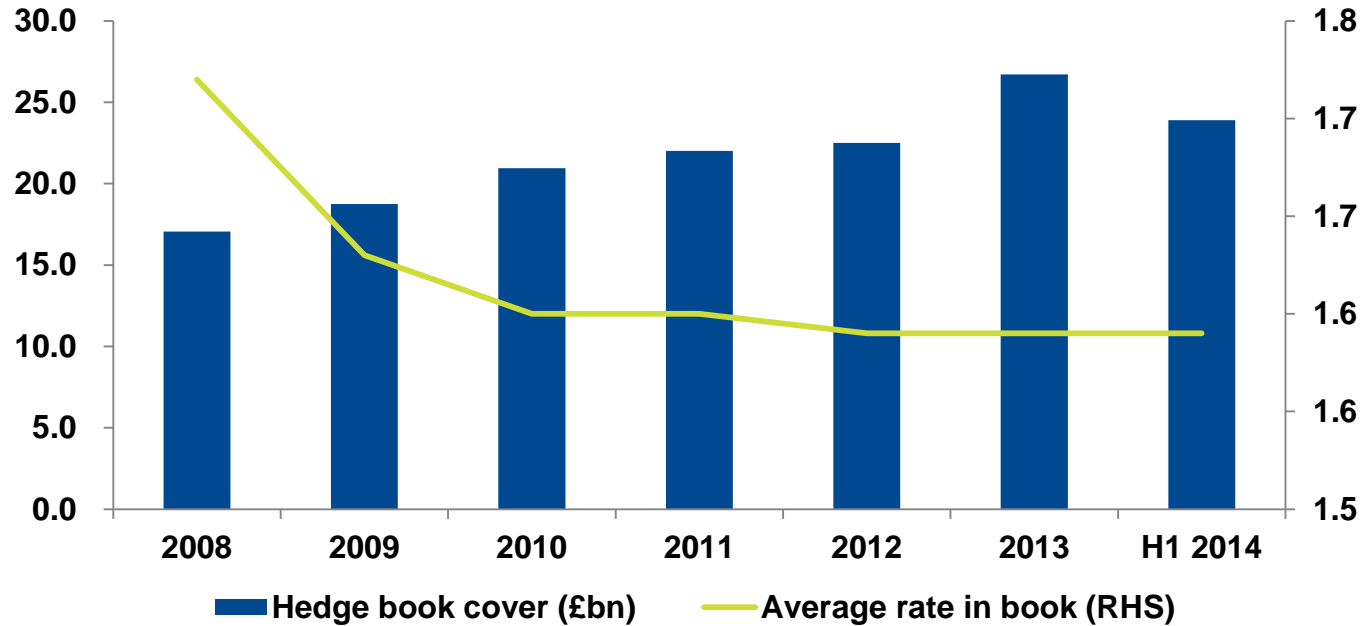
H1 2014 vs. H1 2013	Revenue		Profit	
	Inc. FX	Exc. FX	Inc. FX	Exc. FX
Civil Aerospace	0%	+1%	-10%	-7%
Defence Aerospace	-20%	-17%	-11%	-8%
Marine	-20%	-13%	-64%	-64%
Nuclear and Energy	-2%	+3%	-32%	-32%
RRPS	-2%	+1%	-14%	-11%
Group	-7%	-4%	-19%	-17%

- Table shows the impact of changes in average spot rates on H1 2014 results, compared to results on a constant FX basis



Foreign exchange - transactional

Hedging to reduce volatility – \$0.01 FX movement in GBP/USD \approx £15m annual P&L impact



Good visibility of improving achieved rates

- Continuing to take US\$ cover
- US\$ hedge book at \$23.9bn with average rate of \$1.59 at 30 June 2014
- Current net exposure is around \$5bn per annum – approx 4.5 years cover in place



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Pensions

Reduced risk through prudent pension management

UK schemes

- Make up around 86% of gross liabilities and 95% of gross assets
- Defined benefit (DB) schemes closed to new members
- More than 80% of assets in lower risk, Liability Driven Investments (LDIs)
- Longevity swap provides greater certainty over future funding requirements
- Surplus of £785m (IAS19 basis*) – increase from £196m at year-end reflects a change of the rules in the largest DB scheme such that a surplus of £526m is now recognised
- 2014 H1 contributions of £146m including £24m of deficit reduction payments and £33m to fund the discretionary escalation agreed in 2013
- Full-year contributions expected to be around £256m (2013 £249m)

Overseas schemes

- Make up around 14% of gross liabilities and 5% of gross assets
- Deficit of £1,010m (IAS19 basis*) principally made up of unfunded US healthcare schemes (£368m) and unfunded Power Systems schemes (£437m)
- 2014 H1 contributions of £32m (2013 HY £32m)
- Full-year contributions expected to be around £67m (2013 £66m)

* IAS19 reporting basis discounts liabilities using a AA bond rate – while this is the required reporting method it does not match the method used to manage the UK pension schemes which discounts liabilities using a swap curve to match the LDI portfolios.



Customer finance

Financial strength allows the group to provide finance support to customers

Selective and designed to minimize risk:

- Board guidelines limit gross and net exposures by counterparty, product type and year
- Commitments continually monitored with suitable exposure management policies in place
- Exposures audited twice yearly with independent asset value appraisals

Reduced contingent liabilities – as of June 30th 2014:

- Total Gross Exposure: US\$559m;
- Total Net Exposure (less security): US\$95m;
- Total Net Stressed Exposure (assumes 20% asset discount): US\$123m
- Liabilities are spread across multiple geographies, customers and aircrafts



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2014 guidance*

	Revenue	Profit
Group	Broadly flat, excluding FX	Broadly flat, excluding FX and Marine one-off (-£30m)
Civil Aerospace	2 - 5% increase	8 – 12% increase
Defence Aerospace	15 - 20% reduction	15 – 20% reduction
Marine	Around 10% reduction	15 – 25% reduction**
Nuclear & Energy	5 – 10% increase	30 – 40% increase
Power Systems	+/- 2%	5 – 10% increase
Group Free Cash Flow	Similar to 2013	
Capital expenditure	Around £700m	
R&D	Spend – around £800m; P&L charge – around £700m	
Tax rate	Underlying rate around 24%	

* Guidance follows movement of Submarine from Marine to Nuclear & Energy

** Excluding one-off charge



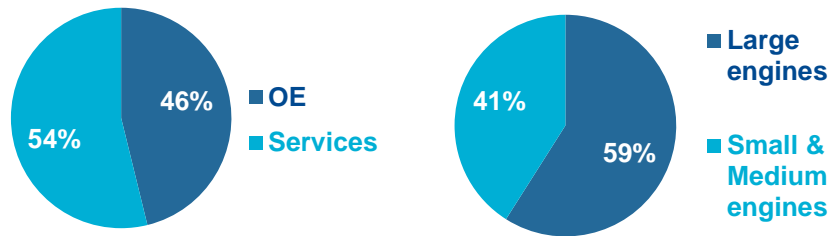
Civil Aerospace



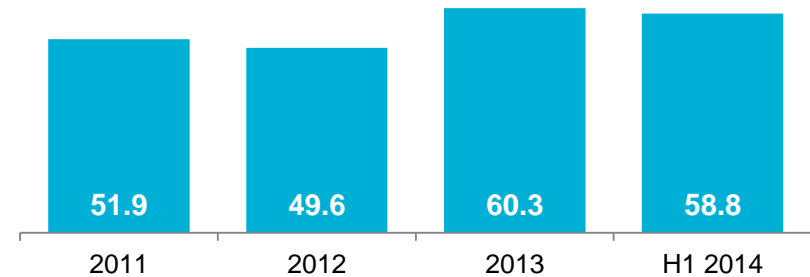
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Civil Aerospace

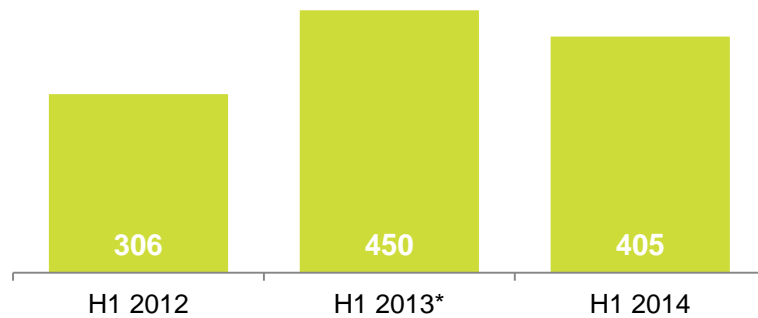
Revenue £3,197m



Order book £58.8bn



Profit before financing £405m



Growth drivers

- OE volume drives revenue growth
- Operational leverage in OE and services
- Competitive advantage of high LTSA %

*H1 2013 restated for new RRSP accounting treatment



Products

Leading widebody market share

Engine	Airframe	Market share	Engines in service*	Engines on order
Trent XWB	Airbus A350	100%	10	1,484
Trent 1000	Boeing 787	40%	128	626
Trent 900	Airbus A380	43%	276	156
Trent 800	Boeing 777	40%	438	0
Trent 700	Airbus A330	58%	1,218	288
Trent 500	Airbus A340	100%	520	0
			2,590	2,554



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Installed thrust

Millions of pounds (m/lbs) of installed thrust* in service

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	H1 2014
Large engines	184	193	199	205	209	219	226	236	249	261	268
Medium engines*	30	33	37	41	45	49	54	58	0	0	0
Small engine	75	78	81	84	88	91	94	96	100	104	107
Total	289	304	317	330	342	359	374	390	349	365	375

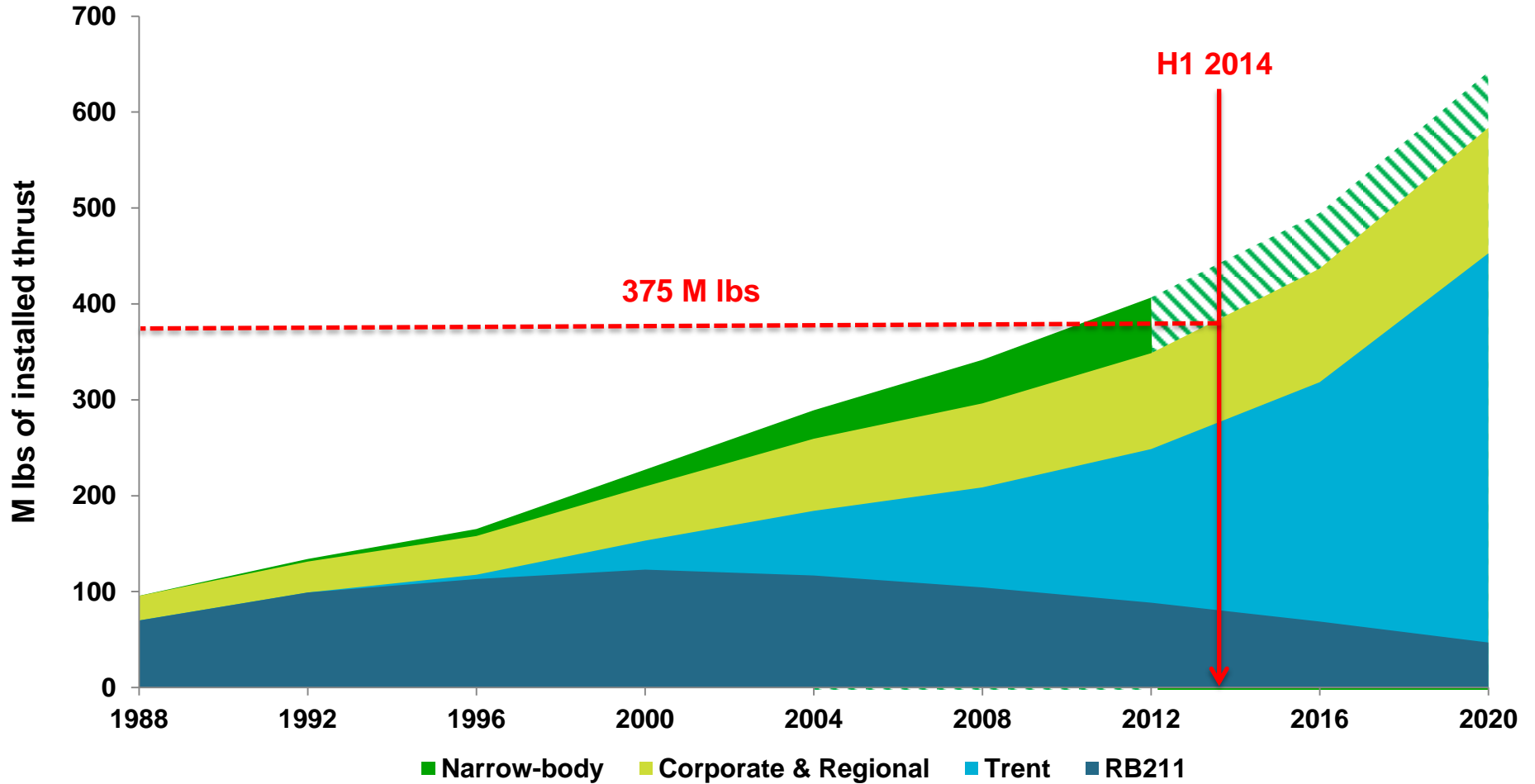
*Installed thrust is shown net of retirements and includes 50% of the V2500 programme until completion of the IAE restructuring in 2012 approximately 58 m/lbs of V2500 installed thrust was excluded from the installed fleet total



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Installed thrust

Growing aftermarket opportunities



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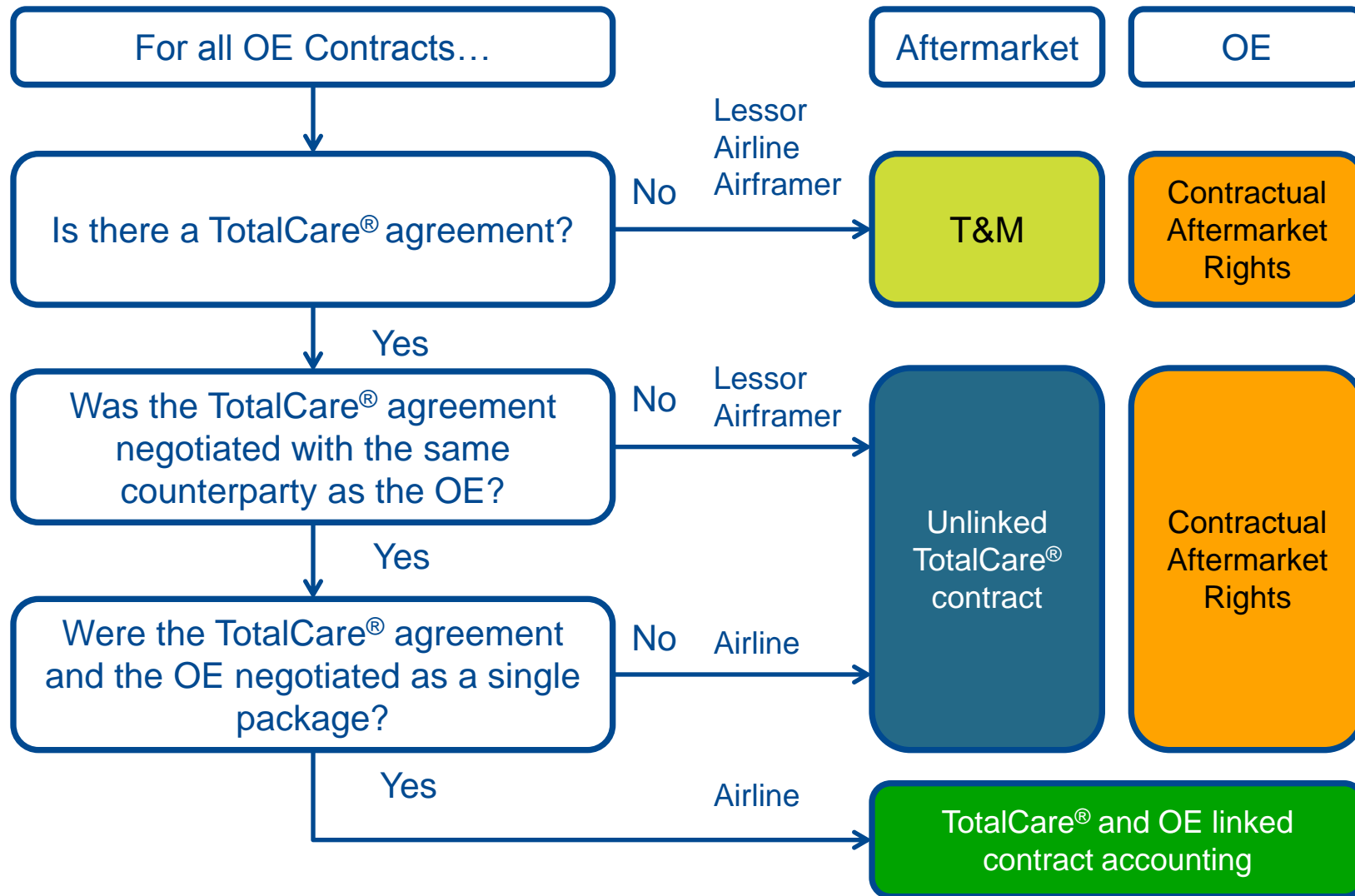
Civil engine deliveries

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	H1 2013	H2 2013	H1 2014
Large engines	171	170	203	145	193	225	185	224	275	282	118	164	137
Medium engines*	237	327	319	308	351	347	371	418	220	0	0	0	0
Small engines	416	384	334	398	443	272	290	320	393	471	228	243	205
Total	824	881	856	851	987	844	846	962	888	753	346	407	342

*H2 2012 Medium engines deliveries reflects sale of IAE shareholding



Linking commercial arrangements to accounting



Unlinked TotalCare[®]

Single engine example

Example	Length	Flying hours	Revenue	Cost	Margin
Contract expectations	10 years	40,000	\$10m	(\$6m)	\$4m
Rate per flying hour \$/hr			\$250	(\$150)	\$100
At end Year 1	1 year	4,000			
Revenue			\$1m		
Cost accrued				(\$0.6m)	
Margin					\$0.4m

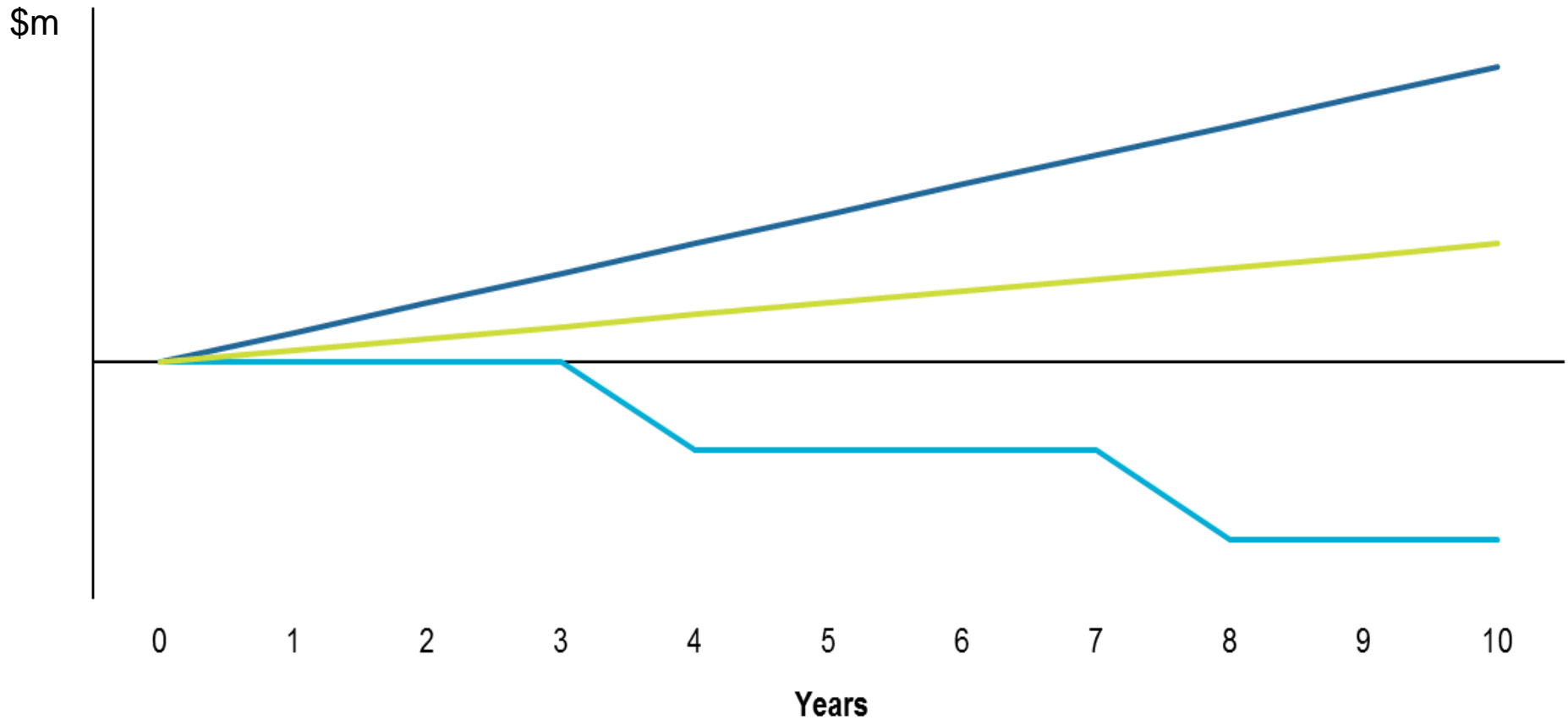


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Unlinked TotalCare[®]

Cash vs. margin recognised

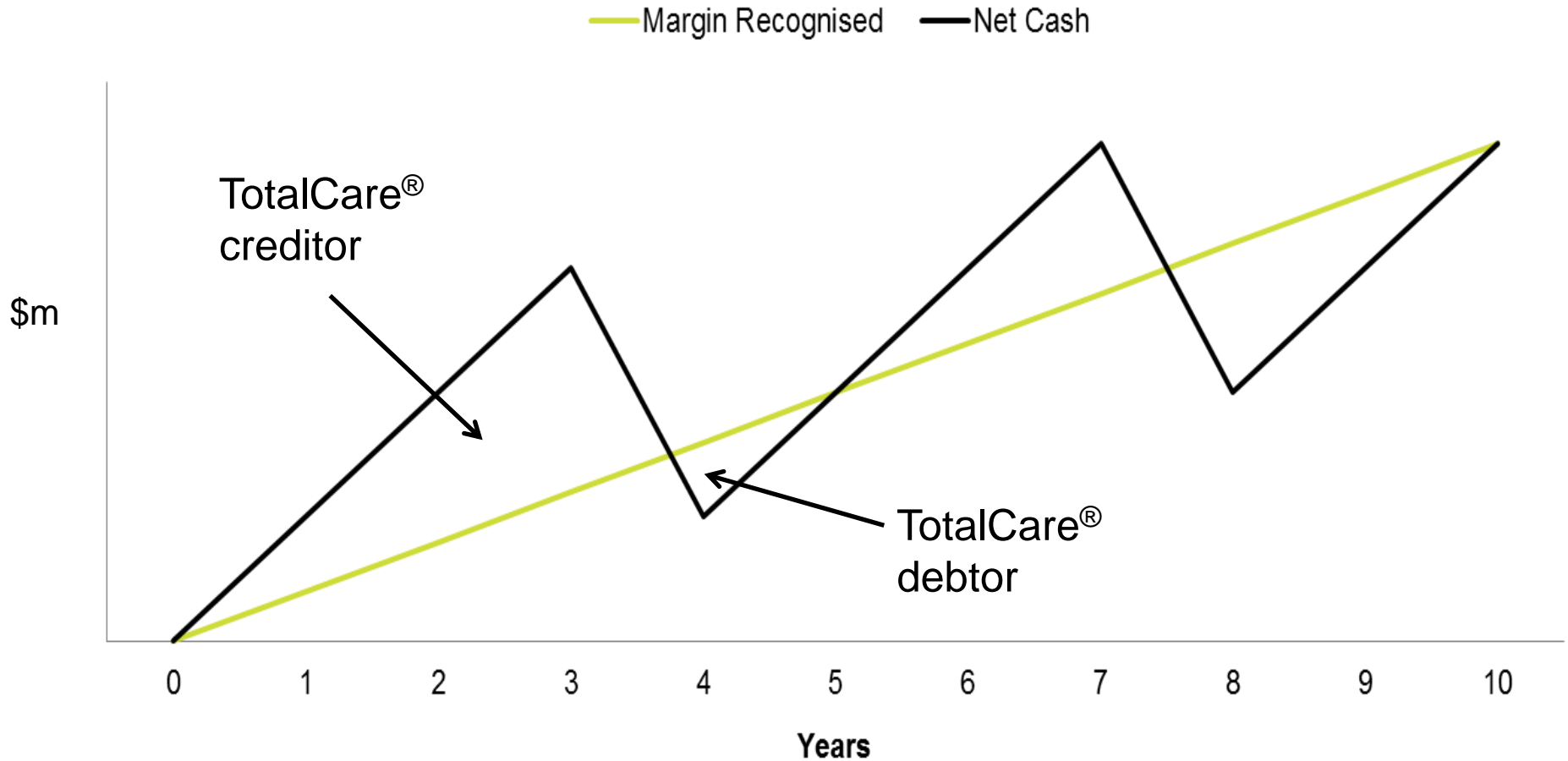
— Cash Revenue — Cash Costs — Margin Recognised



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Unlinked TotalCare[®]

Net cash vs. margin recognised



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Linked TotalCare®

Single engine example

Example \$m	OE	TotalCare® (say 10 years)	Linked
Revenue	10	8	18
Less concessions	(6)	-	(6)
Net revenue	4	8	12
Cost	(5)	(4)	(9)
Cash	(1)	4	3
<i>Overall margin %</i>			<i>25%</i>



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Linked TotalCare®

Single engine example

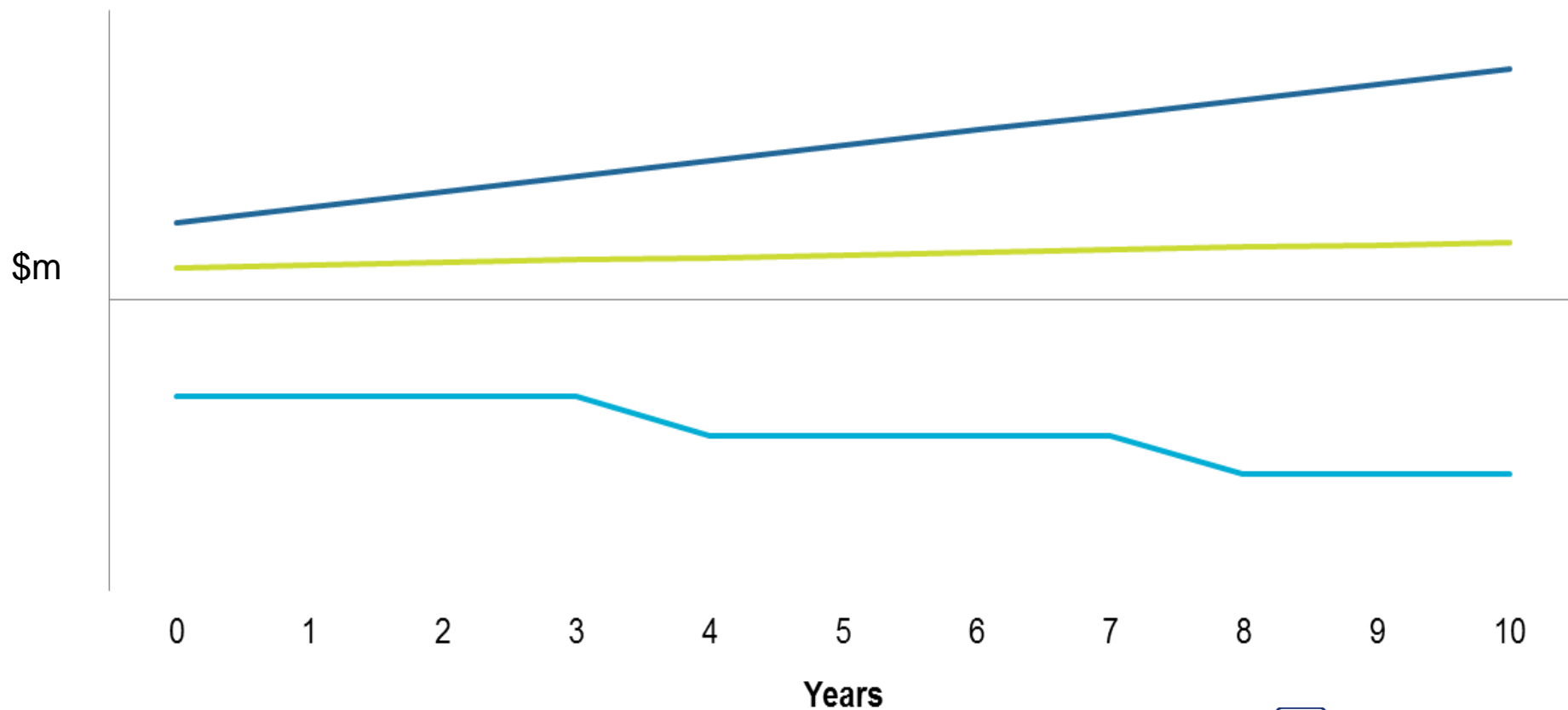
Example \$m	OE	TotalCare® (say 10 years)	Linked
Cash net revenue	4.0	8.0	12.0
Margin adjustment	2.7	(2.7)	-
Net revenue	6.7	5.3	12.0
Cost	(5.0)	(4.0)	(9.0)
Profit recognised	1.7	1.3	3
Overall margin %	25%	25%	25%
Cash flow	(1.0)	4.0	3.0
Profit vs. cash	2.7	(2.7)	-



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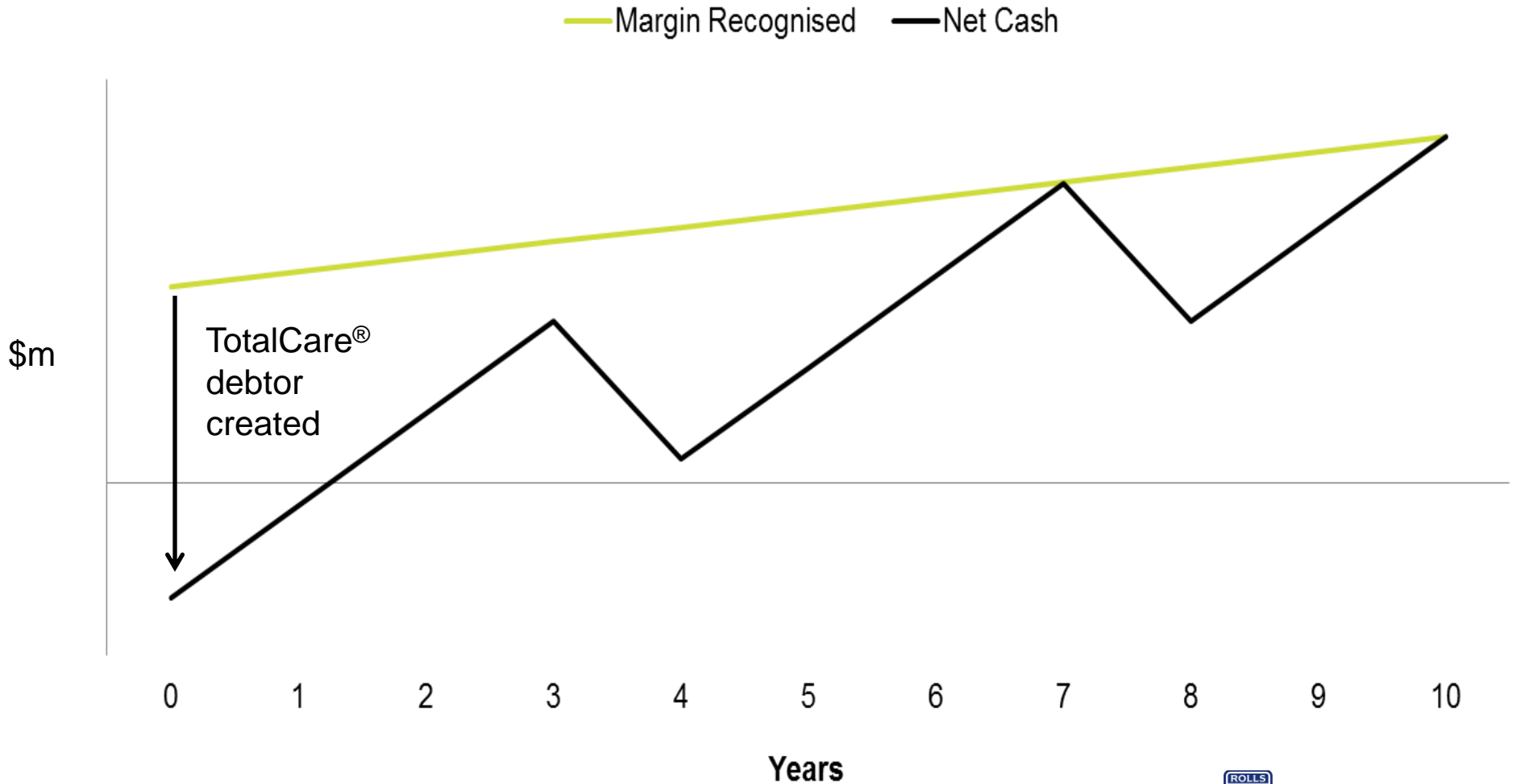
Cash vs. margin recognised

— Cash Revenue — Cash Costs — Margin Recognised



Linked TotalCare[®]

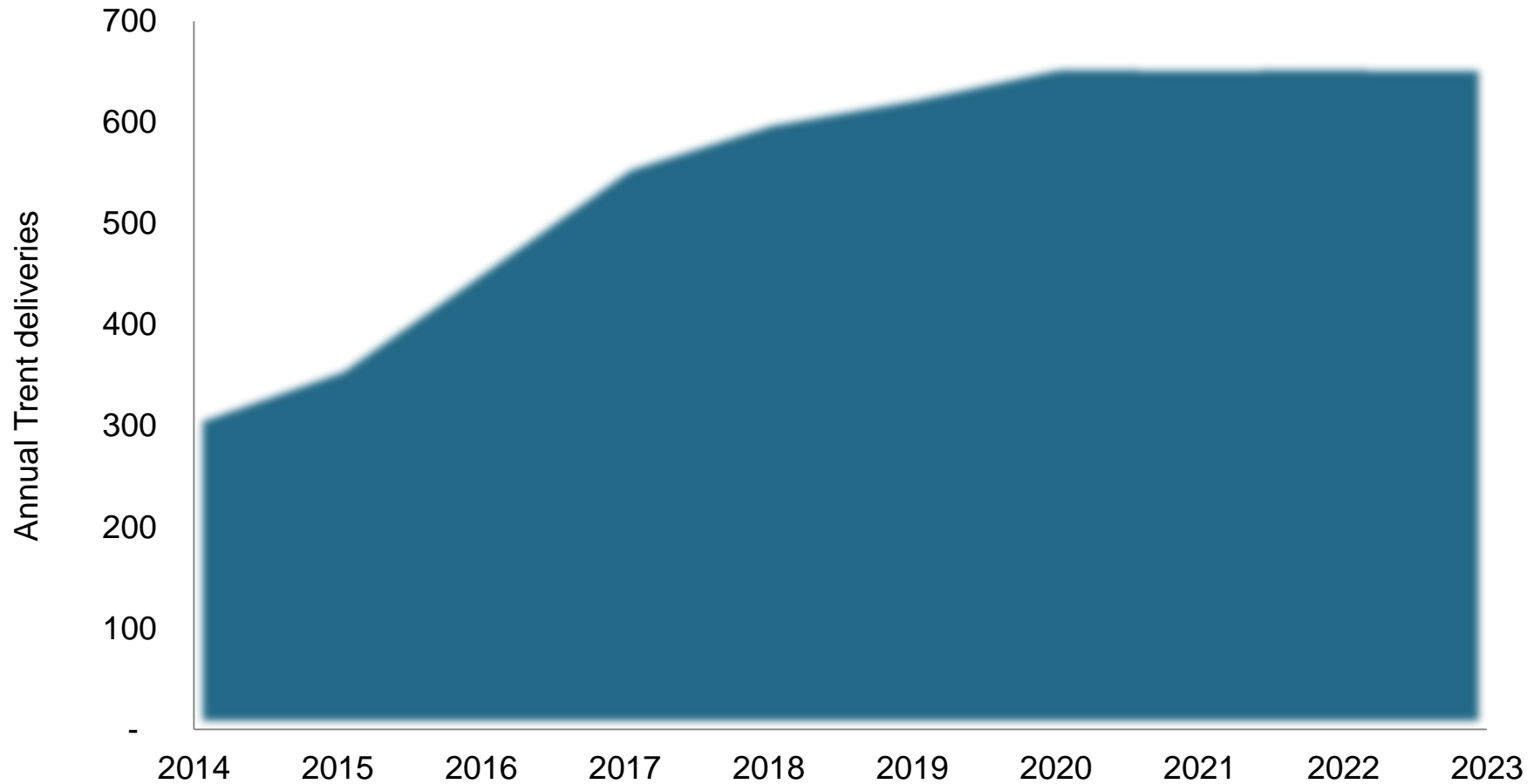
Net cash vs. margin recognised



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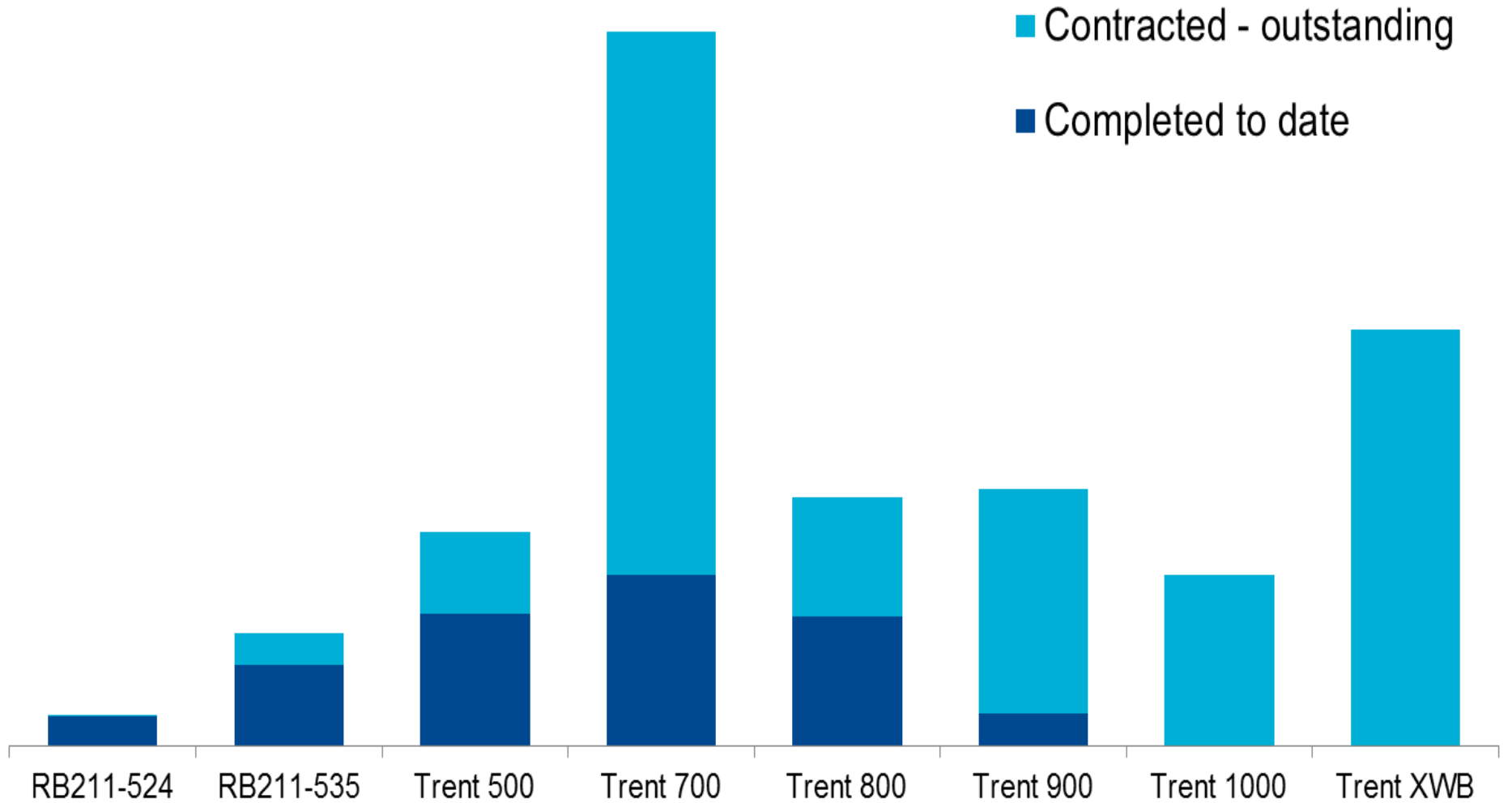
Projected Trent deliveries to 2023

Over 4,000 deliveries vs. over 1,600 in last decade



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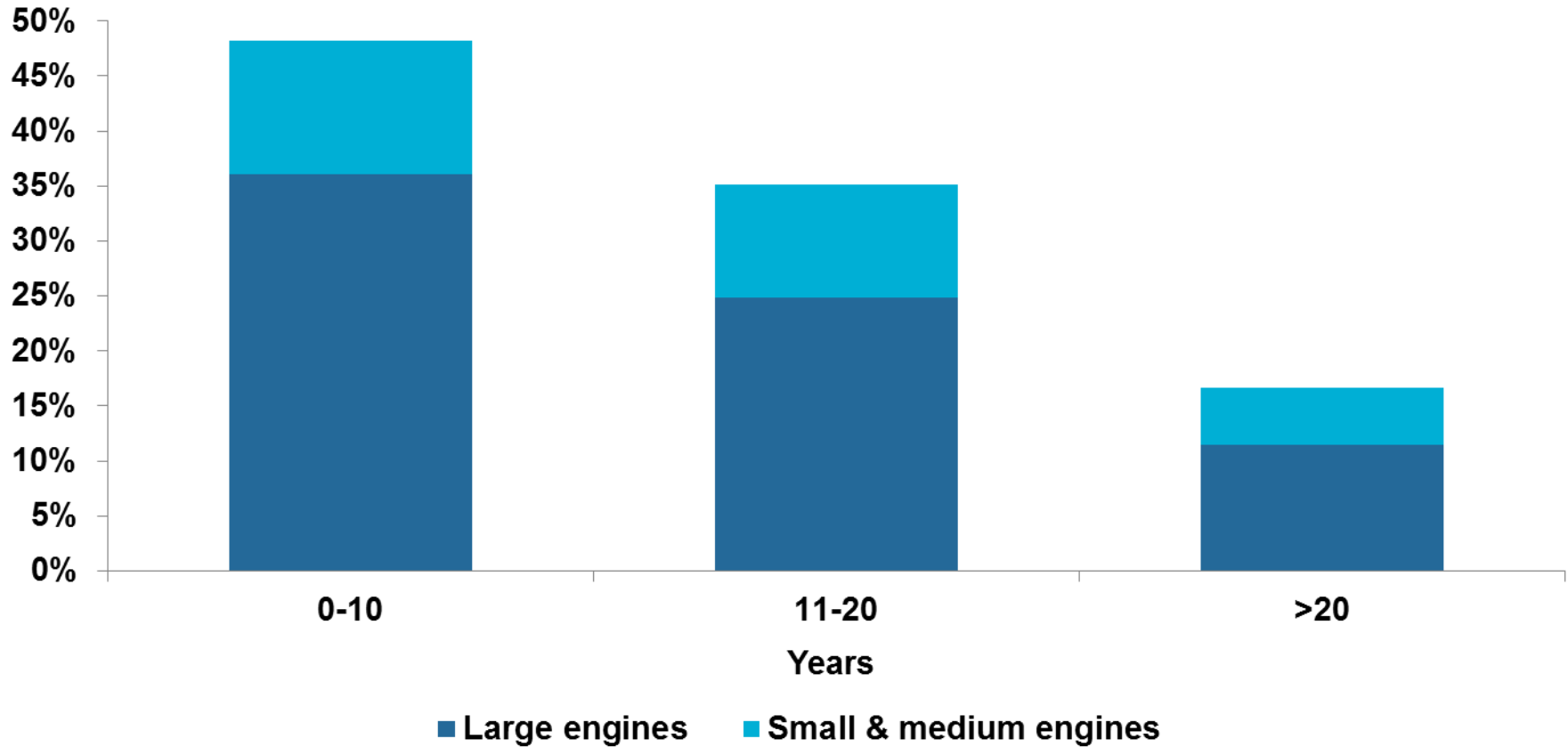
Status of TotalCare[®] contracts



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Installed base by age

A young fleet



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Defence Aerospace



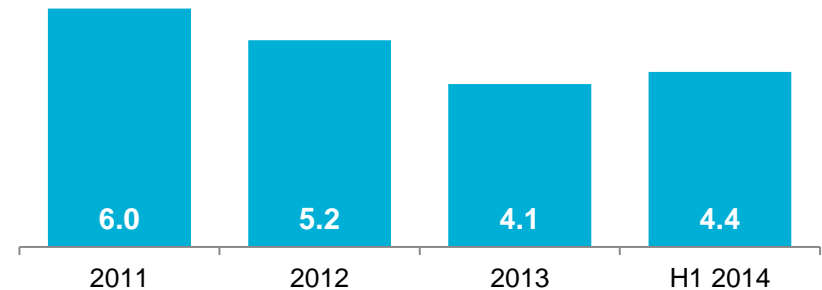
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Defence Aerospace

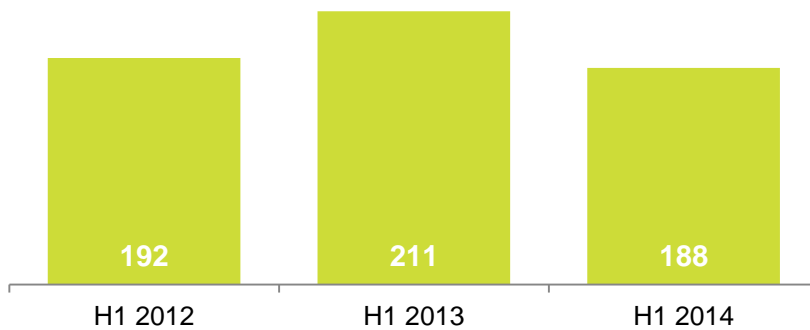
Revenue £983m



Order book £4.4bn



Profit before financing £188m



Growth drivers

- **Portfolio breadth: 24 engine programmes**
- **Increased engine deliveries have grown installed base**
- **Resilient military transport market – 50% Defence revenue**



Products

Market	Engine	Platform(s)			
Combat jets > 1,500 engines in service	EJ200	Eurofighter Typhoon			
	Adour	SEPECAT Jaguar	Hawk	Taranis demonstrator	NeuroN demonstrator
	Pegasus*	Harrier			
	RB199*	Tornado			
	Rolls-Royce LiftSystem	F-35B			
	Spey*	AMX			
	Viper*	MB-339			
Trainers > 1,200 engines in service	Adour	BAE Hawk	T-45 Goshawk		
Transport > 9,000 engines in service	AE 1107C	V-22 Osprey			
	AE 2100	C-130 J Hercules	C-27J	US-2	
	T56	C-130 A-H Hercules	P-3C Orion	E-2C Hawkeye	
	TP400	A400M			
	AE 3007	RQ-4 9(A-C) Global Hawk	EMB 145	EMB 135	
	Trent 700	A330 MRTT			
	BR710	Global Express	Gulfstream G550		
	Dart*	F-27	BAE 748	YS11	
	Tay*	Gulfstream GIV			
	Tyne*	C-160 Transall	A-7	Atlantique	
	RB211*	757			
Helicopters > 5,000 engines in military service	MTR390	Eurocopter Tiger			
	CTS800	Super Lynx 300	AW159 Wildcat	T-129	US-2
	Gem*	Lynx			
	Gnome*	Sea King			
	M250	OH-58 Kiowa Warrior	MQ-8B Fire Scout	Powering more than 170 helicopters and aircraft	

*In service with operators, but out of production



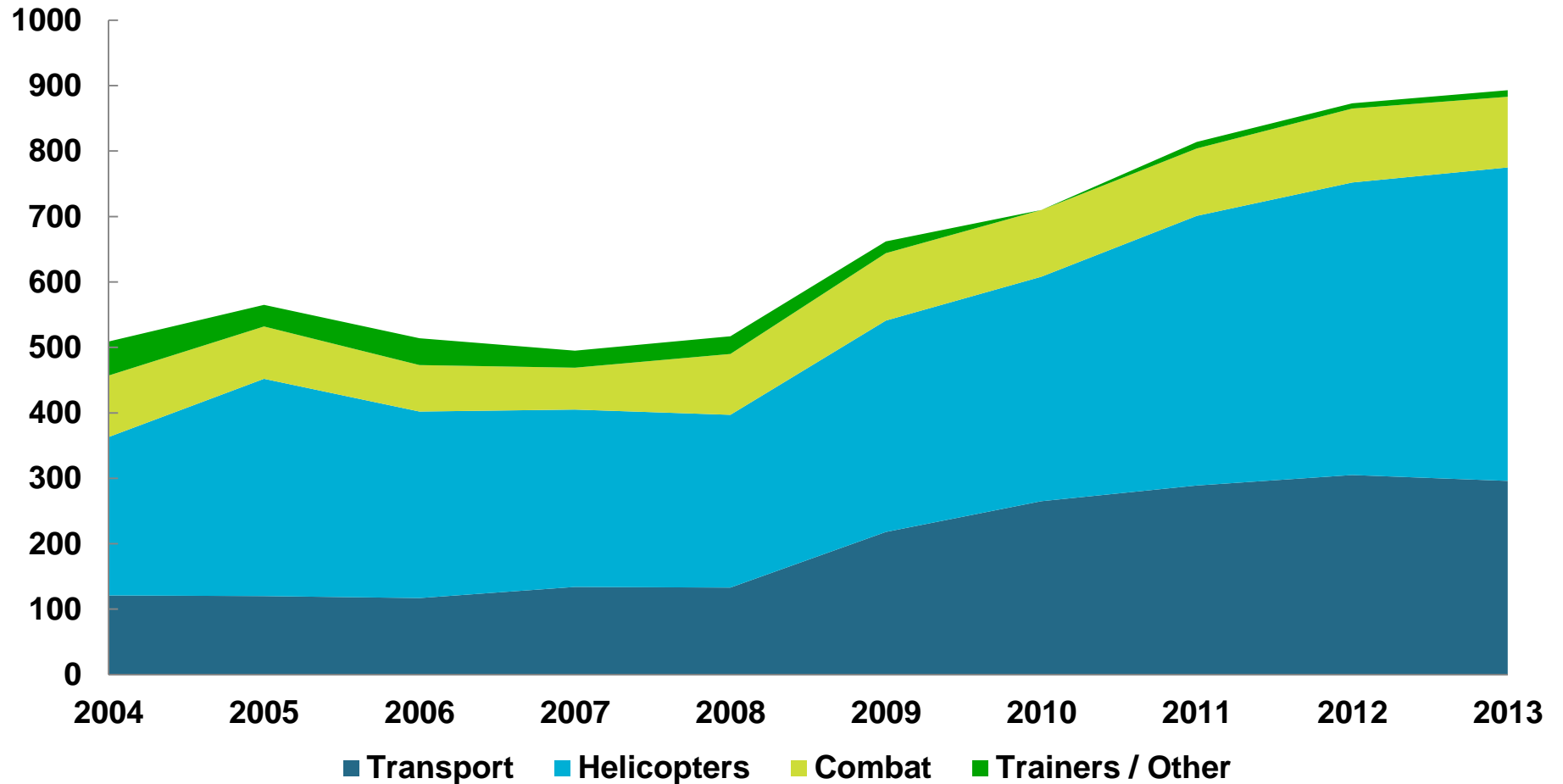
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Defence engine deliveries

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	H1 2013	H2 2013	H1 2014
Transport	121	120	117	134	133	218	265	289	296	296	145	143	117
Helicopters	242	332	285	271	264	323	343	412	447	479	186	301	209
Combat	94	80	71	64	93	103	102	103	113	101	54	47	36
Trainers / Other	52	33	41	26	27	18	0	10	8	17	7	10	3
Total	509	565	514	495	517	662	710	814	864	893	392	501	365



Defence engine deliveries



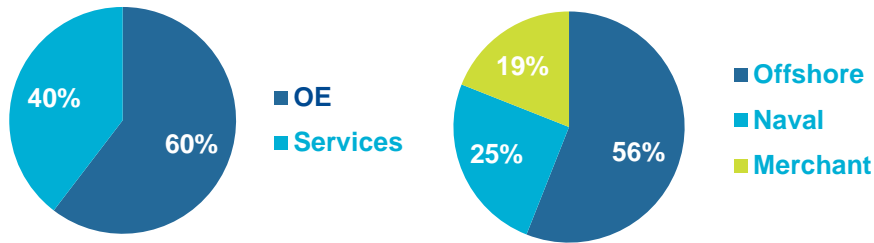
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Marine

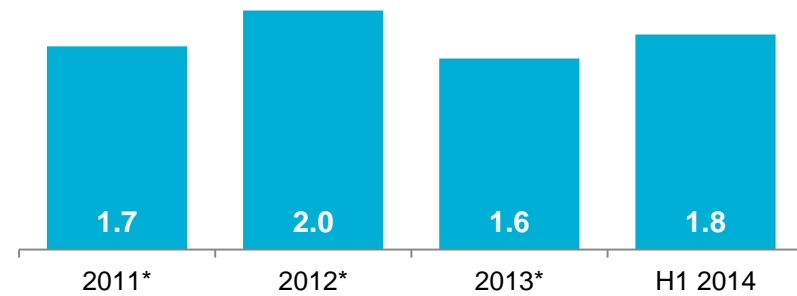


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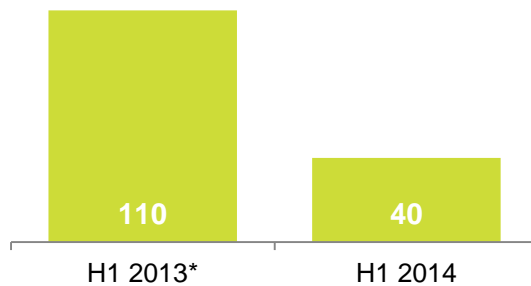
Revenue £818m



Order book £1.8bn



Profit before financing £40m



Growth drivers

- Integrated ship solution capability: Design + OE
- High price of oil drives Offshore
- Opportunities through stricter emissions requirements

* Segment figures have been restated to account for the movement of Submarines from Marine to Nuclear & Energy



Impact of Submarines transfer from Marine

52

	2012	2013
£m		
<u>OE Revenue</u>		
Marine (Old Segment)	1,288	1,438
Exclude Submarines	(114)	(150)
Marine (New Segment)	1,174	1,288
<u>Services Revenue</u>		
Marine (Old Segment)	961	1,089
Exclude Submarines	(306)	(340)
Marine (New Segment)	655	749
<u>Total Revenue</u>		
Marine (Old Segment)	2,249	2,527
Exclude Submarines	(420)	(490)
Marine (New Segment)	1,829	2,037
<u>Profit</u>		
Marine (Old Segment)	294	281
Exclude Submarines	(59)	(48)
Marine (New Segment)	235	233
<u>RoS %</u>		
Marine (Old Segment)	13.1%	11.1%
Marine (New Segment)	12.9%	11.4%



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Products

World-leading range of capabilities

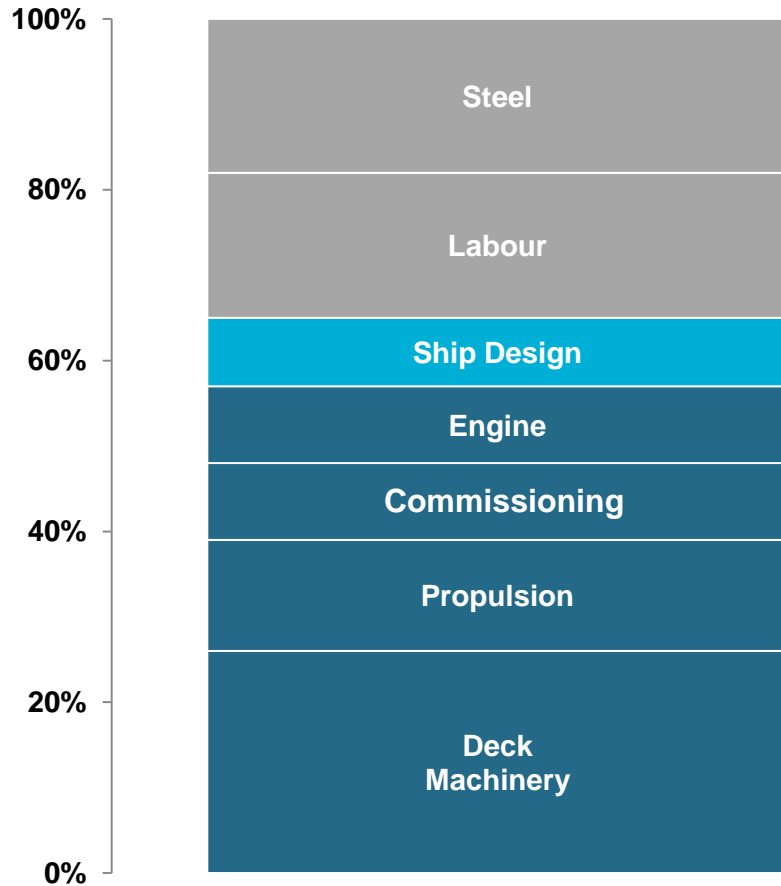
Market Sector	Products
Offshore Equipment on > 3,700 vessels	Full ship design, allowing integration of propulsion, motion control, winches & deck handling and power plant systems
Merchant Equipment on > 18,000 vessels	World leading range of propulsion and manoeuvring systems for tugs and workboats with innovation driven by emission regulation
Naval Equipment on > 2,500 vessels	Supply of power systems and auxiliary equipment to a range of naval applications



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Integrated ship solutions

Ship design is key enabler



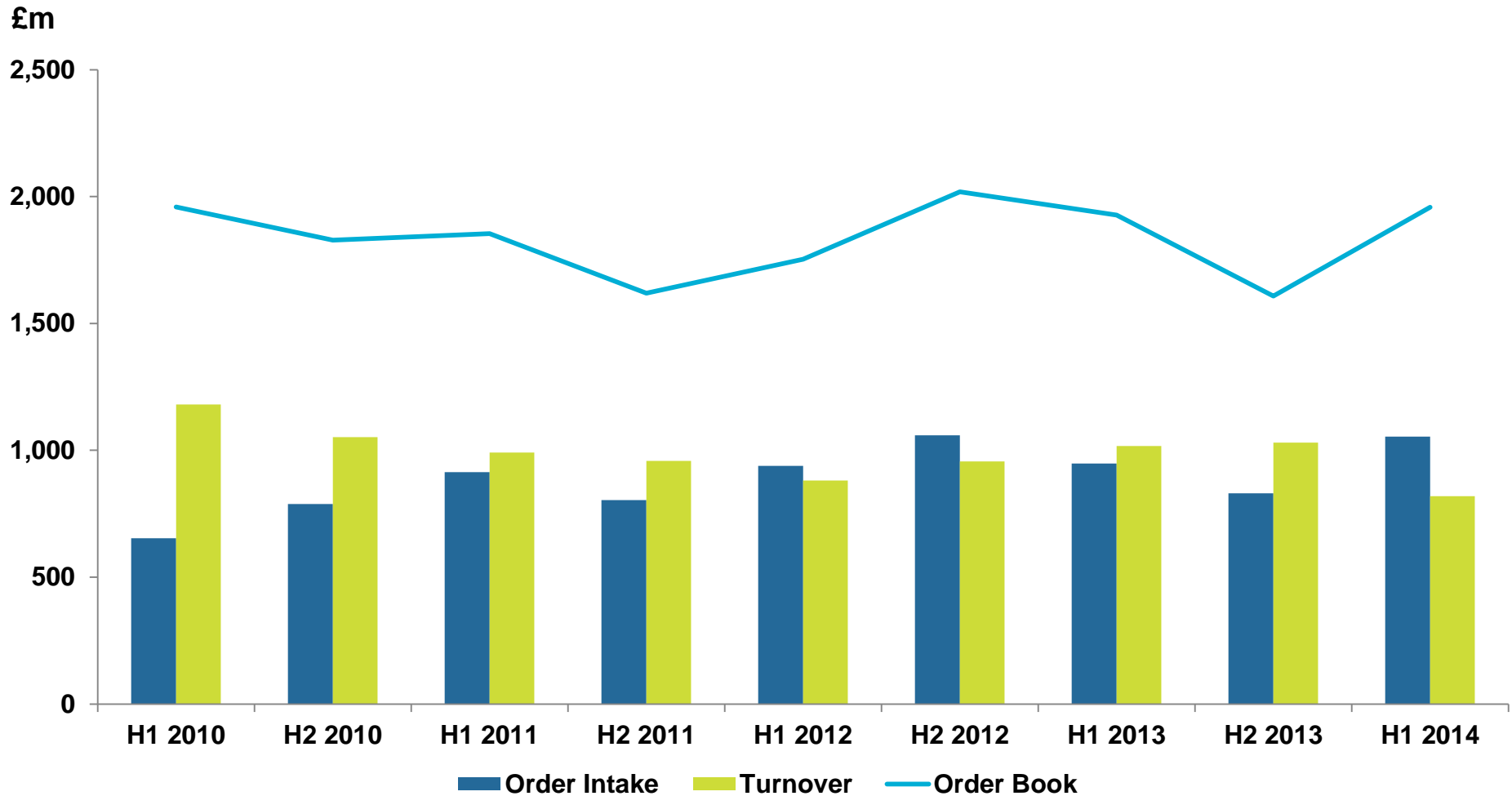
Ship design capability enables Rolls-Royce to fully integrate all high technology systems, supplying the highest value-add components.

- **Rolls-Royce scope**
- **Non Rolls-Royce scope**
- **Rolls-Royce key enabler**



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Order trends



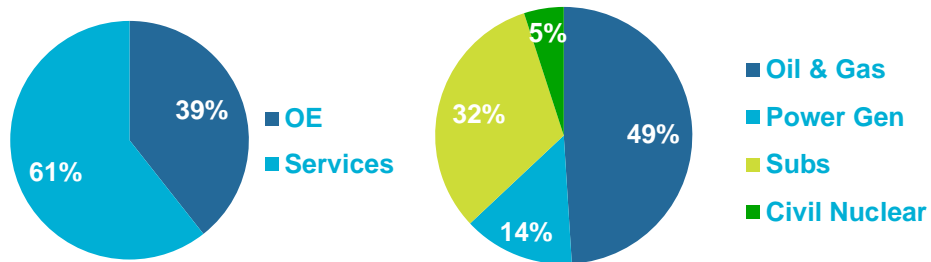
Nuclear & Energy



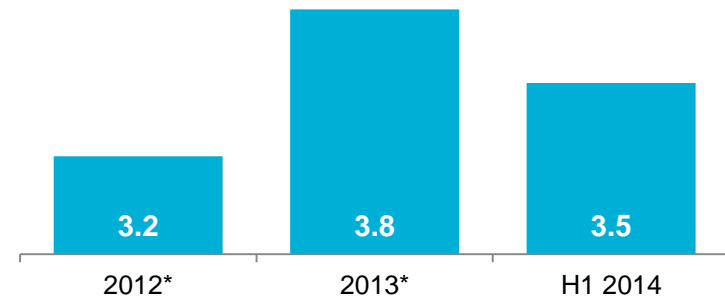
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Nuclear & Energy

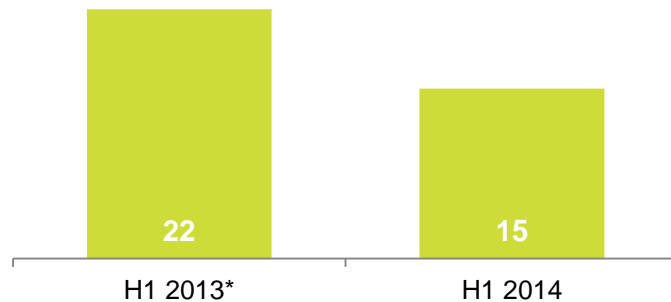
Revenue £701m



Order book £3.5bn



Profit before financing £15m



Growth drivers:

- Global energy demand outstripping available supply
- High price of oil drives demand for gas turbines, compressors & pumping equipment
- Power generation in developing markets

* Segment figures have been restated to account for the movement of Submarines from Marine to Nuclear & Energy



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Impact of Submarines transfer to Energy & Nuclear

£m	2012 ACT	2013 ACT
<u>OE Revenue</u>		
Energy (Old Segment)	344	415
Include Submarines	114	150
Energy & Nuclear (New Segment)	458	565
<u>Services Revenue</u>		
Energy (Old Segment)	618	633
Include Submarines	306	340
Energy & Nuclear (New Segment)	924	973
<u>Total Revenue</u>		
Energy (Old Segment)	962	1,048
Include Submarines	420	490
Energy & Nuclear (New Segment)	1,382	1,538
<u>Profit</u>		
Energy (Old Segment)	19	26
Include Submarines	59	48
Energy & Nuclear (New Segment)	78	74
<u>RoS %</u>		
Energy (Old Segment)	2.0%	2.5%
Energy & Nuclear (New Segment)	5.6%	4.8%



Products

Growing demand for systems and services

Market Sector	Description	Products
Oil & Gas	Coupling gas turbine technology and centrifugal compressors to provide a full product range for gas compression and oil pumping duties for both on and offshore applications	RB211 Aero-derivative Avon Aero-derivative Barrel compressors Pipeline compressors
Power Generation	Turbine based solutions for the power generation market, backed by a comprehensive range of service solutions	501-K Aero-derivative Trent 60
Nuclear	Systems, engineering services and support services to deliver reliability and safety to customers with systems now installed in over 200 nuclear reactors	Instrumentation and Control Systems Mechanical Systems and Component Engineering Safety, Licensing and Environmental Engineering
	Supply and support of nuclear power systems covering the entire UK submarine fleet	



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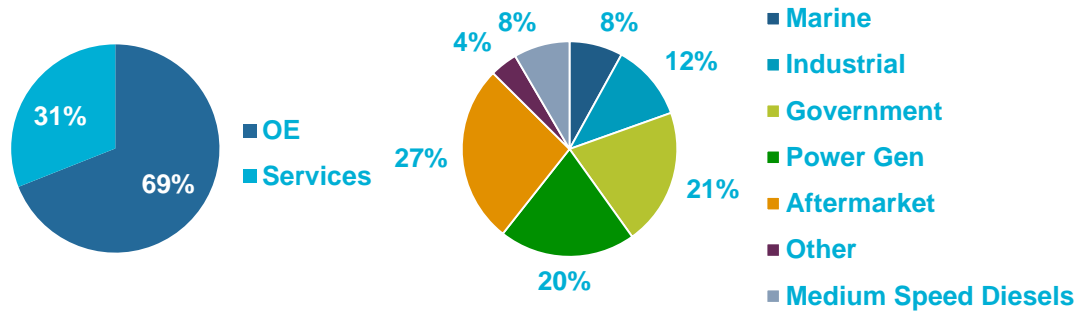
Power Systems



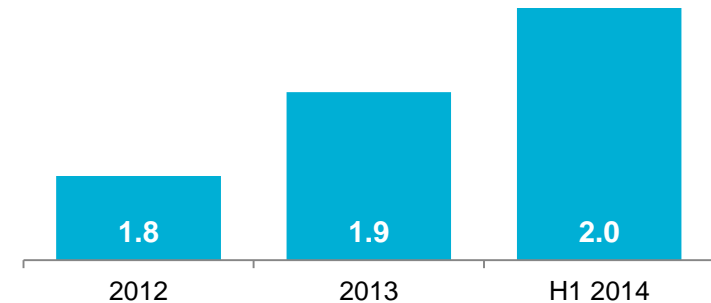
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Power Systems

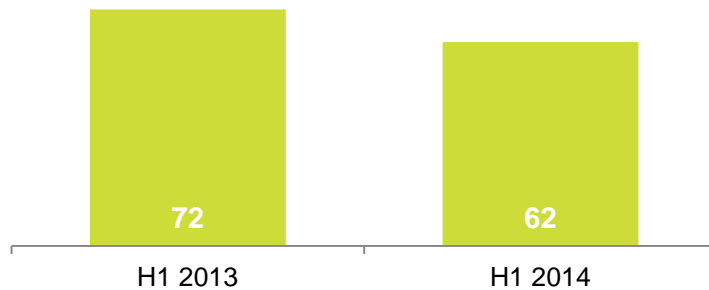
Revenue £1,214m



Order book £2.0bn



Profit before financing £62m



Growth drivers:

- Complementary portfolios add scale and capability
- Significant revenue synergies
- Global energy demand outstripping available supply



Products

Broad portfolio

	Description	Markets
Engines & Propulsion	High speed reciprocating diesel engines and propulsion & drive systems. Products are sold under the established brands of MTU, Detroit Diesel and Mercedes	Marine Industrial Oil & Gas Defence
Onsite Energy & Components	Reciprocating diesel and gas power generation systems as well as co-generation plants under the MTU Onsite Energy brand and injection systems for diesel engines under the L'Orange brand	Diesel systems Gas systems Injection systems
Bergen	Diesel and gas engines in the 2-10MW power range for energy and marine applications	Energy Marine



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Additional Information



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