



2018 Full Year Results

Data Appendix



Group results

	2018	2017
Group underlying revenue (£m)	15,067	13,671
Group underlying profit before tax (£m)	466	199
Group underlying EPS	16.0p	2.3p
Group free cash flow (£m)	568	259
Payment to shareholders (p/share)	11.7p	11.7p

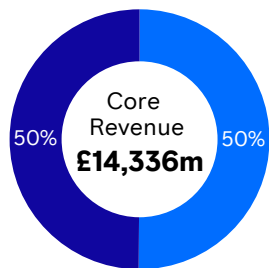


Group underlying income statement

£m	2018	2017
Revenue	15,067	13,671
Gross profit	2,450	2,246
Commercial and administrative costs	(1,161)	(1,150)
Restructuring	(16)	(18)
Net R&D charge	(689)	(776)
Share of results of joint ventures and associates	32	4
Group underlying operating profit	616	306
Net financing charge	(150)	(107)
Group underlying profit before tax (PBT)	466	199



Group revenue by segment



- OE
- Services

£m	2018	2017
Civil Aerospace	7,378	6,598
Power Systems	3,484	3,008
Defence	3,124	3,180
ITP	779	-
Corporate / Eliminations	(429)	-
Core businesses	14,336	12,786
Commercial Marine*	726	810
L'Orange**	89	212
Other***	(84)	(137)
Non-core businesses	731	885
Group underlying revenue	15,067	13,671

* Commercial Marine (Sale announced 6th July)

** L'Orange sold on 1st June 2018

***Other includes other smaller businesses & eliminations



Group underlying operating profit by segment

£m	2018	2017
Civil Aerospace	(162)	(343)
Power Systems	317	261
Defence	427	454
ITP	67	-
Corporate / Eliminations	(16)	(55)
Core businesses	633	317
Commercial Marine*	(35)	(60)
L'Orange**	21	55
Other***	(3)	(6)
Non-core businesses	(17)	(11)
Group underlying operating profit	616	306

* Commercial Marine (Sale announced 6th July)

** L'Orange sold on 1st June 2018

***Other includes other smaller businesses & eliminations



Trent 1000

£790m

exceptional charge

Triggers for exceptional treatment

A **series of abnormal events**, giving rise to a **significant level of cost**, of a **nature not normally expected**, which is **not reflected in contract price**

FOR EXAMPLE

- Material technical issues
- Wide ranging impact across the fleet
- Significant disruption

Income statement impact

- Trent 1000 **£790m** FY exceptional charge
- **~£100m** increase to total cash costs (now **~£1.5bn**)
- Remaining costs recognised through our contract margins
- Higher customer disruption than expected
- Lower overhaul costs than expected
- Cash costs fully reflected in free cash flow

Engine Variant	Action	Status	Date of FAA/EASA approval
Package C	IPC blade redesign - completed	Certified	December 2018
TEN	Hard life limit removed Moved to inspection regime		December 2018 - EASA February 2019 - FAA
	IPC blade redesign - underway	Awaiting certification	Expected Q3 2019
Package B	IPC blade redesign - underway	Awaiting certification	Expected Q4 2019



Trent 900

£186m

exceptional item

- Closure of A380 production line in 2021
- Reduced order for A380 (Trent 900) aircraft from 52 to 33
- New business:
 - 40x A330neo (Trent 7000)
 - 30x A350 (Trent XWB-84)
- Exceptional charge relating to closure of A380 of £186m
 - onerous contracts
 - tooling write-offs
 - accelerated amortisation of programme intangibles



Group Restructuring announced in June 2018

£223m
exceptional charge

Costs

TOTAL COSTS

£500m cash costs to implement

- People costs
- Cost of enabling systems

TREATMENT

Underlying profit and FCF excludes restructuring one-offs

£m	2018 Half Year	2018 Full Year	2019+ forecast	Total
People	112	166	~150	~300
Enabling systems	20	57	~150	~200
	132	223	~300	~500

£70m cash cost incurred in 2018

Benefits

- Savings – £400m run-rate savings by end of 2020
- Reduced fixed costs & headcount
- Simpler, more responsive business structure
- Improved efficiency and effectiveness

Activity during the year

- 4,600 headcount reduction by mid-2020
- ~ 2,000 gross exits during 2018
- ~ 1,300 net reduction in non-manufacturing
- 2,000-2,500 exits expected during 2019



Exceptional costs

Other restructuring £94m

Power Systems (£25m)

Oakland closure (£17m)

Indianapolis plant (£24m)

Software write-offs (£22m)

Onerous leases (£6m)

Gender equalisation provision £121m

Guaranteed minimum pension (GMP) - £97m

- GMP (1990-97) to be equalised for men and women
- £97m increase in total pension liability
- No effect on in-year cash, already in triennial review

Barber - £24m

- Correcting the differential for pension payment, to men and women (65 and 60)
- No effect on in-year cash, already in triennial review

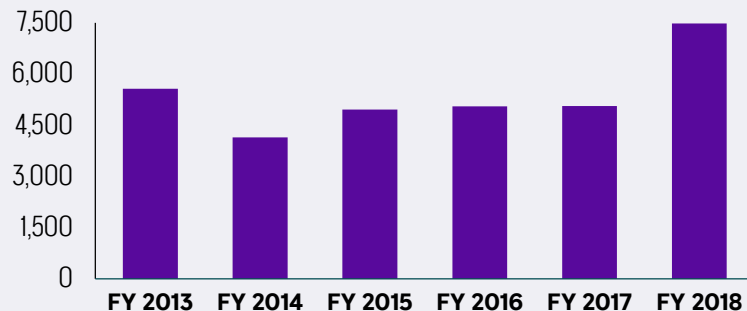


Balance sheet

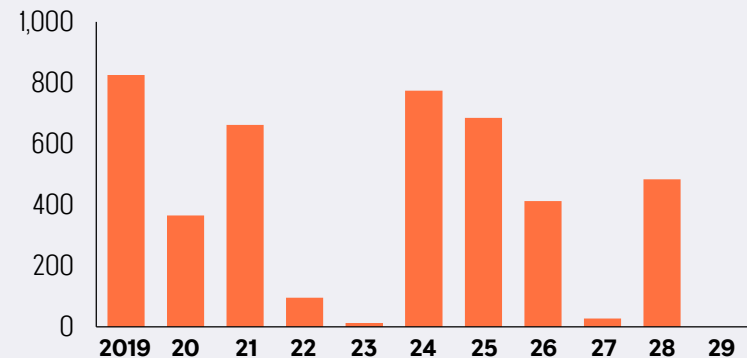
Strong liquidity position

Total liquidity
£7.5bn

Total Liquidity (£ million)



Debt maturity (£ million)



Investment grade credit rating and liquidity provide confidence and flexibility 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



Foreign exchange

Rolls-Royce hedges transactional FX

- Transactional exposure arises when revenue currencies differ from cost currencies
- Achieved rate is not typically affected by short-term spot rate movements unless new cover is taken; this impact is usually diluted
- \$37 billion GBP:USD hedge book
- Hedge book average rate is £/\$1.54
- \$4 billion EUR:USD hedge book
- Hedge book average rate is €/ \$1.26

Rolls-Royce does not hedge against the impact of translational FX

- Translational exposure varies by source of revenues and profits
- Translational FX impact is driven by period average spot rates
- Translational impact increases as rate reduces

Translational impact of 0.01 unit of currency change in period average rates

	Revenue	Profit
USD	~£15 million	~£3 million
EUR	~£44 million	~£5 million



Foreign exchange: Translational impact

The impact of translational foreign exchange is driven by period average spot rates

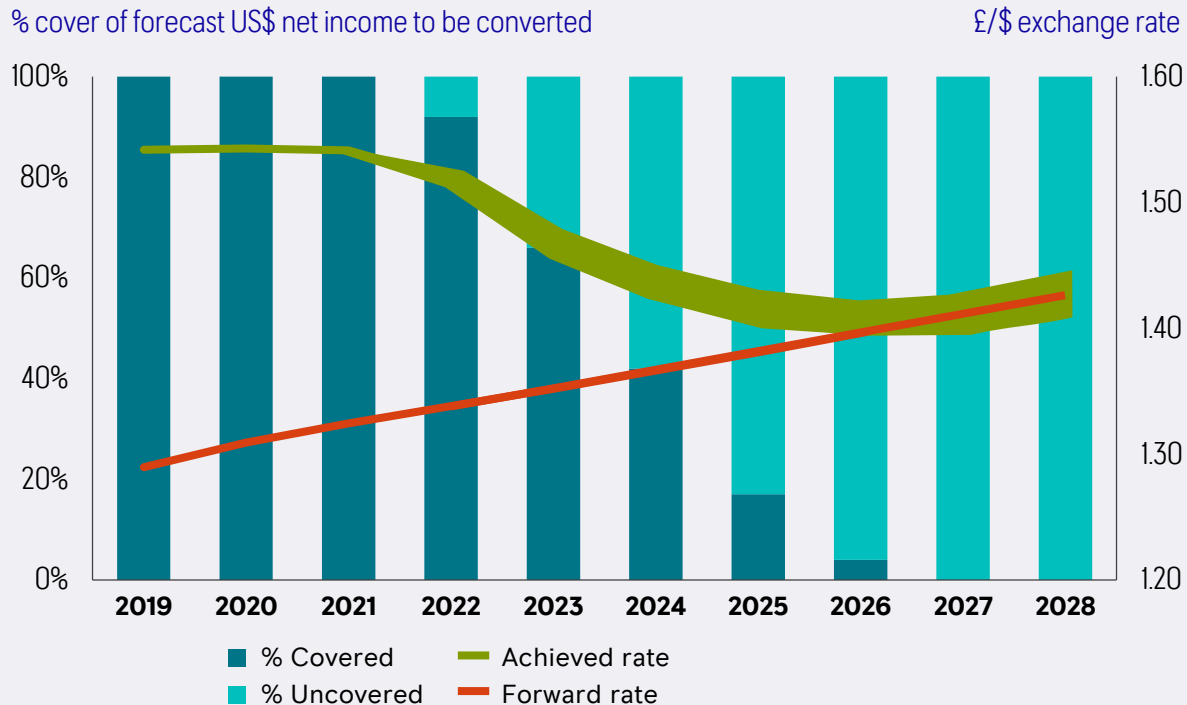
2017 vs. 2018 £m	EXPOSURE		REVENUE IMPACT		UNDERLYING OPERATING PROFIT IMPACT	
	Revenue	Profit	Inc FX	FX	Inc FX	FX
Group			15,067	(37)	616	(11)
Civil Aerospace	USD, EUR	USD, EUR	7,378	(4)	(162)	(9)
Power Systems	EUR, USD	EUR, USD	3,484	30	317	3
Defence	USD	USD	3,124	(57)	427	(11)
ITP	EUR, USD	EUR, USD	779	n/a	67	n/a
Non-core/Other*	NOK, EUR, USD	EUR, USD	302	(6)	(33)	6

Period average rates	2018	2017
USD	1.33	1.29
EUR	1.13	1.14

*Including Commercial Marine, L'Orange, other smaller businesses and intersegment eliminations



USD hedge book: Looking forward





Reconciliation to reported profit

£m	2018	2017
Underlying profit before tax	466	199
Mark-to-market adjustments on derivative contracts	(2,145)	2,672
Related foreign exchange adjustments	140	490
Trent 1000 exceptional charge	(805)	-
Trent 900 exceptional charge	(186)	-
Exceptional restructuring	(317)	(104)
Effects of acquisition accounting	(183)	(129)
ITP acquisition	-	785
Disposal of L'Orange	358	-
Goodwill impairment	(155)	-
Pension equalisation	(121)	-
Other adjustments	1	(15)
Reported profit / (loss) before tax	(2,947)	3,898



Pensions

UK Plan continues to have a strong surplus **£1.9bn**

UK plan

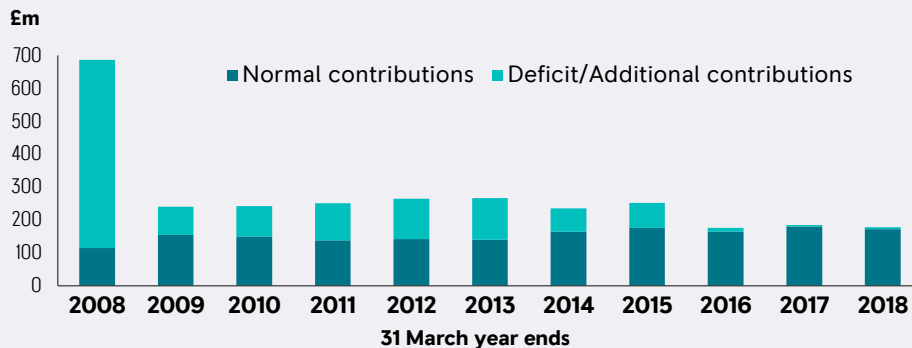
- 84% of gross liabilities and 95% of gross assets
- £12.8bn of assets and surplus of £1.9bn (IAS 19 basis). £182m reduction in surplus is primarily the result of changes in demographic assumptions plus additional Guaranteed Minimum Pension liabilities recognised following the Lloyds Bank High Court decision
- 92.5% of assets in low risk investments to match liabilities - key to protecting our funding position in low yield environment
- Closed to new hires since 2007
- Next statutory funding valuation due on 31 March 2020. Current agreement with Trustee allows a proportion of surplus to be used to reduce future service cost until Dec 2020
- Cash contributions:

2017	£174m
2018	£117m
2019	£140m (projected)

Overseas plans

- 16% of gross liabilities and 5% of gross assets
- Deficit of £1,312m (IAS 19 basis) principally made up of
 - unfunded US healthcare/pension plans (£446m) and
 - German unfunded pension plans (£749m)
- Cash contributions:

2017	£75m
2018	£64m
2019	£80m (projected)



*IAS 19 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 and fund the UK plan - which discounts liabilities using a curve to aligned to its Liability Driven Investments (gilt based). This significantly reduces the real funding volatility relevant for cash funding purposes rather than that shown by the IAS19 valuations



Group CROIC

Modest decline reflected higher Trent 1000 costs and growing investments

2017

	£bn
Free cash flow	0.3
R&D	1.0
PP&E	0.8
Intangibles	0.3
Lease rentals	0.3
Working capital	(0.1)
Adjusted Cash	2.6

Higher free cash flow
+£0.3bn

Increased investments
+£0.2bn

Higher negative working capital adjustment
-£0.6bn

-£0.2 billion

2018

	£bn
Free cash flow	0.6
R&D	1.1
PP&E	0.9
Intangibles	0.2
Lease rentals	0.3
Working capital	(0.7)
Adjusted Cash	2.4

	£bn
Historic R&D	9.4
PP&E	8.0
Intangibles	2.5
Operating leases	2.8
Working capital	(2.8)
Invested capital	19.9

ITP Aero added **+£1.0bn**

L'Orange removed **-£0.2bn**

Incremental R&D spend **+£0.8bn**

Net other **-£0.8bn**

+£0.8 billion

	£bn
Historic R&D	10.4
PP&E	9.1
Intangibles	2.7
Operating leases	3.0
Working capital	(4.5)
Invested capital	20.7

13% return

12% return

NB 2017 calculation includes L'Orange but excludes ITP Aero; 2018 includes ITP but excludes L'Orange



Trent engine products

Leading widebody market share

£m	Airframe	Market share*	Engines in service	Engines on order
Trent 7000	Airbus A330neo	100%	2	484
Trent XWB	Airbus A350	100%	460	1,319
Trent 1000	Boeing 787	36%	546	289
Trent 900	Airbus A380	53%	400	162
Trent 800	Boeing 777	40%	334	0
Trent 700	Airbus A330	60%	1,636	34
Trent 500	Airbus A340	100%	284	0
			3,662	2,288

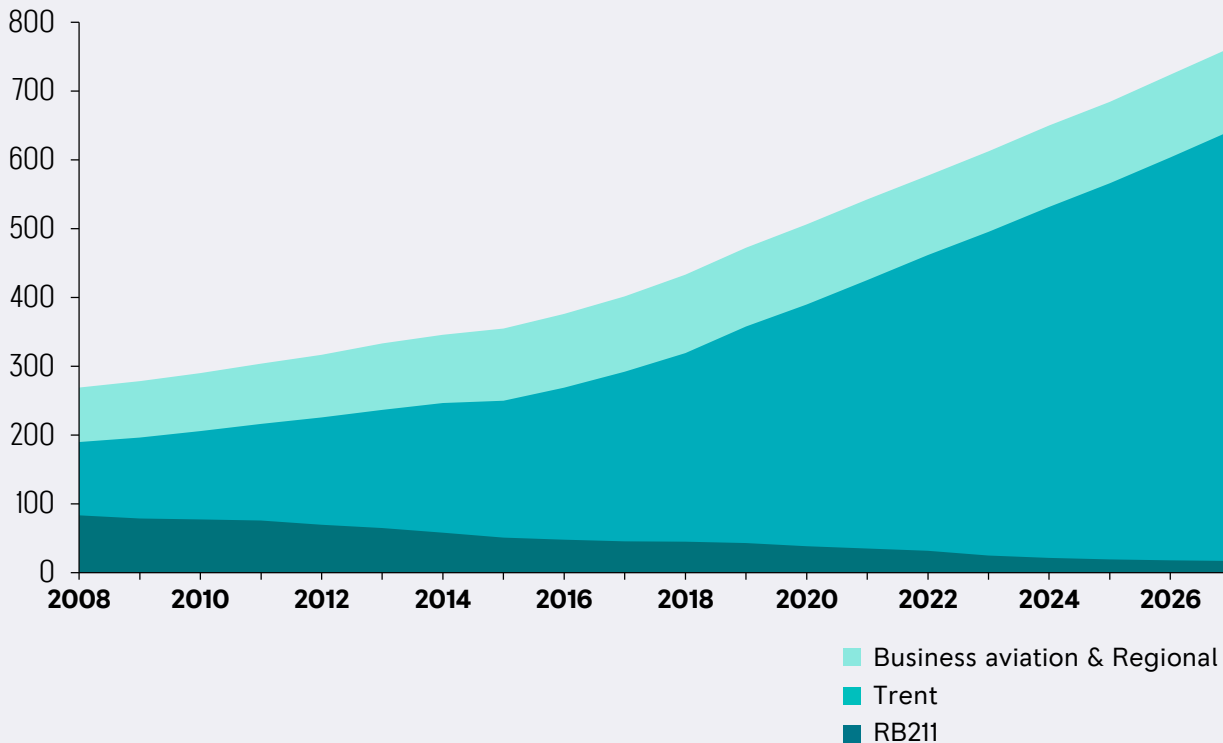
* Share of total firm and announced programme sales with an engine decision (excludes cancelled orders) up until Dec 2018



In-service thrust

Growing market opportunities

m/lbs of In-service thrust





Civil engine deliveries

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
By engine																	
RB211 22B	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RB211 524	4	2	5	7	0	5	4	0	0	0	0	0	0	0	0	0	0
RB211 535	26	14	6	0	2	0	1	1	0	0	0	0	0	0	0	0	0
RB211 Total	30	16	11	7	2	5	5	1	0	0	0	0	0	0	0	0	0
Trent 500	37	88	115	88	97	45	45	57	16	1	8	0	0	0	0	0	0
Trent 700	30	35	30	54	59	75	88	125	139	135	157	181	184	140	88	110	63
Trent 800	54	30	15	21	25	10	7	9	0	0	0	0	0	0	0	0	0
Trent 900					20	10	48	33	30	70	64	42	35	6	30	67	44
Trent 1000										18	46	59	79	106	122	109	125
Trent XWB-84													13	56	117	196	184
Trent XWB-97																1	45
Trent 7000																	8
Trent	121	153	160	163	201	140	188	224	185	224	275	282	311	308	357	483	469
Civil Large Engines	151	169	171	170	203	145	193	225	185	224	275	282	311	308	357	483	469
Tay	66	48	43	55	66	80	92	68	51	57	60	67	46	38	28	2	0
AE3007	288	217	242	168	113	135	135	32	55	31	43	78	48	34	20	8	10
BR700	127	96	131	161	155	183	216	172	184	232	290	326	334	332	244	190	205
Pearl 15																	2
Civil Small Engines	481	361	416	384	334	398	443	272	290	320	393	471	428	404	292	200	217
V2500*	224	216	237	327	319	308	351	347	371	418	220	0	0	0	0	0	0
Civil Total	856	746	824	881	856	851	987	844	846	962	888	753	739	712	649	683	686

* V2500 deliveries are recorded until the sale of Rolls-Royce's stake in International Aero Engines on 29th June 2012



Civil engine in-service installed fleet**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
By engine																	
RB211 22B	48	48	36	36	12	15	9	12	9	6	6	3	3	3	3	3	3
RB211 524	794	829	815	796	791	769	706	643	638	617	530	455	352	302	278	266	242
RB211 535	1,108	1,154	1,192	1,168	1,174	1,158	1,102	1,078	1,056	1,052	1,028	1,026	1,012	908	868	826	850
RB211 Total	1,950	2,031	2,043	2,000	1,977	1,942	1,817	1,733	1,703	1,675	1,564	1,484	1,367	1,213	1,149	1,095	1,095
Trent 500	32	120	212	292	380	412	432	464	492	480	452	440	388	352	336	280	284
Trent 700	206	234	264	306	364	422	492	590	696	816	948	1,114	1,288	1,388	1,460	1,590	1,636
Trent 800	344	376	392	406	430	444	442	448	450	444	446	436	422	362	352	330	334
Trent 900	0	0	0	0	0	4	36	60	80	140	208	244	280	304	332	360	400
Trent 1000	0	0	0	0	0	0	0	0	0	6	44	84	164	260	384	476	546
Trent XWB-84	0	0	0	0	0	0	0	0	0	0	0	0	2	30	124	278	432
Trent XWB-97	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	28
Trent 7000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2
Trent	582	730	868	1,004	1,174	1,282	1,402	1,562	1,718	1,886	2,098	2,318	2,544	2,696	2,988	3,314	3,662
Civil Large Engines	2,532	2,761	2,911	3,004	3,151	3,224	3,219	3,295	3,421	3,561	3,662	3,802	3,911	3,909	4,137	4,409	4,757
Spey	1,122	1,090	1,024	992	946	914	864	802	760	702	632	580	506	460	430	404	360
Tay	1,570	1,599	1,572	1,623	1,755	1,769	1,825	1,861	1,869	1,917	1,969	2,019	2,011	2,035	2,027	1,993	2,009
AE3007	1,702	1,934	2,164	2,328	2,458	2,564	2,520	2,528	2,562	2,550	2,544	2,598	2,534	2,468	2,326	2,302	2,448
BR700	704	864	990	1,144	1,272	1,446	1,560	1,752	1,910	2,128	2,362	2,696	2,964	3,388	3,642	3,858	4,098
Civil Small Engines	5,098	5,487	5,750	6,087	6,431	6,693	6,769	6,943	7,101	7,297	7,507	7,893	8,015	8,351	8,425	8,557	8,915
V2500*	855	930	1,054	1,196	1,348	1,492	1,613	1,722	1,852	2,002	0	0	0	0	0	0	0
Civil Total	8,485	9,178	9,715	10,287	10,930	11,409	11,601	11,960	12,374	12,860	11,169	11,695	11,926	12,260	12,562	12,966	13,672

* 50% of the total V2500 fleet included

** Installed engine base is net of retirements and excludes aircraft which are parked or in storage



Civil in-service thrust base (millions lbs)**

		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
By engine	Thrust per engine (lbs)																		
RB211 22B	60,000	3	3	2	2	1	1	1	1	1	0	0	0	0	0	0	0	0	
RB211 524	60,000	48	50	49	48	47	46	42	39	38	37	32	27	21	18	17	16	15	
RB211 535	40,000	44	46	48	47	47	46	44	43	42	42	41	41	40	36	35	33	34	
RB211 Total		95	99	99	97	95	93	87	82	81	79	73	69	62	55	52	49	49	
Trent 500	56,000	2	7	12	16	21	23	24	26	28	27	25	25	22	20	19	16	16	
Trent 700	72,000	15	17	19	22	26	30	35	42	50	59	68	80	93	100	105	114	118	
Trent 800	92,000	32	35	36	37	40	41	41	41	41	41	41	40	39	33	32	30	31	
Trent 900	70,000	0	0	0	0	0	0	3	4	6	10	15	17	20	21	23	25	28	
Trent 1000	71,000	0	0	0	0	0	0	0	0	0	0	3	6	12	18	27	34	39	
Trent XWB-84	84,000	0	0	0	0	0	0	0	0	0	0	0	0	0	3	10	23	36	
Trent XWB-97	97,000																0	0	3
Trent 7000	72,000																0	0	0
Trent		48	58	67	76	87	95	103	114	125	137	152	168	185	196	217	243	270	
Civil Large Engines		143	157	166	172	182	188	190	196	206	216	226	237	247	251	269	292	319	
Spey	11,000	12	12	11	11	10	10	10	9	8	8	7	6	6	5	5	4	4	
Tay	15,000	24	24	24	24	26	27	27	28	28	29	30	30	30	31	30	30	30	
AE3007	7,500	13	15	16	17	18	19	19	19	19	19	19	19	19	19	17	17	18	
BR700	15,000	11	13	15	17	19	22	23	26	29	32	35	40	44	51	55	58	61	
Civil Small Engines		59	63	66	70	74	78	79	82	84	88	91	97	99	105	107	109	114	
V2500*	27,500	24	26	29	33	37	41	44	47	51	55	0	0	0	0	0	0	0	
Civil Total		226	246	261	275	294	306	313	326	341	359	317	333	346	356	376	402	433	
Fleet Growth			9%	6%	6%	7%	4%	2%	4%	5%	5%	-12%	5%	4%	3%	6%	7%	8%	

* 50% of the total V2500 fleet included

** Installed engine base is net of retirements and excludes aircraft which are parked or in storage



Defence aero engine deliveries

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Transport	218	265	289	305	296	239	266	286	323	311
Helicopters	323	343	412	438	479	418	307	278	226	213
Combat	103	102	103	113	108	81	69	74	38	23
Trainers/Other	18	0	10	8	10	6	7	23	18	13
Total	710	710	814	864	893	744	649	661	605	560



Safe harbour statement

This announcement contains certain forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. In particular, all statements that express forecasts, expectations and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of interest or exchange rates, the availability of financing to the Company, anticipated cost savings or synergies and the completion of the Company's strategic transactions, are forward-looking statements. By their nature, these statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The forward-looking statements reflect the knowledge and information available at the date of preparation of this announcement, and will not be updated during the year. Nothing in this announcement should be construed as a profit forecast. All figures are on an underlying basis unless otherwise stated - see note 2 of the Financial Review section of the 2018 Full Year Results Statement for the definition.