

Update on Operating Review Investor Call

Warren East, Chief Executive

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Key Messages

- Fundamental business remains sound
- Market headwinds increase uncertainty
- 2015 Guidance unchanged
- 2016 Profit headwinds of ~ £650m
- Cash flow expected to be more consistent year-on-year
- Wide-ranging restructuring programme



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2015: Guidance Unchanged

Full Year 2015 Guidance <i>Group, at constant 2014 FX</i>	2014 Actuals <i>(excluding Energy)</i>	2015 Guidance
Revenue	£13.9bn	£13.4bn - £14.4bn
Profit before tax	£1,620m	£1,325m - £1,475m
Free cash flow	£447m	£(150)m - £150m
Earnings per share	65.4p	55 – 62p
Capital expenditure*	£649m 4.7% of revenue	~ £600m
Net R&D spend	£819m 5.9% of revenue	> £750m
Tax rate	24%	23%

* Defined as capital additions to property, plant and equipment

Profit expected to be at lower end of range for 2015



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2016: Around £650m of Profit Headwinds

Headwinds identified in July £300m

Corporate & regional ~ £100m

Large engines £100-150m

Marine £75-100m

Cash flow largely unchanged



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Wide-ranging Restructuring Programme

- Major structural changes implemented through 2016
- Focus on:
 - Simplifying the organisational model
 - Streamlining senior management
 - Reducing fixed costs
- Incremental gross cost savings of £150-200m per annum during 2017
- Further information provided at 'Operational Review' presentation on 24 November 2015



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Safe harbour statement

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

