

Defence Aerospace

<u>£ millions</u>	<u>H1 2013</u>	<u>H1 2012</u>	<u>Change</u>
Order book	4,936	5,157*	-4%
Engine deliveries	392	393	0%
Underlying revenue	1,236	1,134	9%
Underlying OE revenue	656	559	17%
Underlying services revenue	580	575	1%
Underlying profit before financing	211	192	10%
Return on sales**	17.1%	16.9%	0.2pp

* 2012 year-end data

** By reference to underlying profit before financing costs and tax

Financial

- The order book contracted by 4% reflecting the budgetary pressures on our major customers in Europe and North America. Although the order intake increased (£0.9bn compared with £0.6bn in H1 2012), this reflects the low level of orders in H1 2012 due primarily to the cancellation of C27J engines.

Significant orders in the first half included:

- A US\$97m contract with the US Air Force for AE2100 engines to power C130J military transport aircraft.
 - An US\$84m contract with the US Marine Corps and the US Air Force for AE1107C engines to power 19 V-22 Osprey military transport aircraft.
 - A \$35m contract with the US Navy to service T56 engines for C130 and C2 military transport aircraft.
 - A contract with the Royal Saudi Air Force to service RB199 engines for Tornado combat aircraft.
- Revenue increased by 9%, reflecting a 17% increase in OE revenue and a 1% increase in services revenue. Growth in OE revenue was due to better revenue mix and pricing. Growth in services reflects higher sales of T56 and AE spare parts for military transport aircraft and repairs of engines for combat aircraft.
 - Profit increased by 10%, reflecting the volume growth, favourable revenue mix, a lower R&D charge and cost improvement.

Portfolio

- We agreed to sell our 50% shareholding and interest in the RTM322 military helicopter engine programme to Turbomeca (a Safran company).
- US Navy achieved the first flight of the AE3007-powered Northrop Grumman Corporation-built MQ-4C Triton aircraft. Triton is a high-altitude, unmanned aircraft.