

Power Systems (Tognum and Bergen)

<u>£ millions</u>	<u>H1 2013</u>	<u>H1 2012</u>
Order book	2,077	272*
Underlying revenue	1,239	142
Underlying OE revenue	826	66
Underlying services revenue	413	76
Underlying profit before financing	72	52
Return on sales**	5.8%	36.6%

* 2012 year-end data

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

Rolls-Royce Power Systems Holding GmbH (Power Systems) is our joint venture with Daimler that was formerly known as Engine Holding GmbH. Power Systems comprises Tognum and Bergen Engines.

During 2012, we equity accounted for Tognum as a joint venture and for Bergen Engines on a consolidated basis. The following table shows a trading comparison as if both Tognum and Bergen Engines had been fully consolidated in 2012 as well as in 2013.

<u>£ millions</u>	<u>H1 2013</u>	<u>H1 2012</u>	<u>Change</u>
Order book	2,077	1,823*	14%
Underlying revenue	1,239	1,346	-8%
Underlying OE revenue	826	908	-9%
Underlying services revenue	413	438	-6%
Underlying profit before financing	72	132	-45%
Return on sales**	5.8%	9.8%	-4.0pp

* 2012 year-end data

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

Financial (based on the trading comparison)

- The order book increased by 14%, with new orders of £1.4bn (£1.3bn in H1 2012). Significant orders in the first half included a contract with Alstom to supply over 300 railcar Powerpacks and contracts to supply 28 marine generator sets for Rolls-Royce offshore supply vessels in China and Brazil.
- Revenue decreased 8%, reflecting a 9% reduction in OE revenue and 6% lower services revenue. The lower OE revenue was due to weak sales in onshore Oil & Gas where the US fracking market and reduced gas prices have resulted in lower investments in new projects. Similarly, weak commodity prices have resulted in reduced activity in the mining sector where lower utilisation of equipment has depressed spare parts demand.
- Profit reduced by 45% due to lower revenue, higher R&D charges and lower fixed cost absorption.

Portfolio

- Work started on a new £50m R&D test facility at Plant 1 in Friedrichshafen, Germany that will develop new combustion processes, control systems and exhaust treatment for engines.
- MTU opened a new engine test cell facility at its service centre in Pune in India to test all MTU engines up to Series 4000 engines in the 300 to 4300kW power range for all

applications.

- Tognum and JSC Transmasholding, one of Russia's biggest rolling stock manufacturers, agreed to set up a new joint venture to produce diesel engines in Kolomna, near Moscow. The new plant is expected to produce up to 1,000 engines a year for rail, mining and on-site power generation.