

Rolls-Royce Holdings plc

Guidance Update

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Introduction

- Business with fundamental strengths and outstanding long-term prospects
- Period of significant transformation in Aerospace
- Market headwinds in offshore
- Confidence in the long term



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Agenda

- What's impacting our outlook
- 2015 guidance update and half year preview
- Implications for 2016
- Confidence in the long term



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What's impacting our outlook

Market developments

- Trent 700: volumes and pricing
- Weaker business jet engine demand and softening regional aftermarket
- Weak offshore markets

Business review

- Rigorous review of planning assumptions
- Pulled ahead planning process



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2015 full year guidance update

	Original	New
GROUP		
Underlying revenue	£13.4 – 14.4bn	Unchanged
Underlying profit before tax	£1,400 – 1,550m	£1,325 – 1,475m
Free Cash Flow	£50 – 350m	£(150) – 150m
SEGMENTS		
Underlying Marine profit	£90 – 120m	£0 – 40m
Others		Unchanged

Other:

Marine: impairments/restructuring (exceptional)

£(70) – (100)m



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Civil Aerospace update

- Trent 700 rate changes
- Reduced business jet engine demand and softening regional aftermarket
- Trent 1000 provision reversal
- Retrospective TotalCare profitability improvements



**~ £200m
benefit
in 2015**



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2015 half year preview

	2014 H1	2015 H1
Underlying revenue	£6.45bn	£6.15 – 6.30bn
<i>Including divested Energy business</i>	£6.84bn	
Underlying profit before tax	£645m	£390 – 430m
<i>Including divested Energy business</i>	£644m	
Free cash flow	£(347)m	£(570) – (620)m
<i>Including divested Energy business</i>	£(432)m	

- Further updates at Half Year Results on 30 July
- As previously indicated, results expected to be weighted to second half



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Confidence in second half of 2015

- Aerospace
 - Higher engine deliveries
 - Continued service growth
 - Lower R&D charge vs H1
 - Retrospective TotalCare profitability improvements / Trent 1000 provision reversal
 - Restructuring benefits
- Land and Sea
 - Power Systems H2 weighted as in previous years
 - Rebased Marine forecast
- Lower Commercial & Administrative costs



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Implications for 2016

Key factors vs 2015 profit before tax include:

Trent 700	~ £(250)m
Business Jets and Regional Aftermarket	~ £(50)m
Improving large engine aftermarket & restructuring offset by likely lower TotalCare and other adjustments	Nil

- Cash conversion expected to improve



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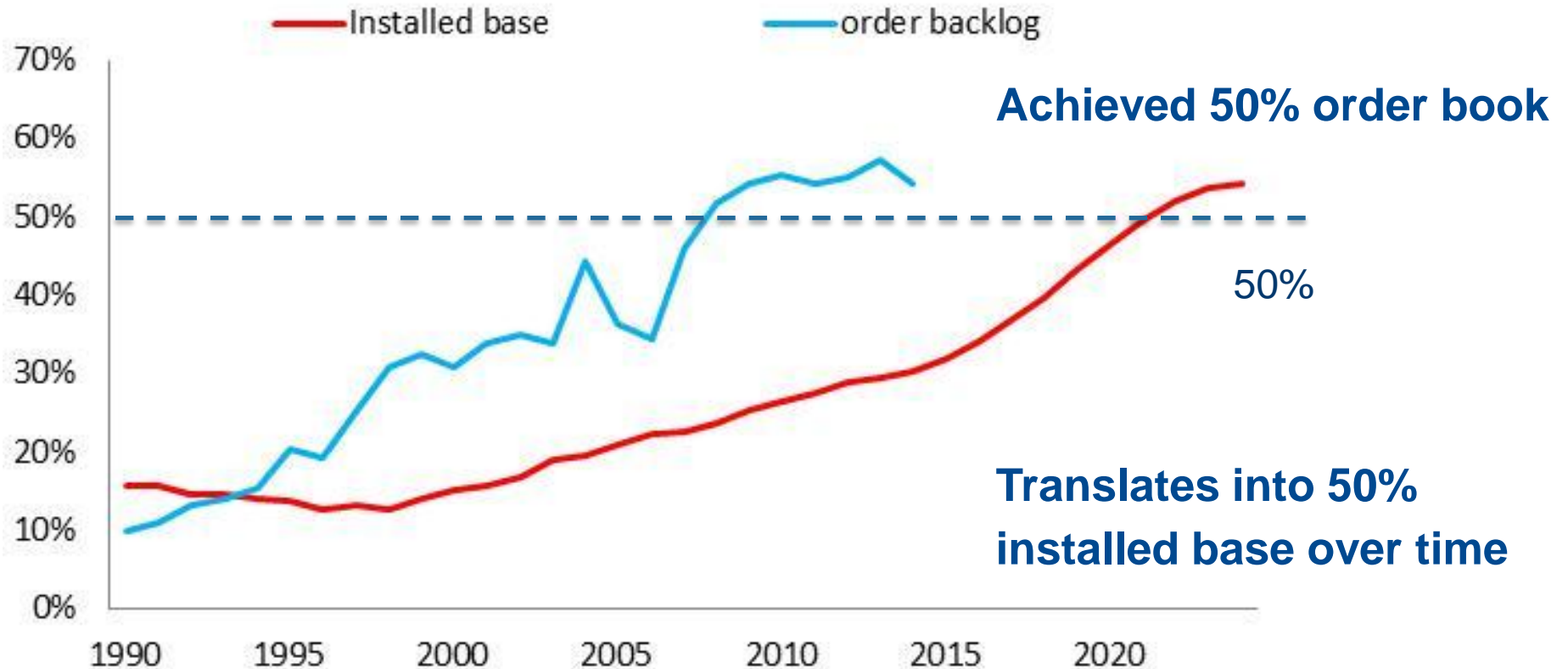
Looking further ahead

- ~ £76 billion order book



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Market share in installed base lags order backlog and underpins confidence in long-term cash flow*



*Market share of widebody passenger aircraft



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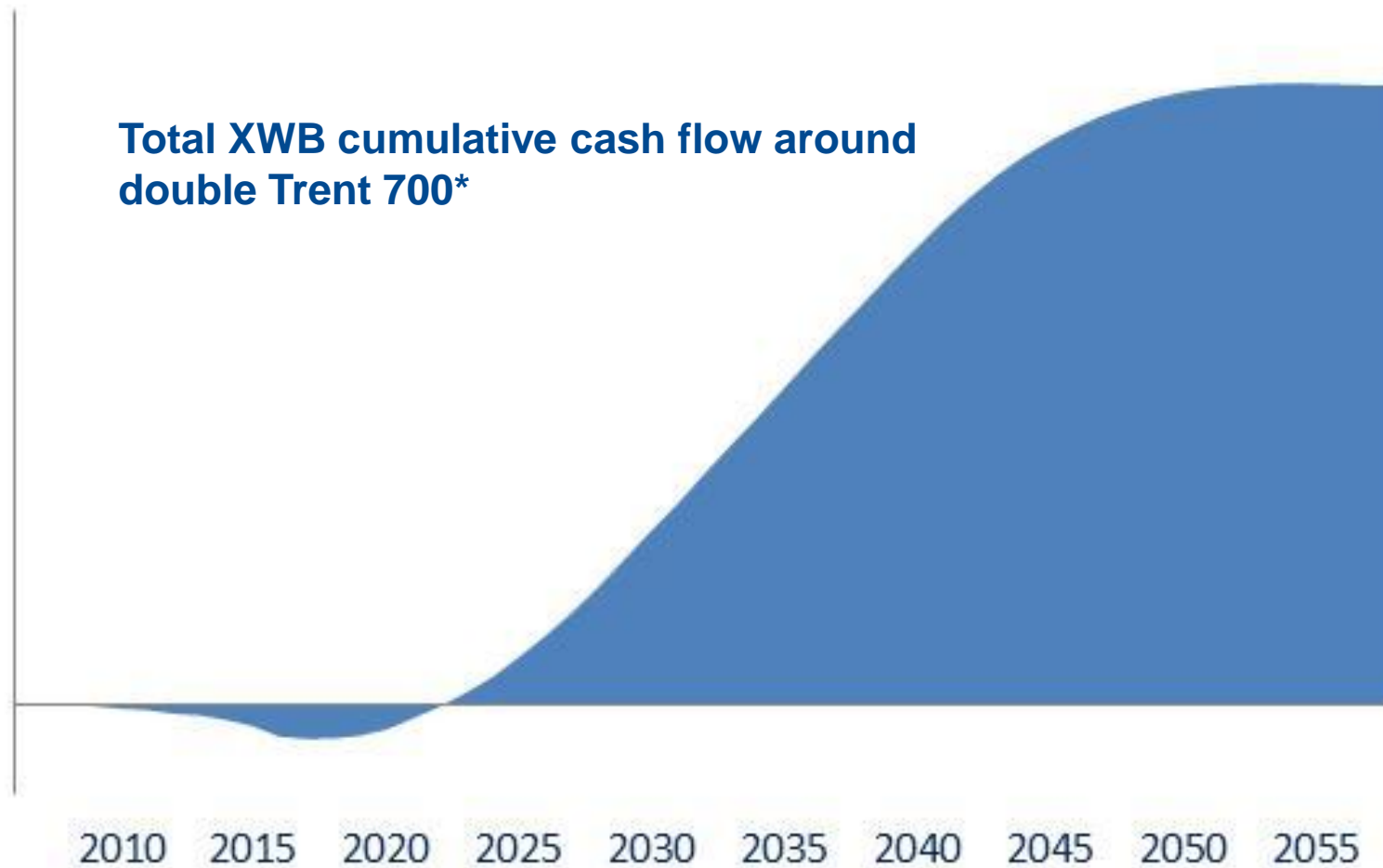
Looking further ahead

- ~ £76 billion order book
- Mega trends underpin profitable growth
- Significant embedded value as Civil large engines double



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Trent XWB creates significant embedded value



*In 2015 £



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Looking further ahead

- ~ £76 billion order book
- Mega trends underpin profitable growth
- Significant embedded value as Civil large engines double
- Continuing to strengthen our technology plans
- Multi-year industrial transformation programme through end of decade
- Long-term model attractive



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Summary

- Business with fundamental strengths and outstanding long-term prospects
- Period of significant transformation in Aerospace
- Market headwinds in offshore
- Confidence in the long term



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