



Operational & strategic update

Warren East, Chief Executive

Key topics for today



Rolls-Royce

Update on progress since Nov 2015

- 2016 priorities
- Transformation
- Operating performance

Next steps for delivering long-term shareholder value

- Management development
- Update of strategic priorities

Financial update

- 2016 progress
- Market outlook
- New revenue and cash flow disclosures

IFRS 15 – review of principles and likely outcomes

- Update on principles
- 2015 impacts as if adopted early

Breakouts

- Engineering, Operational and Aftermarket Excellence
- IFRS 15 Workshop

Delivered on a clear commitment over the last twelve months



Rolls-Royce

Investigate & Scope

Q4 2015

Announced ...

- Conclusions of operating review
- Transformation programme
- 2016 strategic priorities

Detail & Implement

FY & Q2

Progressed ...

- Strong transformation programme start
- Improved disclosure around cash flows and gross margins

Review & Refine

Q4

Next steps ...

- Anticipate developing market conditions
- Set clear long-term vision for the business

Update of Strategic Priorities

Q4 & Q1 2017

Goals for 2016



Rolls-Royce

With a focus on pace and simplicity...

Strengthen our focus on engineering and operational excellence and leveraging our installed base

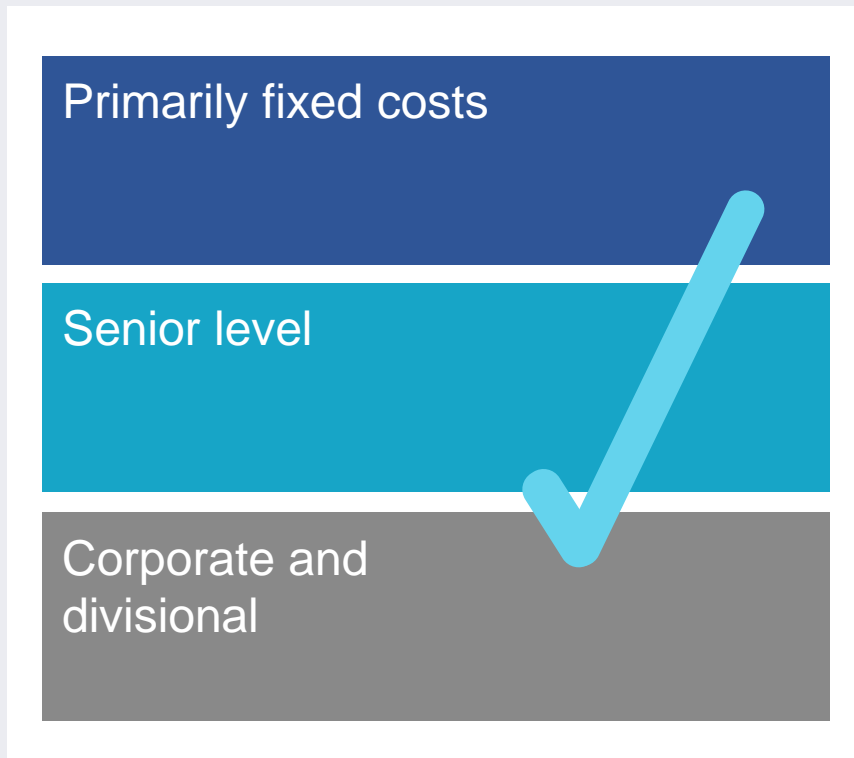
Deliver a strong start to our transformation programme

Start rebuilding trust and confidence in our long-term growth prospects

Transformation well under way



Organisational hardware



Organisational software



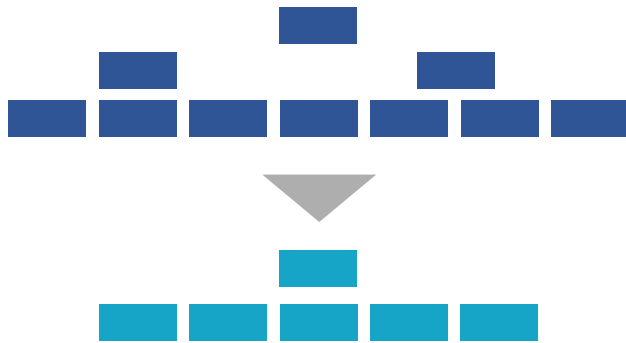
On track toward delivering top end of expectations



Organisational hardware changes already yielding 'software' benefits



Rolls-Royce



↓ **20%**
reduction in management
population

- ▶ 50%+ reduction in senior leadership group
- ▶ Stronger individual accountability
- ▶ Significant simplification of 'committee' structures and related time burden on management
- ▶ More efficient financial reporting

Notes: Costs of delivering the November 2015 transformation programme are expected to be largely taken as an exceptional charge. The charge in 2016 is expected to be towards the low end of the announced £75-100m range. Further exceptional costs may be taken in 2017.ari



Performance now expected at top end of £150-200m savings target



Rolls-Royce



Driven by...
~600 reduction in senior management positions
>£35m from operational savings across engineering, procurement, tax, pensions, travel and procurement



Goals for 2016



Rolls-Royce

With a focus on pace and simplicity...

Strengthen our focus on engineering and operational excellence and leveraging our installed base

Deliver a strong start to our transformation programme



Start rebuilding trust and confidence in our long-term growth prospects

Our focus on pace and simplicity helps our transformation



Rolls-Royce

Focus

Engineering
excellence

Operational
excellence

Aftermarket
excellence

Resources

Defining what's
absolutely needed

Restructuring
around focus



Many opportunities for improvement in each of our focus priorities



Rolls-Royce

Engineering
excellence

Operational
excellence

Aftermarket
excellence



Opportunities for improvement in each of our focus priorities



Rolls-Royce

Operational excellence

Reduce lead times

e.g. Trent 1000 OE lead time improvement at Singapore

↑ 27%

improvement in lead-time with further ~15% planned

- Use of lean principles to eliminate waste
- Introduction of new technology to reduce cycle time
- Engagement of employees in the improvement challenge
- Learning being read across to Trent XWB, targeting >50% lead time reduction

Developing process improvements to overcome service constraints



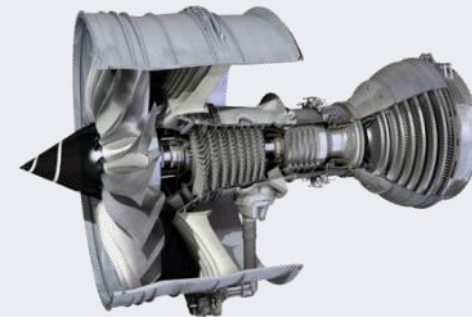
Rolls-Royce



↓ 80%

reduction in turnaround time for Trent 1000 blade replacement shop visits

- Redefined and surgically focused process to address specific blade replacement issue
- Product of the team's detailed engineering analysis



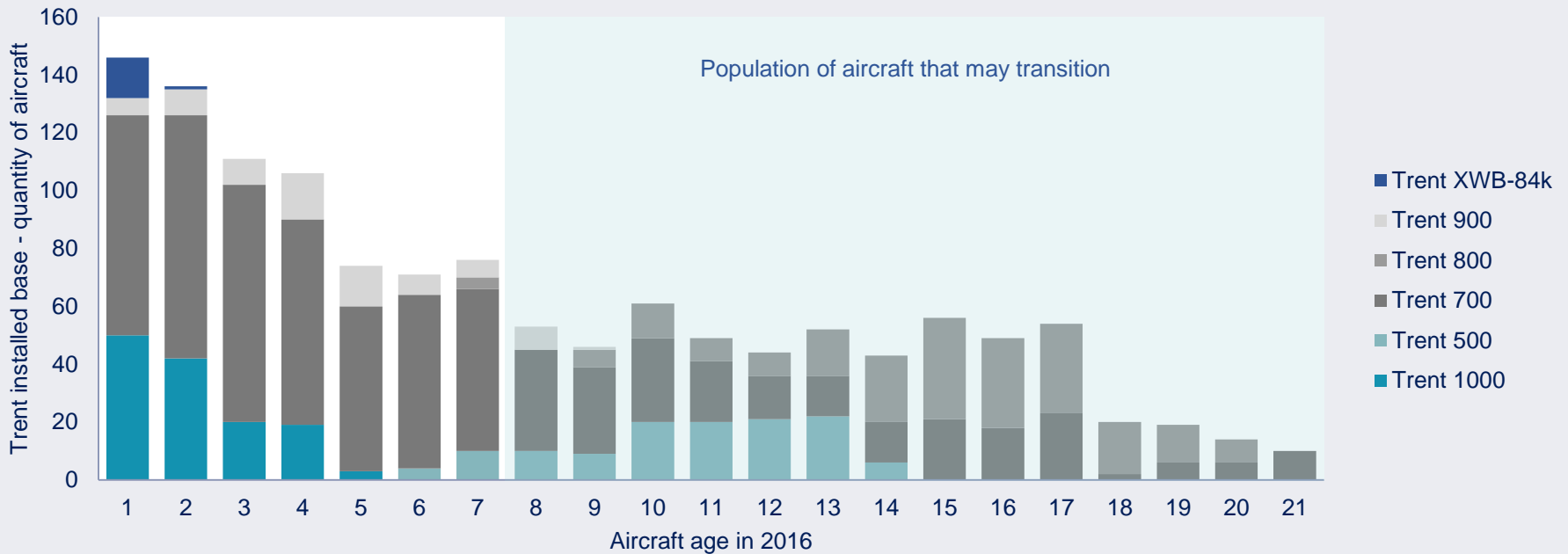
Maturing Trent fleet set to drive increasing number of aircraft transitions



Rolls-Royce

Aftermarket excellence

Reduce lead time



Trent powered aircraft over 8 years old

230 in 2010

530 today

~900 in 2020



Goals for 2016



Rolls-Royce

With a focus on pace and simplicity...

Strengthen our focus on engineering and operational excellence and leveraging our installed base



Deliver a strong start to our transformation programme



Start rebuilding trust and confidence in our long-term growth prospects

Additional disclosures



Rolls-Royce

Additional margin disclosure



Rolls-Royce

Group 2014 Underlying income statement*

	Group					
OE Revenue	7,220	→	OE Revenue			
AM Revenue	6,644	→	AM Revenue			
Total Revenue	13,864	→	Total Revenue			
Cost of Sales**	(10,466)	→	Cost of Sales*			
Gross Margin	3,398	→	Gross Margin			
Net R&D (Including dev cost contributions)	(730)	→	Net R&D (Including dev cost contributions)			
Aggregate other costs including C&A	(987)	→	Aggregate other costs including C&A			
PBFCT	1,681	→	PBFCT			

Additional revenue disclosure Civil Aerospace



Rolls-Royce

Revenue 2015

Original Equipment	46-49%
Large Engine: linked and other	22-25%
Large Engine: unlinked	~8%
Corporate	~12%
V2500	~4%

Aftermarket	51-54%
Large Engine	32-35%
Corporate	~5%
Regional	~6%
V2500	~8%

7,000-7,300

Under-utilisation costs included in cost of sales ~ (100-200)

Gross Margin x - y

R&D charged (x) - (y)

Other costs (x) - (y)

PBFCT 800 - 900

Civil trading cash flow



Rolls-Royce

	2015	CY+1	CY+2	CY+3	CY+4
PBFCT by Business	£800-900m				
TotalCare® net debtor movements	(x)	→	<div style="background-color: #d3d3d3; padding: 10px; text-align: center;"> Future disclosure </div>		
CARs movements	(x)	→			
Working Capital Movements	x	→			
Other non-cash movement in depreciation, capital and intangibles	(x)	→			
Trading cash flow*	X	→			
		Indicative only			

*Trading cash flow is cash flow before pensions, tax, M&A, payments to shareholders and FX



Delivered 2016 commitments



Rolls-Royce

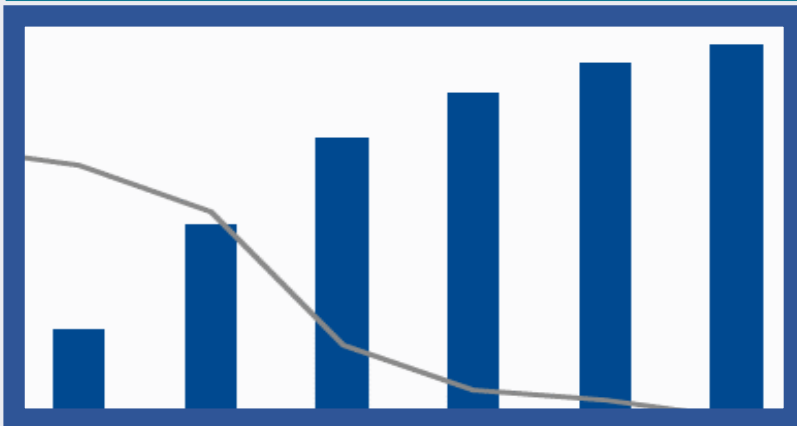
November 2016

EBIT 2015:
£1,415m*

Expected movements** **£(600) – (650)m**

~£(650)m

...htly better than early expectations
...onal foreign exchange benefits from lower planning rate and



	105	145	145
	c. 50	c.70	0
		20-50	30-60
	c. 50	c.90-120	30-60
	c. 50	c.140-170	170-200

- Overall expectations for 2016 unchanged
- Delivered on our transformation commitments
- Ramped up large engine production to c.400 pa



Legacy issues



Rolls-Royce

Co-operating with
authorities including
UK & US

Significant actions to
improve ethics/ABC
culture & processes

Zero tolerance to
misconduct



Key appointments announced



Chief Operating Officer
Simon Kirby



Chief Financial Officer
Stephen Daintith



Started to focus on updating our long-term vision and strategy



Rolls-Royce

Investigate & Scope

Q4 2016

Announced ...

- Conclusions of operating review
- Transformation programme
- 2016 strategic priorities

Detail & Implement

FY & Q2

Progressed ...

- Strong transformation programme start
- Improved disclosure around cash flows and gross margins

Review & Refine

Q4

Next steps ...

- Anticipate developing market conditions
- Set clear long-term vision for the business

Update of Strategic Priorities

Q4 & Q1 2017



Review our long-term operating priorities and investment needs



Rolls-Royce

5 years
2015-2020

Transform, deliver
performance and grow

+10 years
2020-2030

+20 years
2030-2050+

Time to review, change or confirm our long-term strategic goals and to set out a clear vision for the business



Four key drivers for updating our strategic priorities



Rolls-Royce

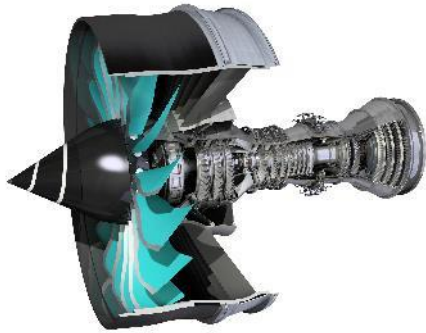


Attractive growth opportunities across our businesses that merit investment



Rolls-Royce

Civil Aerospace



Advance and UltraFan™ technologies to deliver step change in engine efficiency

Defence



Next generation transport & patrol and combat

Power Systems



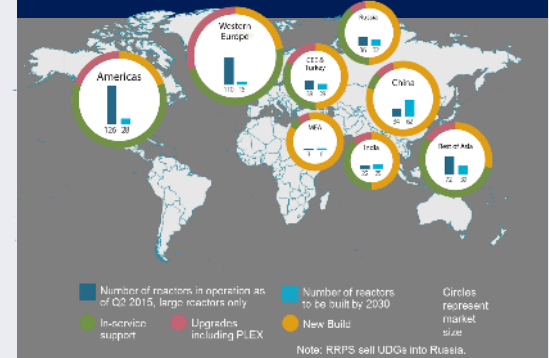
Next generation gas engines and hybrid gensets

Marine



Next Ship Intelligence; automation and systems

Nuclear



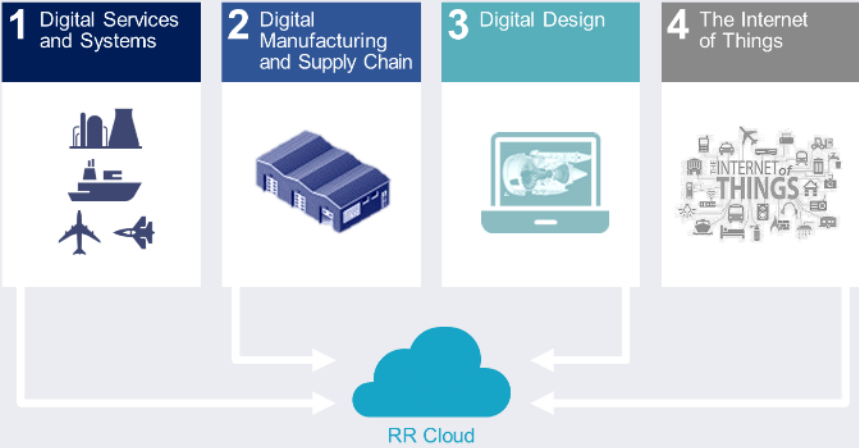
Supporting global growth in civil nuclear



What about the opportunities from emergent technologies?



Rolls-Royce



Digital future

+

=



Electrification opportunity



Initial portfolio review highlighted the strengths of the business



Rolls-Royce

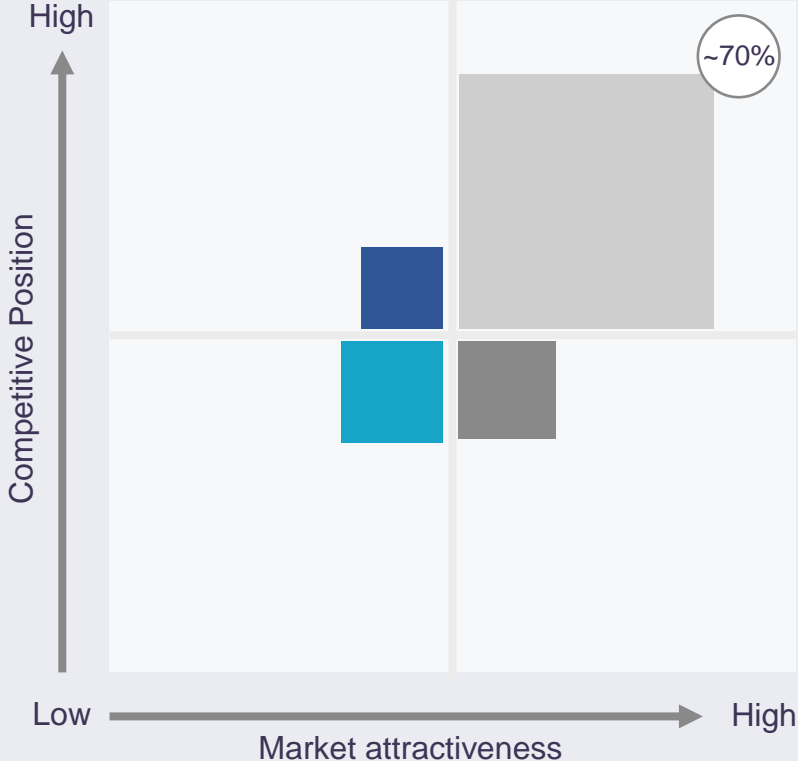
Strong mix of business

- Over 80% in attractive growth markets
- Over 75% in with strong competitive advantages

Competitive advantage strengthened by investments

- 2/3rds of group will benefit from transformation programme

2020

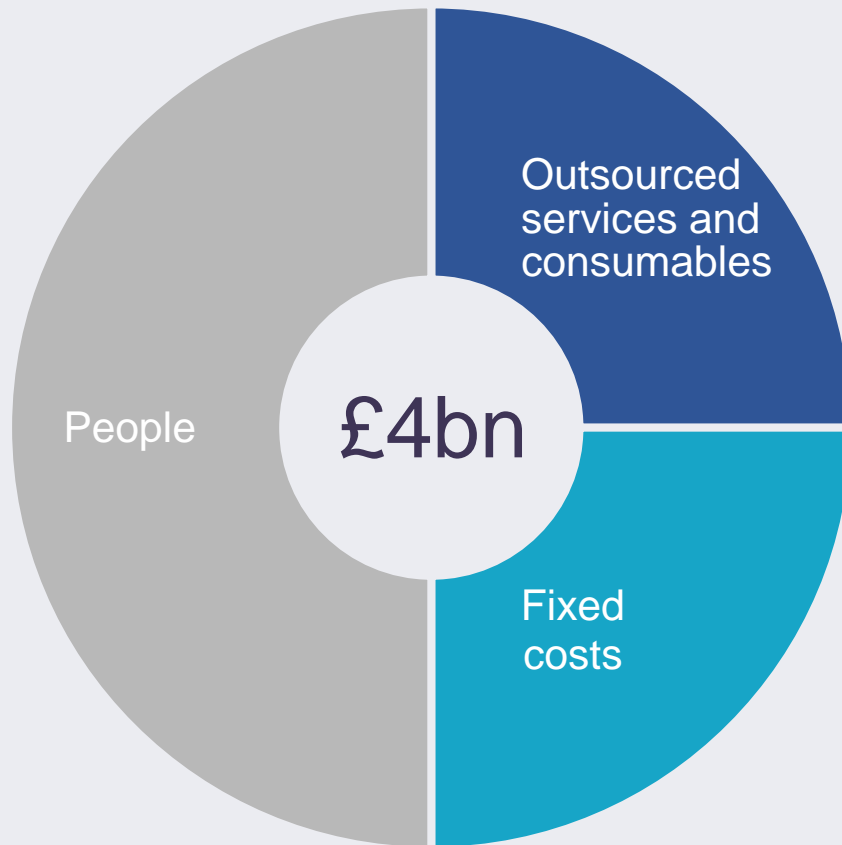


Future reductions in costs will be driven by changes to systems and processes



Rolls-Royce

Still have significant indirect costs in the organisation



Started to transform...

- ~600 senior management positions removed
- ~£200m cost savings targeted

Potentially a lot more we can do...

- Sustainable enablers of change needed; systems and processes
- Strengthen performance management culture
- Simplify accounting processes
- Improved data architecture



Three key building blocks to delivering enhanced shareholder value



Rolls-Royce



Summary



Rolls-Royce

Update on progress since Nov 2015

- 2016 priorities
- Transformation
- Operating performance



Next steps for delivering long-term shareholder value

- Management development
- Update of strategic priorities



Financial update

- 2016 progress
- Market outlook
- New revenue and cash flow disclosures

IFRS 15 – review of principles and likely outcomes

- Update on principles
- 2015 impacts as if adopted early



Financial update

David Smith, Chief Financial Officer

Agenda



Rolls-Royce

- Trading summary
- Progress on transformation
- Future market outlook
- Civil revenue and cash disclosures
- IFRS 15 update and comparison to 2015 FY results

Outlook for 2016 unchanged



Rolls-Royce

November 2015

EBIT 2015:
£1,325 - £1,475m

Expected
movements** **~£(650)m**

November 2016

EBIT 2015:
£1,415m*

Expected
movements** **£(600) – (650)m**

- Expected movements slightly better than early expectations
- Civil Aerospace: transactional foreign exchange benefits from lower planning rate and improved hedge book more than offset higher programme costs
- Other businesses overall in line with expectations, despite mixed market conditions

Transformation benefits now expected at top end of £150-200m range



Rolls-Royce

£m	2015	2016	2017	2018
Legacy programmes				
Aerospace	0	80	0	0
Marine	(10)	35	40	0
Incremental benefits	(10)	115	40	0
Cumulative benefits	(10)	105	145	145

Nov 2015 Transformation Programme

Initial phase	0	c. 50	c.70	0
Next steps	0		20-50	30-60
Incremental benefits	0	c. 50	c.90-120	30-60
Cumulative benefits	0	c. 50	c.140-170	170-200
Total cumulative benefits	(10)	c. 155	c.285-315	315-345

Notes: Costs of delivering the November 2015 transformation programme are expected to be largely taken as an exceptional charge. The charge in 2016 is expected to be towards the low end of the announced £75-100m range. Further exceptional costs may be taken in 2017.

Transformation progress in Finance



Rolls-Royce

4 → 1

Efficiency savings in UK DB pension schemes

- Governance simplification
- 40 trustees down to 10
- Efficiencies in collateral management and liquidity
- Agreement with Legal & General for Vickers scheme buy-out by the end of the year – reduces global pension obligations by c. 6%

↓ >40%

Targeted reduction in legal entities

- Reduced administration costs
- Ahead of plan
- Removed 36 entities so far
- 25% complete

Market outlook mixed



Rolls-Royce

Civil

- Large engine demand remains strong reflecting strength of XWB order backlog
- Aircraft parking reasonably stable
- Demand for business aviation generally weakening

Power Systems

- Markets mixed reflecting weaker demand for industrial engines, although marine and power generation remain steady

Defence

- Outlook stable

Marine

- No signs of recovery yet in offshore oil & gas markets
- Further weakening as order book runs down
- Some offset from cost actions

Nuclear

- Expected to benefit from improved submarine activity
- Weaker civil markets in the near-term ahead of growth from new build programmes

Civil Aerospace revenue outlook (current accounting basis)



Rolls-Royce

£m	2015	2016	2017	2018	2019	2020
Original Equipment (OE)	3,258	↗	↗	↗	↗	→
Large engine: linked and other	1,570	↗	↗	→	→	→
Large engine: unlinked installed	504	↗	↗	↗	↗	→
Business Jet	903	↘	↘	↘	↘	↘
V2500	281	↘	↘	↘	-	-
Aftermarket (AM)*	3,486	↘	→	↗	↗	↗
Large engine*	2,182	→	→	↗	↗	↗
Business Jet	425	↘	↘	→	→	→
Regional	360	↘	↘	↘	↘	↘
V2500	519	↗	→	→	→	→
Total Revenue*	6,744					

● i.e. adverse variance to prior year ● i.e. favourable variance to prior year

* excludes the £189m methodology change

Civil Aerospace medium term trading cash flow outlook (current accounting)



Rolls-Royce

£m	2015	2016	2017	2018	2019	2020
Underlying profit before financing	812	↘	↗	↗	↗	↗
Depreciation, amortisation and impairment	410	↗	↗	↗	↗	→
Sub-total	1,222	↘	↗	↗	↗	↗
Contractual Aftermarket Rights (CARs) additions	(161)	↘	↘	↗	↗	↗
Property, plant, equipment and other intangibles	(502)	↘	↘	↗	→	→
Other timing differences*	(75)	↗	→	→	→	→
Trading cash flow pre-working capital movements	484	↘	↘	↗	↗	↗
Net TotalCare® asset movements	(406)	→	↗	↗	↗	↗
Other working capital movements	(78)	↗	↗	↘	↘	↘
Trading cash flow**	0	↘	↗	↗	↗	↗

i.e. adverse variance to prior year
 i.e. favourable variance to prior year

* Includes timing differences between underlying profit before financing and cash associated with: joint venture profits less dividends received; provision charges higher /(lower) than cash payments; non-underlying cash and profit timing differences (including restructuring); and financial assets and liabilities movements.

** Trading cash flow is cash flow before: deficit contributions to the pension fund; taxes; payments to shareholders; foreign exchange on cash balances; and, acquisitions and disposals.

IFRS 15 key changes from 2018



Rolls-Royce

	IAS 11/18	IFRS 15	Consequence
Contractual aftermarket rights (CARs)	<ul style="list-style-type: none"> In substance, OE sale gives right to an AM intangible asset 	<ul style="list-style-type: none"> AM intangible asset still conceptually exists, but not with OE customer 	CARs can no longer be recognised
Contract combination (linked)	<ul style="list-style-type: none"> May be different customers Based on substance 	<ul style="list-style-type: none"> Must be with the same customer Based on contractual arrangements 	OE contracts with airframer cannot be combined with AM contract with operator
Measurement of Aftermarket revenue (AM)	<ul style="list-style-type: none"> Based on transfer of risks and rewards (ie as RR assumes responsibility for restoring engine as it flies) 	<ul style="list-style-type: none"> Based on transfer of control of goods or services (ie when AM activity is actually performed) 	Revenue on TotalCare® and CorporateCare® contracts now recognised on an input basis

Adjustments to income statement from IFRS 15 most significant with Civil Aerospace – cash flow unaffected

IFRS 15 highlights



Rolls-Royce

- Significant non-cash adjustments to OE and AM revenue and profit recognition in the near-term
 - Heavily influenced by high production volumes; new engine programmes and market share gains in aftermarket
- No change over product life cycle to cash flows and profit achieved
 - Same overall cash flow and profit recognised per engine
- No change to in-year and overall cash flow

Agenda



Rolls-Royce

- Walkthrough of IFRS 15 changes to 2015 results for Civil Aerospace for:
 - revenue
 - profit
 - balance sheet
- Examples to contrast current and IFRS 15 accounting
- Modelling IFRS 15

Legend

Previously disclosed information, quantification largely available in prior year results

Previously disclosed information, quantification available in some part from prior results

New information, quantification driven by analysis of effect of new standard

Scope of impact

Civil Aerospace



Rolls-Royce

Civil Aerospace OE revenue

Large Engine OE

Business jet and
V2500

Installed OE

Spare
Engines



Around 50% of OE
revenues generate
positive cash margin

- Typical range of cash losses on installed large engines £1-2m
- Targeting cash break even on XWB-84 by 2020
- Cost reduction activity underway to reduce the average installed engine cash loss over the next few years

Civil Aerospace AM revenue

Large Engine AM

Business/
Regional V2500

TotalCare® &
CorporateCare®

Time &
Materials



Around 1/3 of AM
revenues accounted
for on a 'time &
materials' basis

- Around 2/3 of aftermarket revenues affected by IFRS 15
- Over 80% of long term contracts are pay as you go style contracts
- Pay at shop visit not materially impacted by IFRS 15

Estimated IFRS 15 changes

2015 Civil OE



Rolls-Royce

Underlying Revenue



£(734)m

Underlying Profit



£(744)m

No change to cash flows from any of the revenue and profit changes

Note: All adjustments shown pre-tax effects

* Based on Initial assessment

** Relates to £50m CARs impairment reversal and £15m related provision release

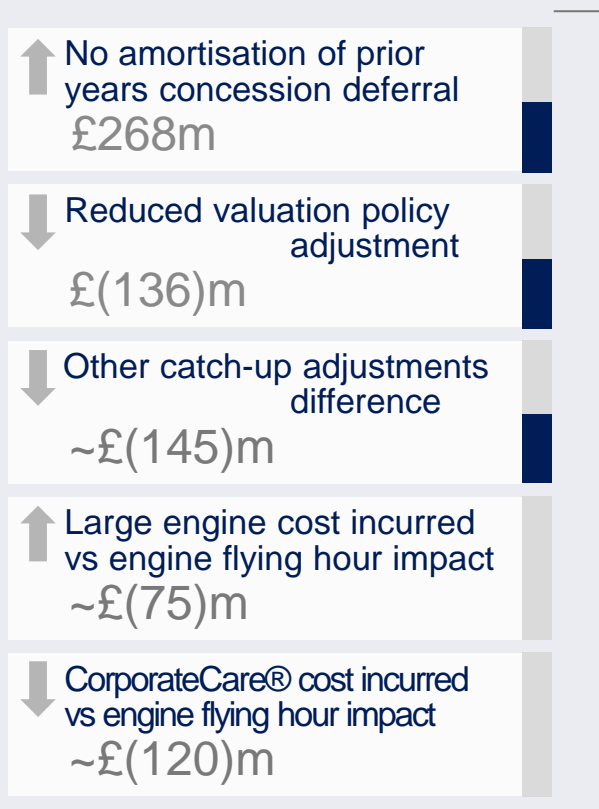
Estimated IFRS 15 changes

2015 Civil AM

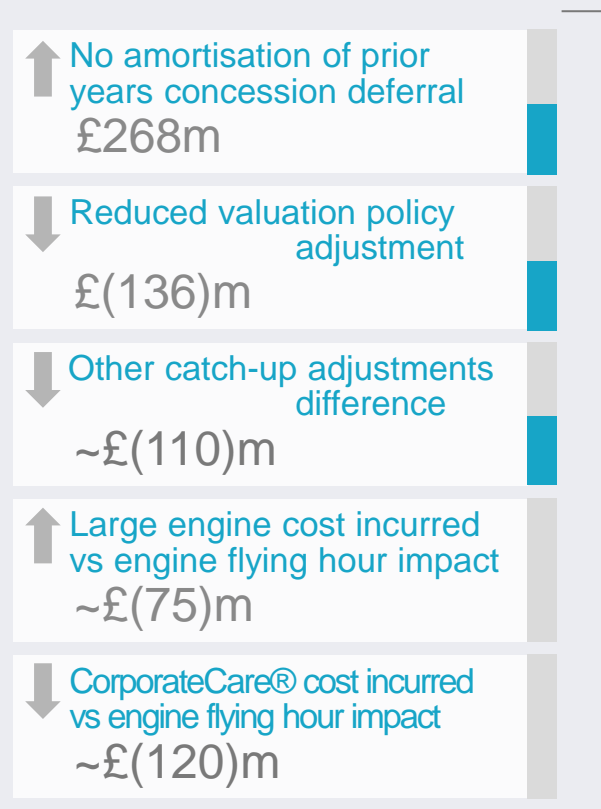


Rolls-Royce

Underlying Revenue



Underlying Profit



No change to cash flows from any of the revenue and profit changes

Estimated IFRS 15 changes

Civil 2015 balance sheet – pre-tax adjustments



Rolls-Royce

Intangible Assets

↓ Reversal of the CARs balance

£(0.4)bn

TotalCare® net assets

↓ Reversal of cumulative linked contract profit reported ahead of cash

~£(2.3)bn

↓ Transition from flying hour to cost basis

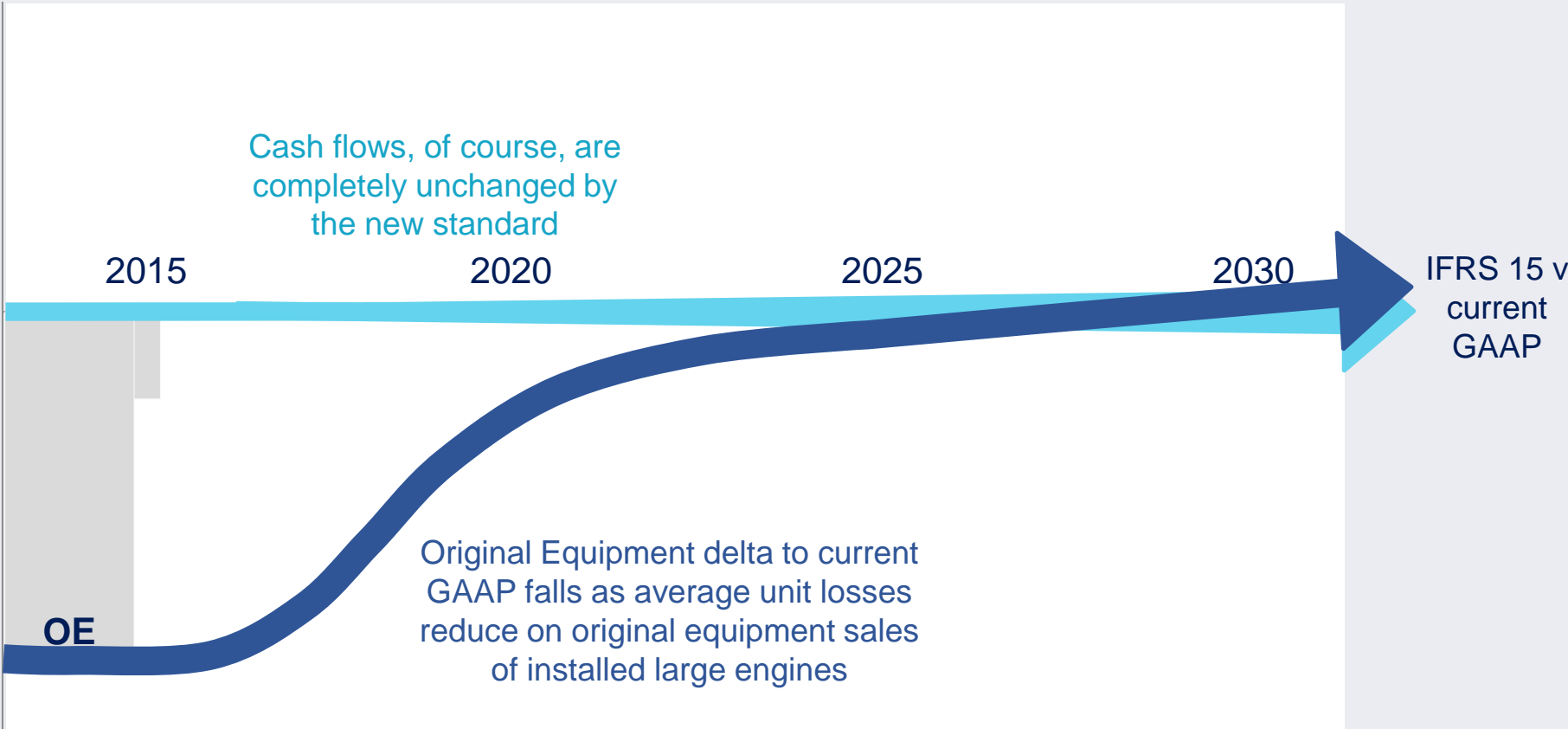
~£(0.8)bn*

Total Impact

↓

~£(3.5)bn*

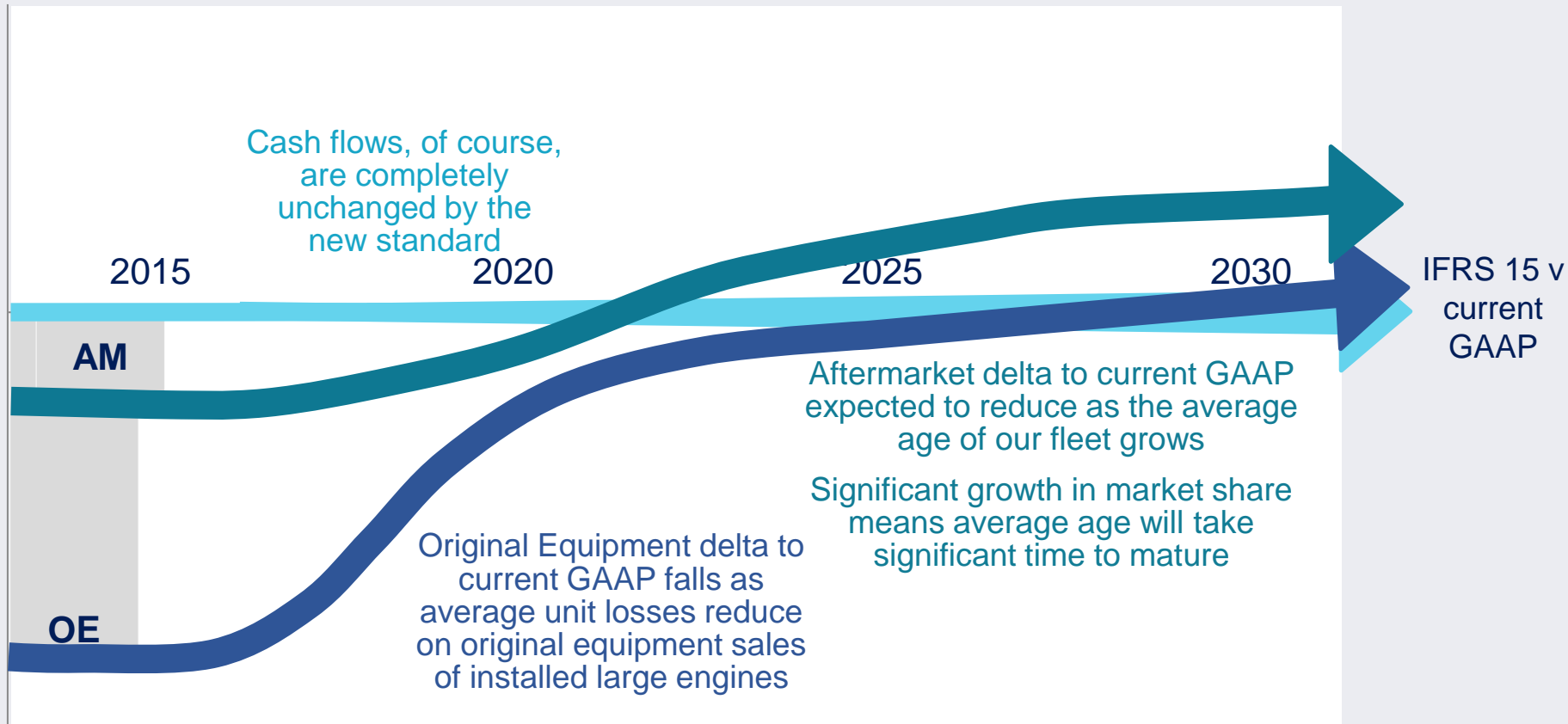
IFRS 15 v Current GAAP



IFRS 15 v Current GAAP



Rolls-Royce



IFRS 15 summary by business



Rolls-Royce

Civil Aerospace

- Main change to Large Engines OE & Aftermarket and business and regional jet aftermarket
- Business jet OE and V2500 OE & aftermarket unaffected

Defence Aerospace: evaluation underway

- Evaluation underway but OE change expected to be de minimis
- Service revenues from long term contracts ~30%; not all affected by IFRS 15
- Largely mature installed base

Power Systems, Marine and Nuclear

- Evaluation underway but expected to be de minimis



Workshops today

- Walkthrough of IFRS 15 changes to 2015 results for Civil Aerospace for:
 - revenue
 - profit
 - balance sheet
- Examples to contrast current and IFRS 15 accounting
- Modelling IFRS 15

Looking forward

- Mid-2017: Indicative Group impact of IFRS 15 on 2016 FY results
- Feb 2018: 2017 FY results – full 2017 IFRS 15 restatement with H1/H2 splits
- Mid-2018: H1 2018 reported under IFRS 15

IFRS 15 Summary



Rolls-Royce

- Significant non-cash adjustments to OE and AM revenue and profit recognition in the near-term
 - Heavily influenced by high production volumes; new engine programmes and market share gains in aftermarket
- No change over product life cycle to cash flows and profit achieved
 - Same overall cash flow and profit recognised per engine
- No change to in-year and overall cash flow

Conclusions



Rolls-Royce

Outlook for 2016 unchanged

IFRS 15 introduces significant non-cash adjustments to OE and AM revenue and profit recognition in the short term

Transformation progressing well

Overall life-cycle product profitability unchanged by application of IFRS 15

Market outlook mixed

No change to cash from IFRS 15 implementation



Breakout introduction

Warren East, Chief Executive

Introducing our breakouts



Rolls-Royce

Engineering
excellence

Power Systems: focused
product development

Nuclear: next generation
R&D and civil capability

Operational
excellence

Civil Aerospace: achieving
our supply chain goals

Marine: responding to
market challenges

Aftermarket
excellence

Civil Aerospace: enhancing
customer service

Defence: service innovation
& customer intimacy

IFRS15

Deep dive on IFRS 15: understanding the new standard and
some ideas for basic modelling principles



Civil Aerospace

Eric Schulz

Market environment

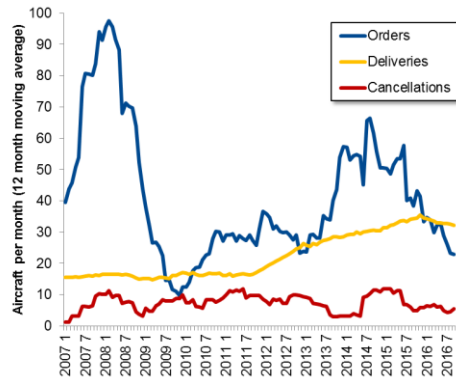


Rolls-Royce

Orders, deliveries and cancellations

Widebody orders rate has fallen below delivery rates, backlog burning down

Cancellations remain at normal low levels

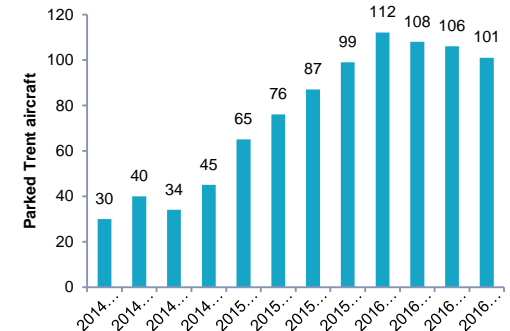


Ascend data

Parked aircraft

Parked Trent volumes stable through 2016

24 Trent powered aircraft transitions in 2016 so far

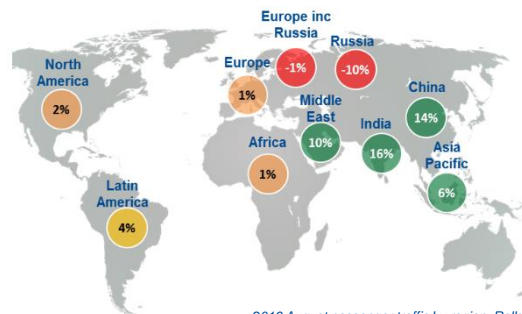


Ascend data, passenger and cargo aircraft

Passenger traffic

Contrast between mature and developing markets

2016 traffic growth to date remains on long term trend, some softness in recent months

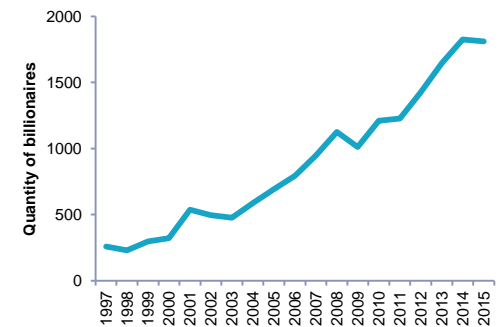


2016 August passenger traffic by region, Rolls-Royce analysis, traffic by airline domicile

Business Jet market

Near term market softness led by oversupply and discretionary spend

Long-term trends unchanged – volumes driven by GDP and HNW growth



Our positioning



Rolls-Royce



- Well positioned in key segments
- Healthy order book on key platforms support market share gains
- Strong brand in business jet market
- Growing aftermarket as fleet matures
- Developing value-added services to drive further customer intimacy

Managing key priorities



- 1 Ramp up: capacity and efficiency
- 2 New Products Introduction (NPI):
3 new programmes
- 3 Fleet issues: e.g. Trent 1000
“surgical strike”
- 4 Transformation programme: catalyst
for change
- 5 Future technology: next generation
platforms

Operational Excellence – key takeaways



Rolls-Royce

The business has a clear plan to achieve what are demanding requirements:

- Investing in capacity to deliver ramp
- Improving efficiency to drive down fixed cost profile
- Driving value in external supply chain
- Engaging our 20,000 operations people

Examples

Transforming internal facilities

Creating value in external supply chain

Continuous improvement to drive lead time reduction

Aftermarket Value – key takeaways



Rolls-Royce

Capturing aftermarket value and reducing costs as widebody fleet grows is top priority:

- Continual improvement of customer service offering and infrastructure
- Innovation in value added services
- Focused transition management

Examples

Installed engine growth

Delivering the right service solutions

Competitive & global service network

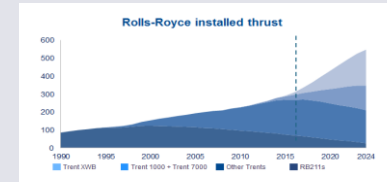
Digitally enabled services

Summary



1

Ramp-up delivers a significant market share gain opportunity



2

Using our 'Fly' transformation programme as a catalyst



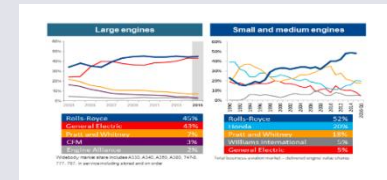
3

Addressing in-service issues and demonstrating customer focus



4

Long term outlook remains very positive





Defence Aerospace

Chris Cholerton

Defence Aerospace



Rolls-Royce

Overview

- 16,000 engines in service
- 160+ Customers in over 100 countries
- World Number 2 defence aero engine fleet

Growth Drivers

- New combat programmes
- Future transport and patrol opportunities
- Requirement for innovative solutions to customer service needs

Market Outlook

- UK/US investment stable
- Turkey, Japan, India and South Korea investment forecast to grow 3% each year
- Middle East forecast 1.7% annual growth



© Lockheed Martin

Revenue £2,035m	Revenue by market		
	Transport and Patrol 43%	Combat 36%	Trainers and Helicopters 21%
Profit £393m	Revenue by mix		
	Original equipment 39%		Customer services 61%

2015 financial data

Pursuing growth opportunities in combat aircraft



Rolls-Royce

Future Combat Air System

FCAS

UK/France



TAI TF-X

Turkey



F-35B

LiftSystem



AMCA India

Advanced Medium
Combat Aircraft



F3

Japan



Typhoon

EJ200



Transport & Patrol – defend and grow ...



Rolls-Royce



C-130J



A400M



V-22

...through investment in new products and world class facilities



Aftermarket value: takeaways

- Enhancing value at lower cost
- Improved customer intimacy
- Extending the life of engines in service



Material management



Digital & Data



Upsell services



Customer intimacy



Services innovation



- 1 Strong market positioning in core segments
- 2 Technology innovation to ensure competitiveness
- 3 Investment in creating world class facilities
- 4 Delivering aftermarket value



Power Systems

Marcus Wassenberg

Portfolio overview



Rolls-Royce



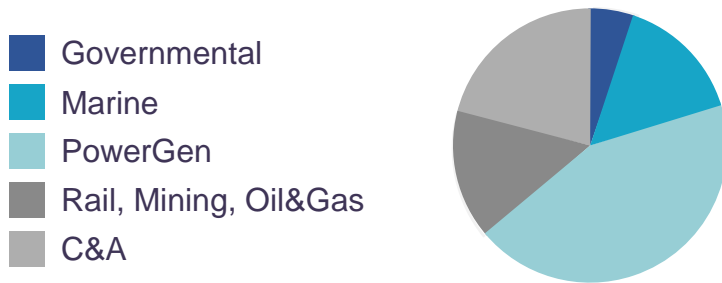
Market positioning



Rolls-Royce

Market information

OE market split*



*based on 2015 revenue

Market position

Application

Market position

Yacht	●
Commercial Marine	◐
Naval	●
Defense	●
Oil&Gas	●
Mining	●
Rail	◐
Construction & Agriculture	◐
PowerGen Continuous	◐
PowerGen Standby	◐
PowerGen Mission Critical	●

Top 3 in segment

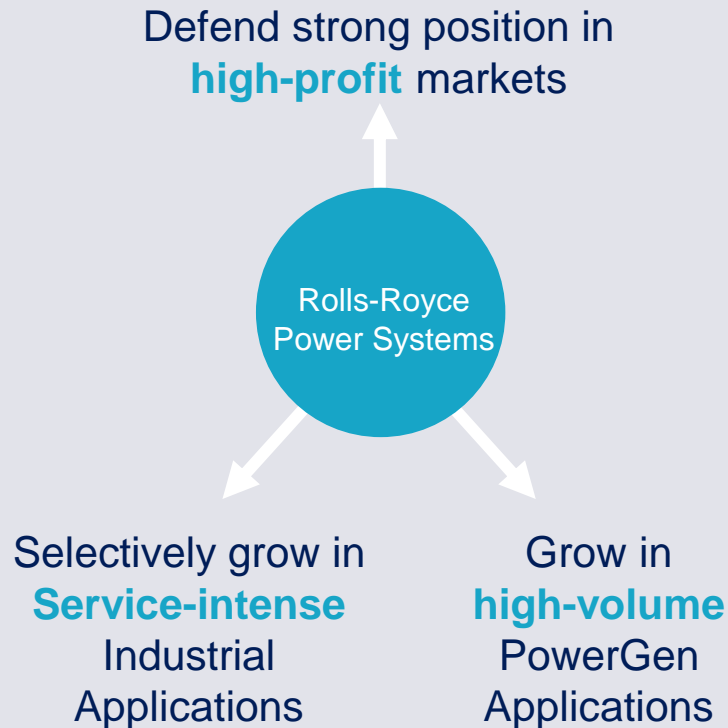
 Meaningful footprint
 Limited presence

Our strategy defines three key strategic areas of focus



Rolls-Royce

Strategic directions



Strategic priorities

1
Shaping our Future

2
Maintain technology leadership

3
Pursuing additional growth opportunities

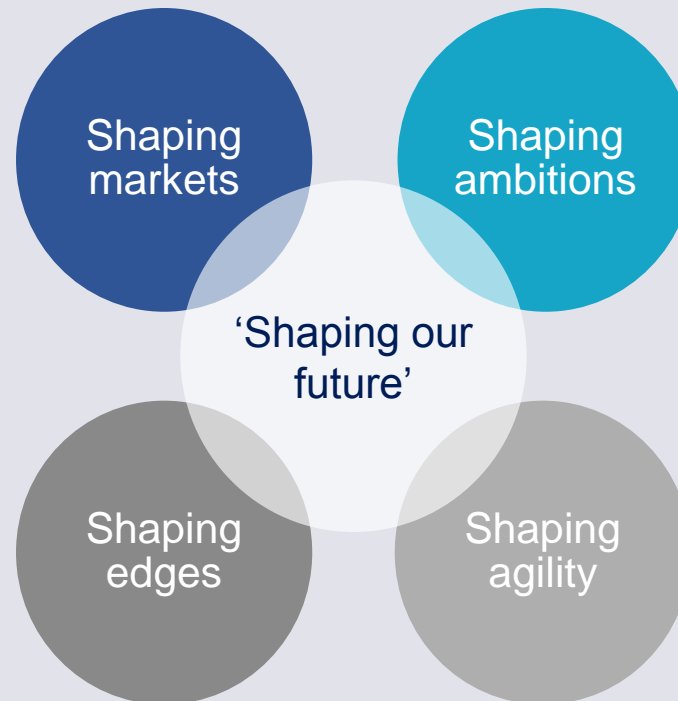
RRPS 2018 transformation priorities



Rolls-Royce

- Clarity over core target markets
- Sustainable profit sources

- Greater focus on growth markets eg China
- Leveraging digital opportunities & manufacturing



- Greater ambition & performance targets
- Expanding value-added service offerings

- Streamlining structures & processes
- Speeding up decision making
- Improving flexibility & resilience

Engineering Excellence: takeaways



Rolls-Royce

Focused R&D investments which meet demanding customer life cycle cost and tightening emissions regulations

Streamlining R&D approach to maximise returns on investment

Making targeted investments in new technologies to maintain technology leadership

Enhancing systems integration capability to optimise life-cycle cost and create value from digital solutions



- 1 Broad and diverse market positioning
- 2 Clear strategic direction and priorities
- 3 RRPS 2018 transformation actions well underway
- 4 Increased focus on disciplined R&D programme



Marine

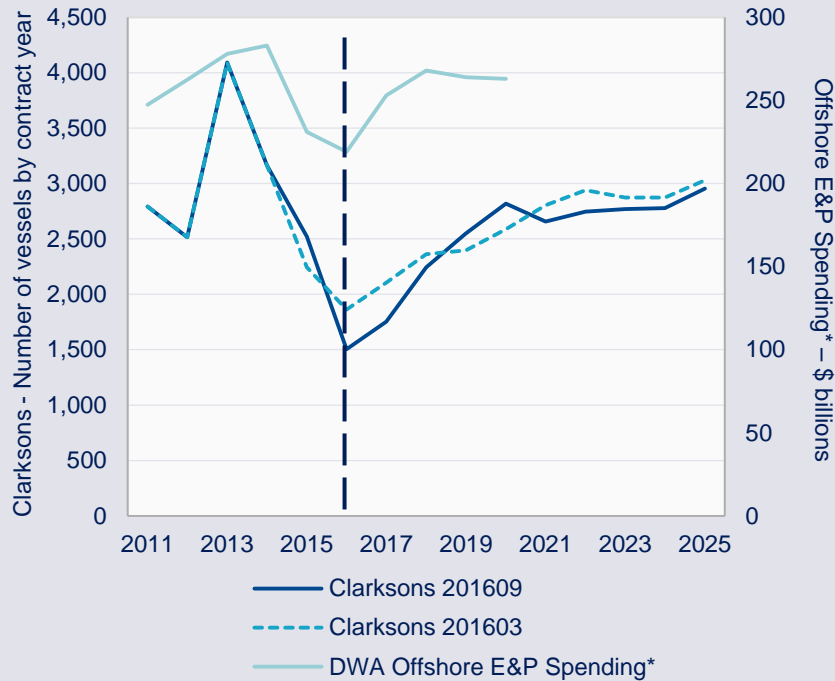
Mikael Mäkinen

Marine – where are we today?

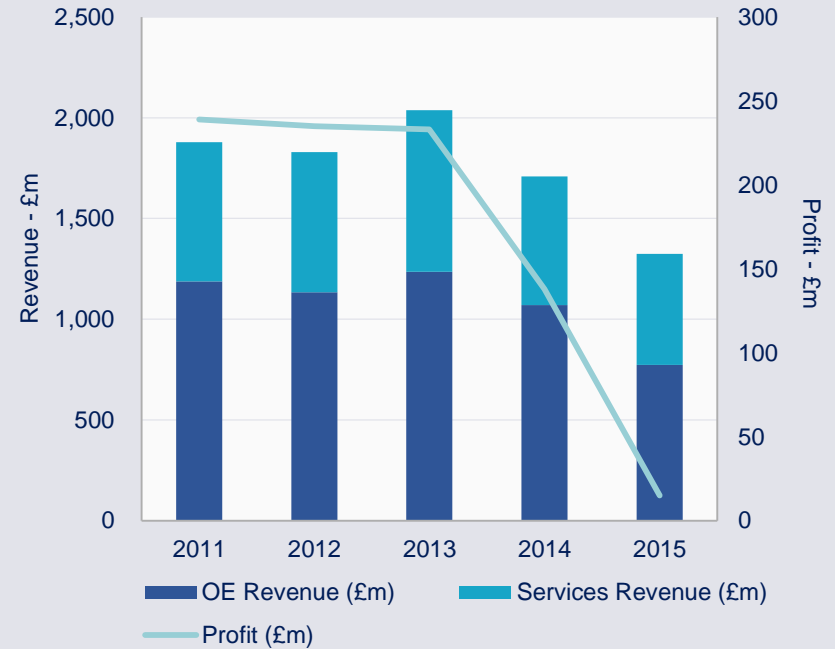


Rolls-Royce

Our markets



Our performance



*Source: Douglas – Westwood (DWA) 20161025

Underlying revenues and profit excl. Submarines and excl. Bergen profit

Our strategy



Rolls-Royce



Protecting our unique offering

Differentiating through innovative mission critical products, deep systems integration and world-class aftermarket support

Developing innovative solutions

Strengthen core offerings and concentrate only on solutions aligned with Marine 4.0 vision



Becoming Shipshape

Transformation to survive downturn and enable growth into Marine 4.0 technologies

Winning customer engagement

Improve responsiveness, reduce disruption and utilise data to help customers optimize the value of their asset



Marine 4.0 Future Vision



Rolls-Royce

Key Trends



Big Data



Environmental



Reliability and Safety



Electrification



Smart Manufacturing

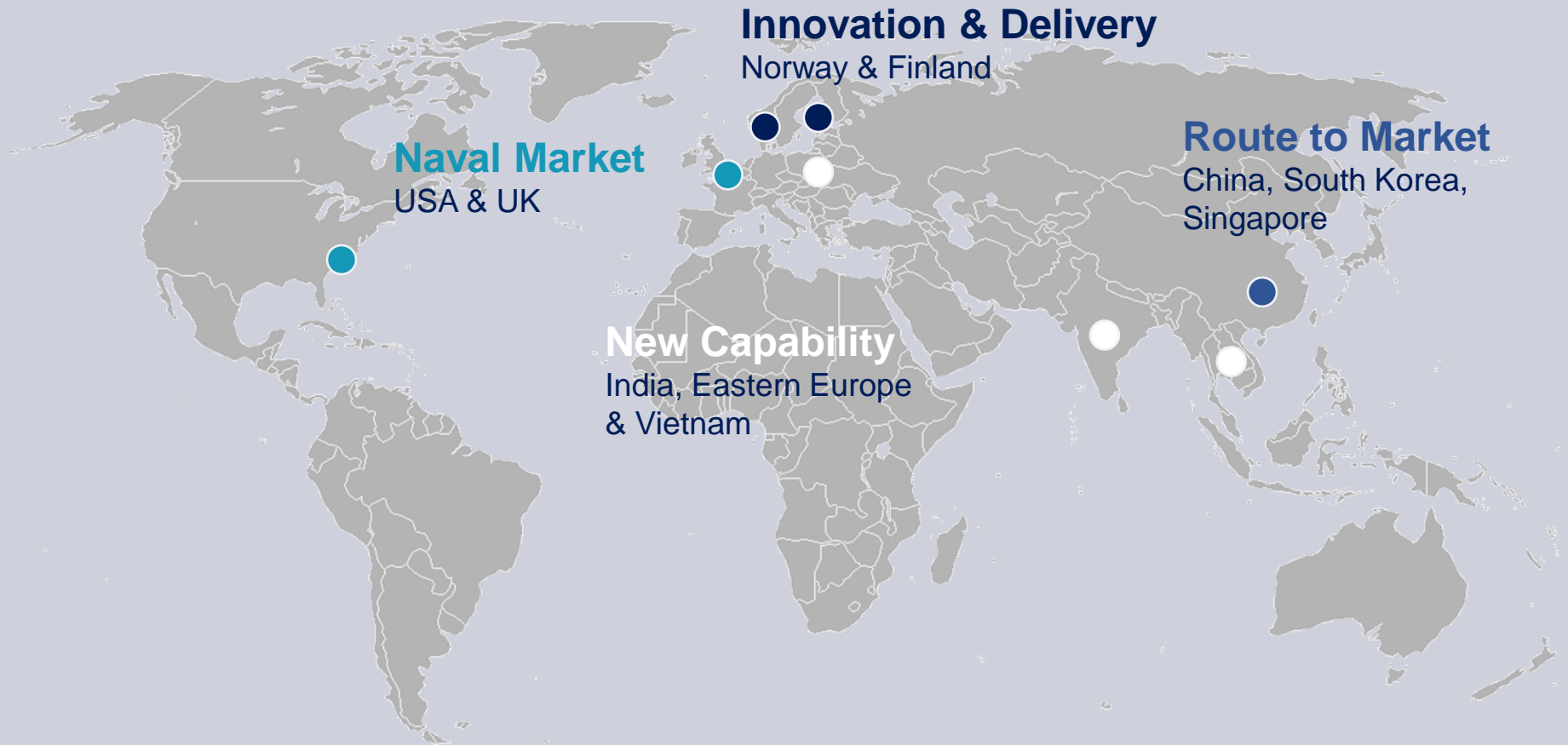


Efficiency

What we will look like in Marine 4.0



Rolls-Royce



Marine 4.0 initiated after completing >40% reduction in factories 2012-2016



- 1 Responding to market challenges
- 2 Continuing to lower the fixed cost base
- 3 Focused investment based on clear strategic direction



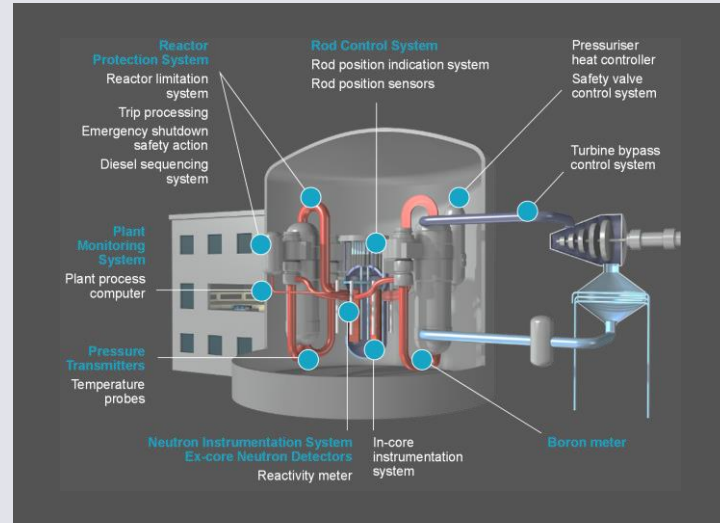
Nuclear

Harry Holt

Overview



Rolls-Royce



Revenue by market	
Submarines	80%
Civil nuclear / other	20%

Revenue by mix	
Original equipment	37%
Customer services	63%

2015 Financial data

Submarine business



Rolls-Royce

- Supply and manufacture of pressure vessels, fuel cores, propulsors, flexible couplings and turbo-generators
- Management and operation of Royal Navy's land-based nuclear reactor
- Provision of operational support
 - through-life, 24 hour, global

Sole Technical Authority for nuclear steam raising plant (NSRP) for over 50 years

Responsible for all major activities on NSRP

Plant design

Project management

Manufacture and procurement

Safety assessment

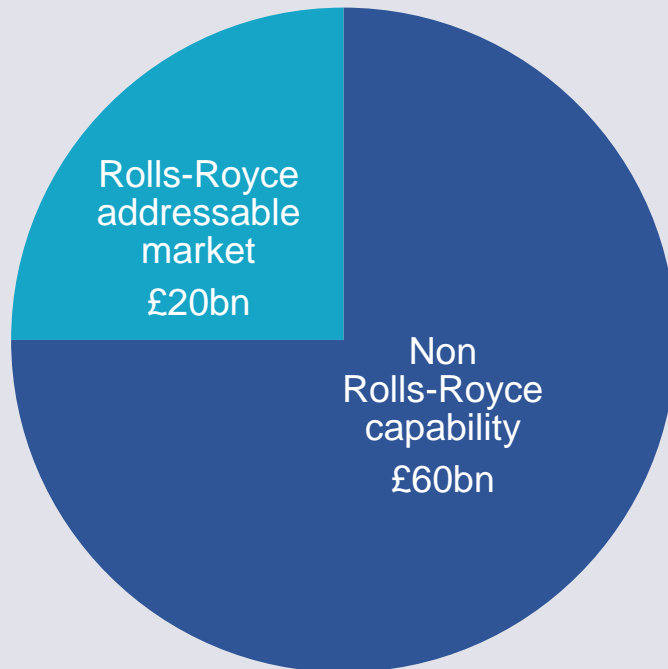
Commissioning

Across the lifecycle Civil Nuclear presents a significant opportunity

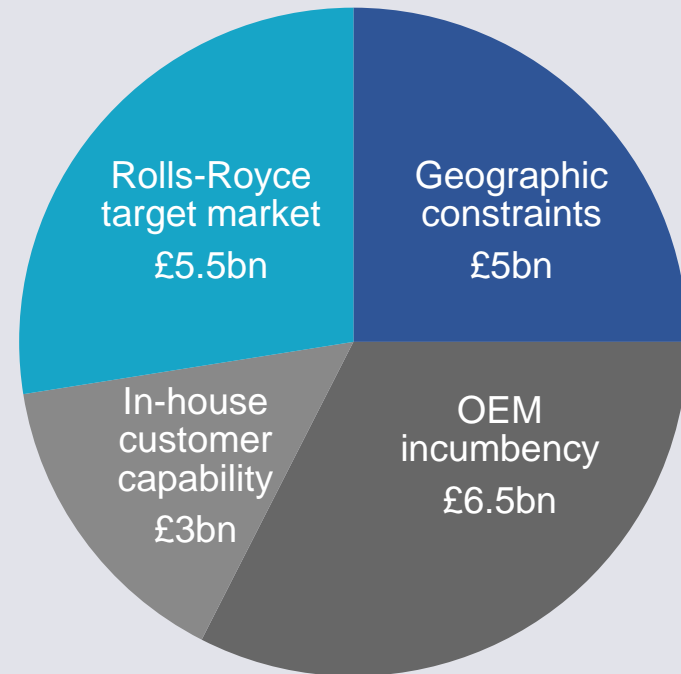


Rolls-Royce

Addressable market



Market access constraints





- 1 Defence capability is unique, providing strategic relevance, stable business model and bedrock for growth in civil nuclear
- 2 Civil Nuclear market is substantial, resilient and growing across all phases of the nuclear lifecycle
- 3 Well positioned to exploit that growth in New Build, Modernisation and Service Markets
- 4 Further optionality for growth beyond

IR contacts



Rolls-Royce

John Dawson

Director / Head of Investor Relations

Tel: +44 20 7227 9087

Helen Harman

Assistant Director

Tel: +44 20 7227 9339

Ross Hawley

Assistant Director

Tel: +44 20 7227 9282

investor.relations@rolls-royce.com

Safe harbour statement



Rolls-Royce

This announcement or publication 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 or publication should be construed as a profit forecast. All figures are on an underlying basis unless otherwise stated. See note 2 of the Financial Review in the Annual Report and Accounts for definition.