CIVIL AEROSPACE

We remain focused on delivering on all of our major programme commitments.

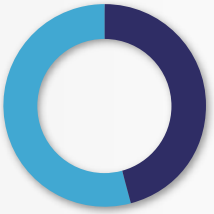
Tony Wood
President – Aerospace

OVERVIEW

Underlying revenue (£m)

£6,655m
Underlying revenue 2013

Revenue mix 2013



- **46%** OE revenue
- **54%** Services revenue

Revenue by sector 2013

- **57%** Wide-body
- **32%** Corporate and regional
- **11%** Narrow-body

Highlights

- First flight of the Airbus A350 XWB powered by Trent XWB engines
- First flight of the Boeing 787-9 powered by Trent 1000 engines
- Major new Trent orders from JAL, IAG, Lufthansa, United, Singapore and Etihad
- Delivered the 3,000th BR700 series engine

Key financial data

	2009	2010	2011	2012	2013
Order book £m*	47,102	48,490	51,942	49,608	**60,296**
	+8%	+3%	+7%	-4%	**+22%**
Engine deliveries*	844	846	962	668	**753**
Underlying revenue £m	4,481	4,919	5,572	6,437	**6,655**
	0%	+10%	+13%	+16%	**+3%**
Underlying OE revenue £m	1,855	1,892	2,232	2,934	**3,035**
Underlying service revenue £m	2,626	3,027	3,340	3,503	**3,620**
Underlying profit before financing £m	493	392	499	743	**844**
	-13%	-20%	+27%	+49%	**+14%**

* all years before 2012 include IAE order book and engine deliveries include IAE V2500.

Rolls-Royce powers more than 30 types of commercial aircraft and has almost 13,000 engines in service around the world.

What we do

The Civil aerospace segment is a major manufacturer of aero engines for the airliner and corporate jet markets. We have particular strengths in the wide-body market where Rolls-Royce has a 54 per cent share of aircraft on order. Demand for our products and services remains robust.

2013 financial review

The order book increased 22 per cent, including new orders of £18.9 billion (£10.3 billion in 2012). Trent engines and aftermarket services now constitute 73 per cent of the Civil aerospace order book.

Revenue increased three per cent, including three per cent growth in OE revenue. There was a 20 per cent increase in business jet engine deliveries and a small increase in Trent engines. Profit increased 14 per cent, reflecting higher volumes, the £112 million higher benefit from the restructured trading relationship with IAE and £26 million higher RRSA entry fees.

In 2014, we expect modest growth in revenue and good growth in profit.

How we are performing

The airline industry saw global passenger traffic up around five per cent in 2013. Airlines in developed markets benefited from a modest economic recovery. In many developing markets there were significant increases in traffic supported by economic growth and market liberalisation.

Civil Large Engines: Nearly 1,400 Trent 700 engines for the Airbus A330 have been delivered to date and during 2013 Airbus delivered the 1,000th aircraft. The milestone aircraft and its Trent 700 engines were accepted by Cathay Pacific, the first airline to put the Trent 700 into service in 1995.

Important milestones were achieved in two major Civil Large Engine programmes. In June, the first flight of the new Airbus A350 XWB was powered by our Trent XWB engines. Then in September, the Boeing 787-9 version of the Dreamliner took to the skies for the first time, powered by our Trent 1000 engines.

Singapore Airlines Group placed a major order with us to power 50 Boeing 787 aircraft with Trent 1000 engines.

In July, we celebrated the first delivery of two new Rolls-Royce powered aircraft to the British Airways fleet – the Airbus A380 and the Boeing 787 Dreamliner.

In September, we announced that, due to the current regulatory environment, we would not proceed with a planned joint venture with United Technologies Corporation to develop an engine to power future mid-size aircraft. Rolls-Royce remains fully committed to this important market segment and we continue to invest in technologies that will enable us to take advantage of opportunities as they arise.

The Trent XWB will enter service in 2014 with Qatar Airways. This is the best-selling Trent engine yet, with more than 1,600 engines already on order.

Significant orders for the Trent XWB came from airlines in Europe, North America, the Middle East and Asia and these included a landmark first ever engine order for Rolls-Royce from Japanese airline JAL.

Corporate and regional: In our corporate and regional engine business, we delivered the 3,000th BR700 series engine. This engine series powers the Gulfstream G500 and G550, the Bombardier Global 5000 and Global 6000 (BR710), the Boeing 717 (BR715) and the Gulfstream G650 (BR725).

The first production version of the Cessna Citation X business jet flew in August, powered by our AE 3007C engines. Deliveries of the new aircraft are due to begin in early 2014.

Services: Revenue from services for civil airliners increased by three per cent in 2013, reflecting continued growth in the fleet of widebodied engines. More than 1,100 aircraft in service are covered by TotalCare.

Some 1,500 business aircraft are covered by CorporateCare® and in 2013 more than 70 per cent of customers for new Rolls-Royce powered business jets enrolled in CorporateCare.

Future priorities and opportunities

In 2014, particular priority will be given to supporting the smooth entry into service of the Airbus A350 XWB. Rolls-Royce is the sole engine supplier for this new aircraft, and orders for the Trent XWB represent 53 per cent of the Civil aerospace order book.

Significant management attention will continue to be paid to financial performance, in particular reducing costs and improving inventory turn.

Developing new technology for future engine programmes and enhancing existing products remains a major priority.

Market outlook: We estimate that the global civil engine market will be worth approximately US$1,750 billion over the next 20 years, with US$1,050 billion being for original equipment and US$700 billion of aftermarket services. Over half of this value comprises engines for twin aisle airliners and large business jets, where Rolls-Royce is currently the number one engine supplier in terms of market share. *Our forecasts are based on our own internal forecasting tools, data from Ascend Online Fleets and airline schedules from Official Airline Guide (OAG).*