

# MARINE

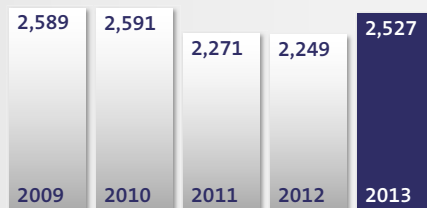
Innovation remains an important differentiator in the sector, as technology will address the future challenges related to the environment and the cost of owning and running vessels.

Lawrie Haynes  
President – Marine and Nuclear



## OVERVIEW

Underlying revenue (£m)



**£2,527m**

Underlying revenue 2013

Revenue mix 2013



● 57% OE revenue  
● 43% Services revenue

Revenue by sector 2013



● 37% Naval  
● 15% Merchant  
● 48% Offshore



## Highlights

- A range of world 'firsts' of LNG-powered vessel types delivered
- MT30 selected for the new UK MoD Type 26 Frigate
- £800 million contract agreed with UK MoD for provision of future nuclear submarine propulsion systems
- New UT 830 seismic survey vessel launched
- COSCO ordered new wave-piercing design of offshore vessels
- Third service centre in China opened

## The Marine segment has 4,000 customers and equipment installed on over 25,000 vessels worldwide, including those of 70 navies.

### What we do

We are leaders in the provision and integration of complex, mission-critical systems for offshore oil and gas, merchant and naval vessels. We are located in 35 countries, and have a global service network supporting our customers' operations around the clock.

Our advanced ship designs combine the latest technologies to offer highly-efficient solutions for ship owners and operators including a range of engines using liquefied natural gas (LNG).

### 2013 financial review

The order book increased one per cent including new orders of £2.7 billion (£3.3 billion in 2012). In 2013, we saw stable order inflow in our Merchant and Naval businesses. This was offset by weaker order flow in Offshore, where the phasing of projects has slowed growth in some of our key products. Revenue increased 12 per cent, reflecting higher sales in both new equipment and in services. Growth was particularly strong in Offshore and in Naval, offset by further weakening in our Merchant business, which declined 11 per cent. Profit decreased four per cent as volume growth was more than offset by pricing pressure and a less favourable mix. In 2013, profitability was also offset by investments in Marine to better position the business for future growth, including higher spending on R&D and restructuring costs.

In 2014, we expect a modest decline in revenue, with a modest increase in profit. The nuclear submarine business will be reported in the Energy and Nuclear segment going forward.

## Key financial data

	2009	2010	2011*	2012	2013
Order book £m	3,526	2,977	2,737	3,954	3,996
	-32%	-16%	-8%	+44%	+1%
Underlying revenue £m	2,589	2,591	2,271	2,249	2,527
	+17%	+0%	-12%	-1%	+12%
Underlying OE revenue £m	1,804	1,719	1,322	1,288	1,438
Underlying service revenue £m	785	872	949	961	1,089
Underlying profit before financing £m	263	332	287*	294	281
	+44%	+26%	-14%	+2%	-4%

\* 2011 figures restated due to transfer of Bergen to Power Systems segment.

### How we are performing

The global shipbuilding industry has had a challenging year. Important factors driving the market continue to be ship efficiency, environmental performance and value for money.

**Merchant:** The adoption of LNG as a marine fuel is gaining momentum: the first LNG-powered cargo vessel of our Environship design took to the seas in May; the world's first LNG-powered cruise ferry entered service during the summer; and the world's first LNG-powered tug boat was delivered. We also won our first contract to convert a diesel-powered cargo ship to LNG. Bergen engines using LNG fuel are all provided via the Power Systems business segment.

**Naval:** Our MT30 gas turbine was successfully installed in the Royal Navy's new aircraft carrier, HMS Queen Elizabeth. The MT30 was also selected by BAE Systems for the UK's new Type 26 Frigate programme and has now been selected by navies in the UK, US and South Korea, across five types of ship. We delivered a new design of water jet to the US Navy's Littoral Combat Ship programme.

This year we opened a new facility in Derby, UK, to support our Submarine business. In February, we agreed an £800 million contract with the MoD for the provision of nuclear propulsion systems for the UK's submarine flotilla. A critical design gate was successfully passed by our new nuclear plant design, PWR 3.

**Offshore:** We delivered one of our most advanced vessels to date, when a UT 830 seismic survey ship was launched. It features a wealth of Rolls-Royce equipment integrated into our own vessel design. It is now at work identifying oil and gas reserves around the world.

Our wave-piercing hull design was chosen for the first time in Asia, when Chinese customer COSCO announced an order for two UT vessels, with options for four more. These will feature a range of Rolls-Royce equipment, and include MTU diesel gensets from our

Rolls-Royce Power Systems AG subsidiary. Several contracts were won to supply our largest azimuth thrusters for drill ships.

We enhanced our technology portfolio through the acquisition of a Norwegian company, SmartMotor AS, a leader in permanent magnet technology.

**Services:** We offer customers a global service capability through a network of 37 workshops in 28 countries. With more than 1,100 service engineers, we provide round-the-clock support wherever our customers need it and offer not only repair and overhaul but also a growing number of vessel upgrades to improve efficiency. We also train our customers in the operation of our equipment in our training centres in Norway, Singapore and Brazil. This year, we opened our third workshop in southern China.

### Future priorities and opportunities

The key priorities for the Marine segment are to increase our competitiveness in a challenging market and continue to develop innovative technologies.

We will continue to develop the synergies between the Marine and Power Systems segments. We are working with a number of oil majors, in developing the availability of LNG. The aftermarket offers growth opportunities as we continue to utilise our growing global network of service engineers and workshops. In Submarines, our focus is on maintaining customer confidence by achieving our savings commitment to the MoD through increased operational efficiency.

**Market outlook:** We see a business opportunity over the next 20 years of US\$270 billion for original equipment and US\$125 billion for services (not including nuclear submarine business). *Based on our own forecasting tools.*