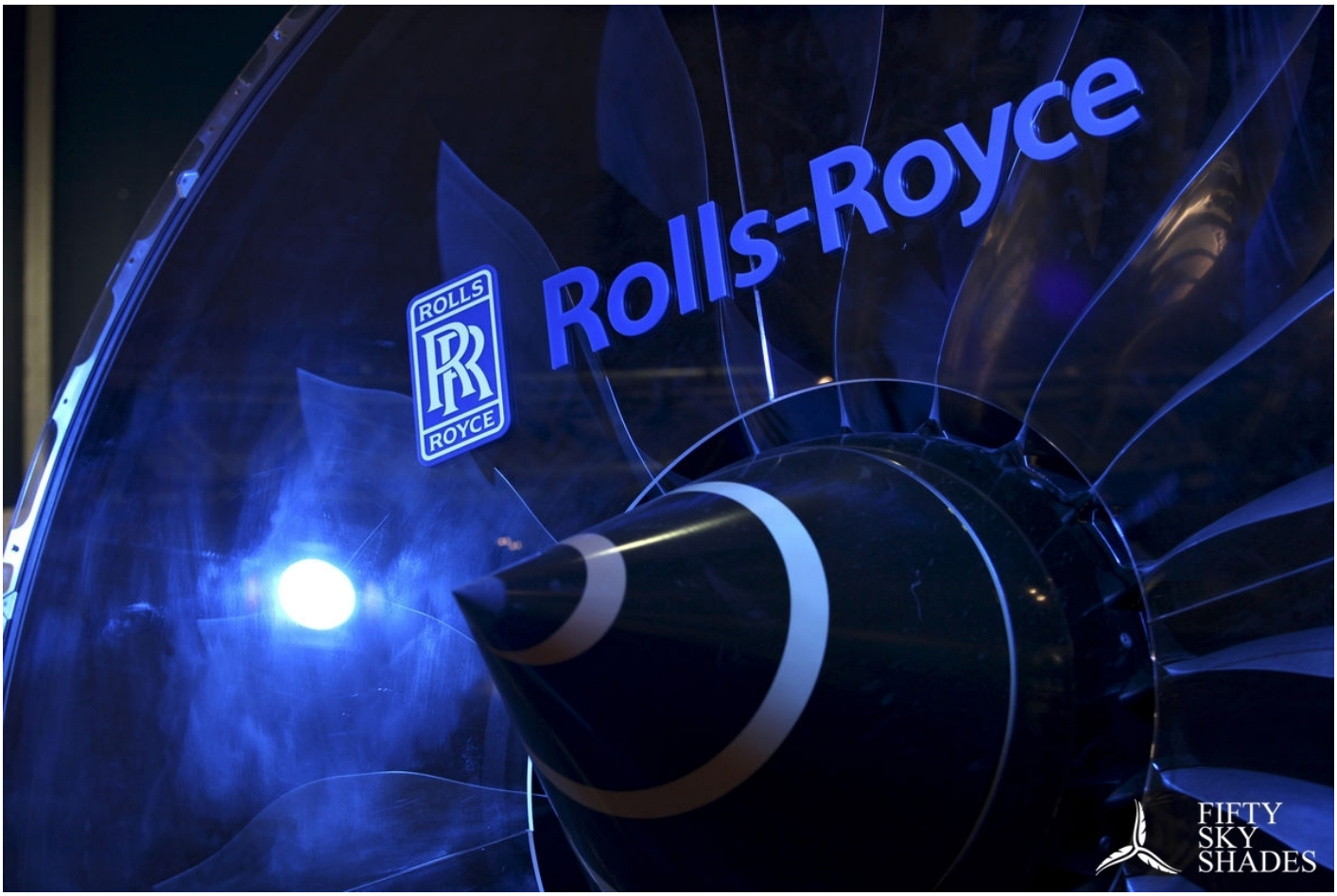
ROLLS-ROYCE HOLDINGS PLC 2015 FULL YEAR RESULTS

News / Finance, Manufacturer



Warren East, Chief Executive, said: "In the context of challenging trading conditions our overall performance for the year was in line with the expectations we set out in July 2015. It was a year of considerable change for Rolls-Royce: in our management, in some market conditions and in our near-term outlook. At the same time, there were some important constants: the underlying growth of our long-term markets, the quality of our mission critical technology and services, and strength of customer demand for these, which are reflected in our growing order book."

Key financials

Underlying revenue £13.4bn (FY 2014: £13.9bn), down 1% at constant exchange rates
Underlying profit before tax £1,432m (FY 2014: £1,620m), down 12% at constant exchange rates
£1,355m before one-off items (see page 4) in line with lower half of 2015 guidance range
Restructuring programmes started prior to November 2015 continue to make good progress: £145m of annualised cost savings expected by end 2017
Final payment to shareholders reduced by 50% to 7.1 pence per share (2014 final: 14.1 pence)

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Trading outlook for 2016 unchanged
4% growth in order book underpins confidence in strong market share growth for Civil Aerospace
Underlying: for definition, see note 2 on page 24; * From continuing operations (re-presented to exclude Energy as a discontinued operation); *** At constant exchange rates. **** Free cash flow defined as operating cash after capital expenditure, pensions and taxes, before payments to shareholders, foreign exchange and acquisitions & disposals

New transformation programme launched in November 2015

Set up a transformation team to focus activities, add pace and simplicity to the business and drive cost reductions of between £150m and £200m per annum:
20% reduction in top two layers of senior management; further reductions planned
Roughly 50% of targeted cost savings already identified
Initial exceptional restructuring charge of £75-100m in 2016
Further actions underway to generate additional savings in 2017
Increased disclosure and transparency included in this full year results statement
Commenting on the outlook, Warren East, Chief Executive, added: “Our outlook for 2016 is unchanged; despite steady market conditions for most of our businesses it will be a challenging year as we start to transition products and sustain investment in Civil Aerospace and tackle weak offshore markets in Marine.

“The pace of investment required to transform the business creates near-term pressure on free cash flow. At the same time, we need to sustain a healthy balance sheet to ensure we have the financial flexibility to maintain a strong investment grade credit rating. As a result, the Board is recommending that the payment to shareholders is halved in cash terms at the full year and the next half year. We recognise the importance of a healthy ‘dividend’ to our shareholders. Subject to short-term cash needs, we intend to review the payment so that it will be rebuilt over time to an appropriate level. This reflects the Board’s long-standing confidence in the strong future cash generation of the business.

“Our strong order book continues to grow, built around market-leading products and services. This provides us with an outstanding opportunity to deliver long-term profitable growth and capture significant incremental market share. The transformation programme is now well underway. This will add pace and simplify our business, making us a more resilient company. Overall, we have made a good start to the journey that will return the company to profitable growth.”

13 FEBRUARY 2016

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