

Aerospace and Industrial Conference



Mike Terrett – Chief Operating Officer



Rolls-Royce

Mission critical power systems strategy



Address
four global markets



Invest
in technology, capability and infrastructure



Develop
a competitive portfolio of products and services



Grow
market share and installed product base

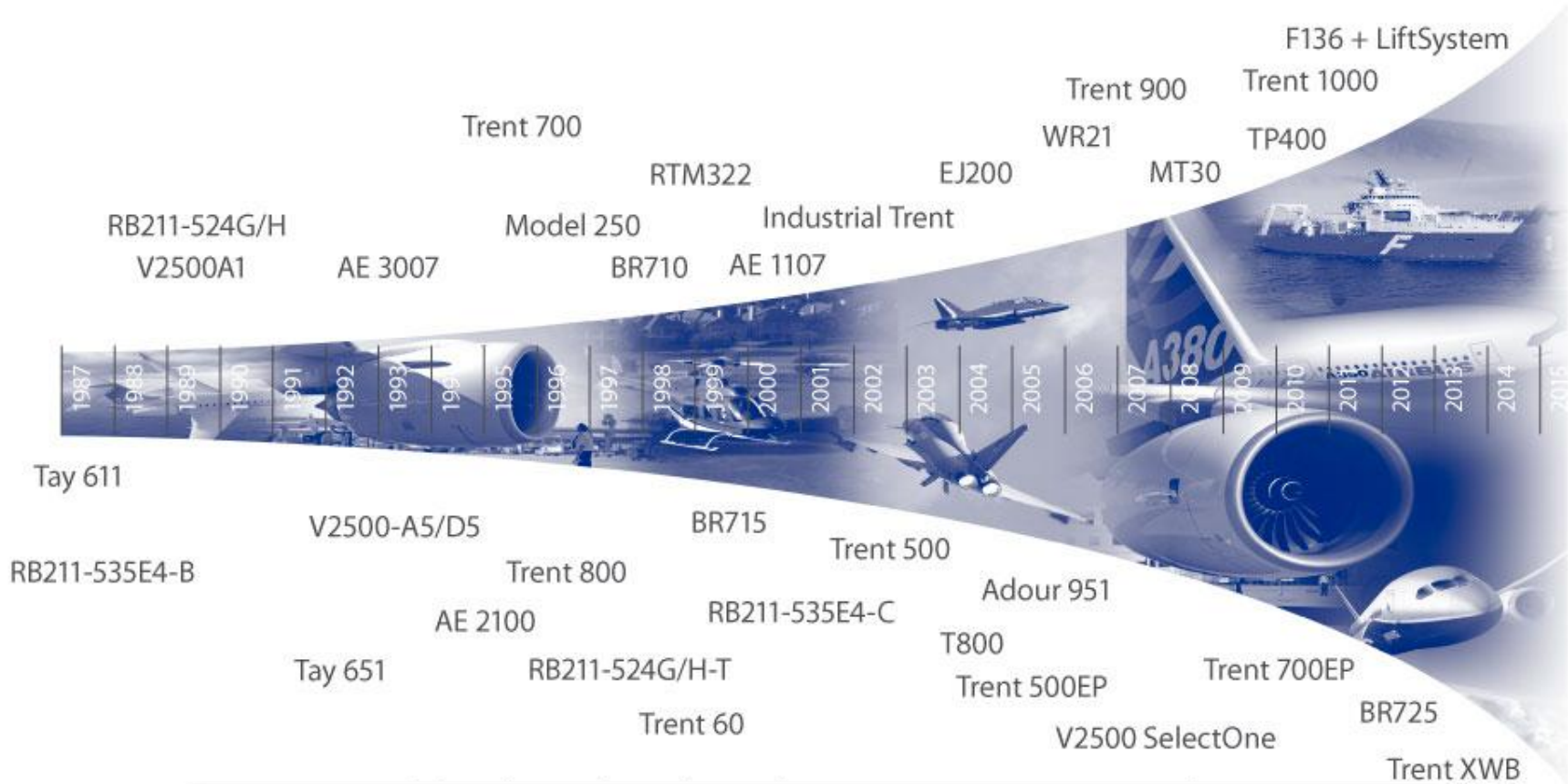


Add value
for customers through product related services



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Broadening our portfolio



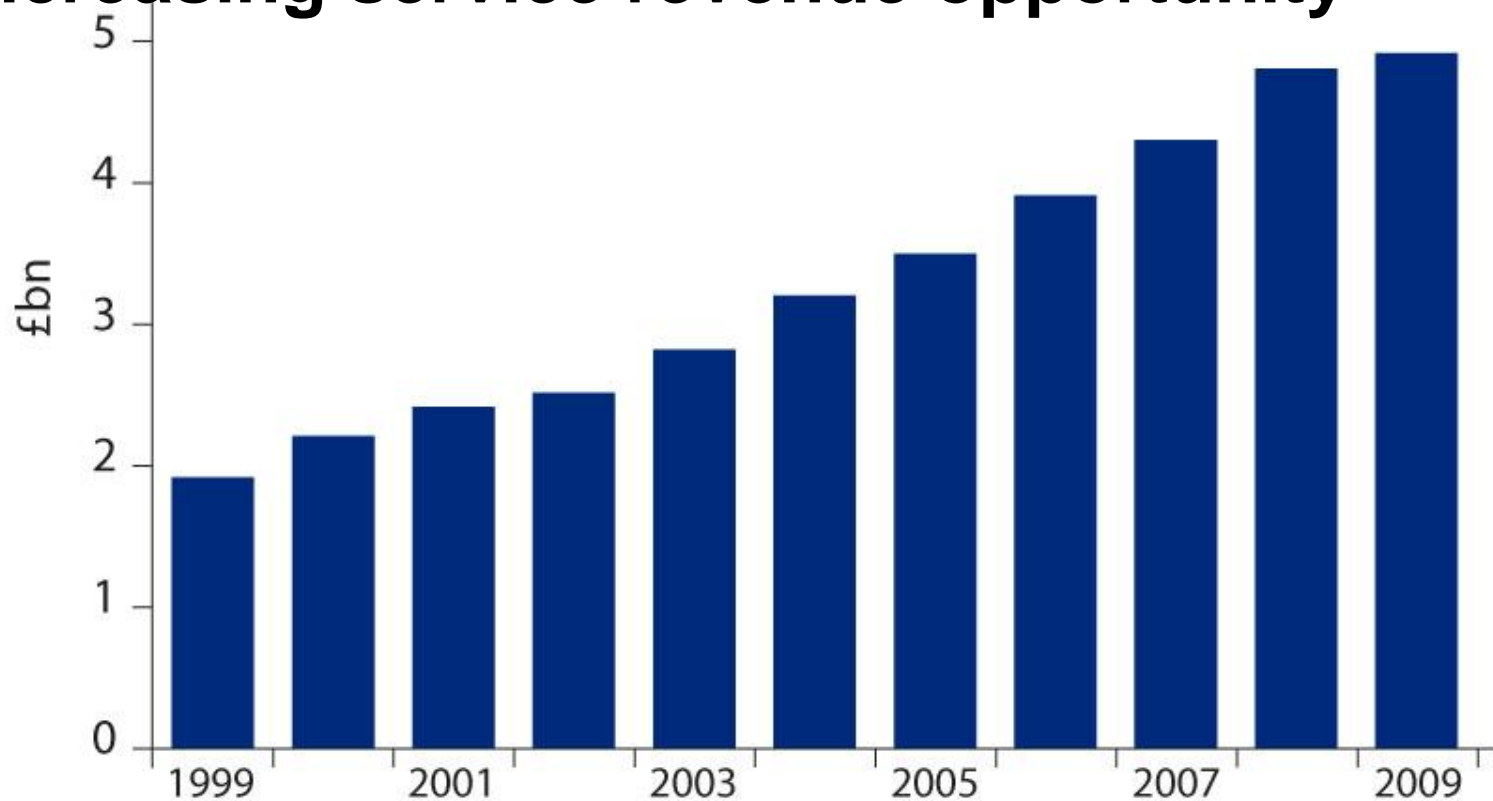
Underpinning long-term growth



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Expanding installed base

Increasing service revenue opportunity



Compound growth of 10% over past 10 years

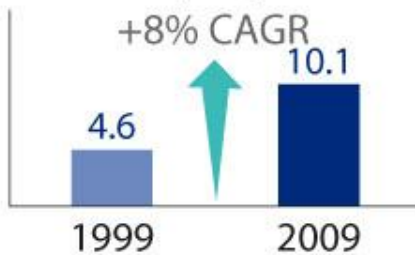


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A business transformed



Underlying Revenue
(£bn)



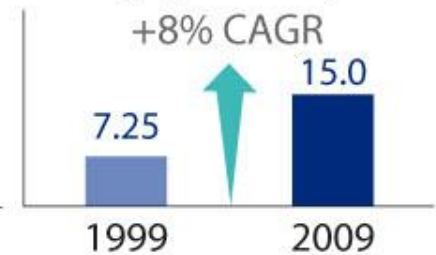
Underlying PBT
(£m)



Underlying EPS
(p/per share)



Payments to shareholders
(p/per share)

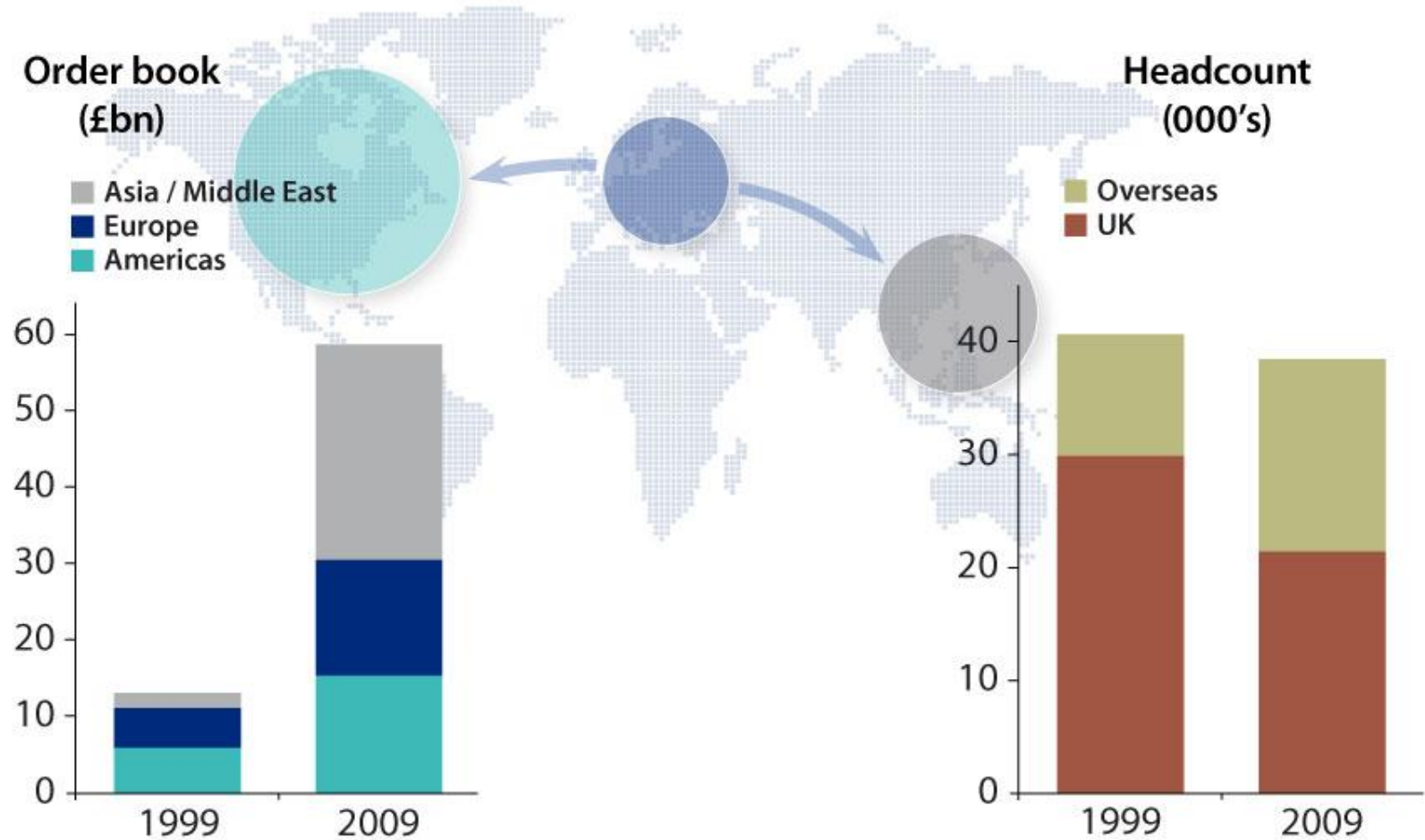


Delivering growth



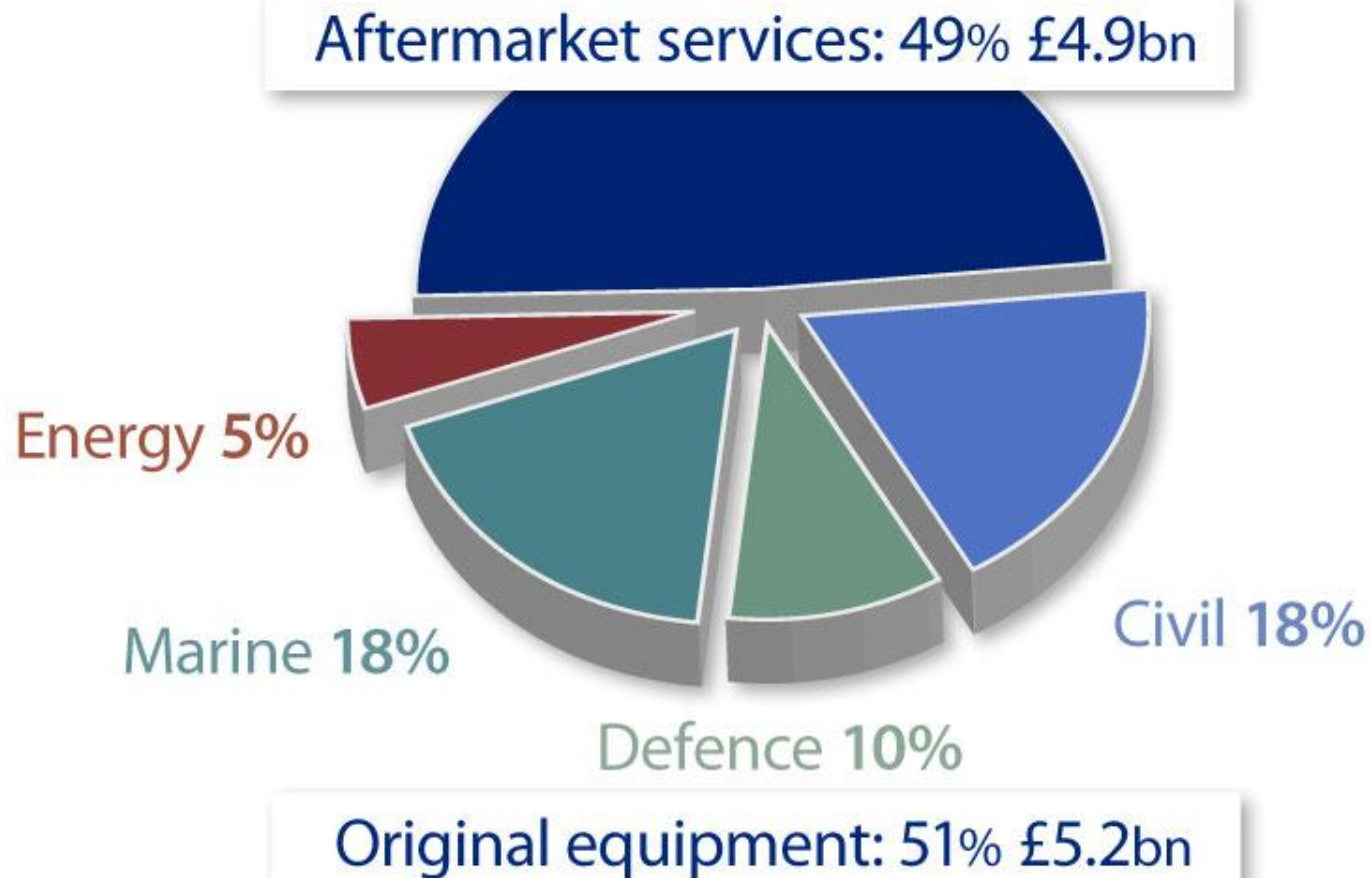
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A business transformed



Balanced business portfolio

2009 FY £10.1bn underlying revenues



2009 - A year of firsts



LCS – USS Freedom
Completed sea trials
15th June 2009



Type 45 – HMS Daring
1st commissioned
23rd July 2009



Legacy 650
1st flight
23rd September 2009



MANTIS UAV
1st flight
21st October 2009



Lynx Wildcat
1st flight
12th November 2009



Astute
1st voyage
15th November 2009



Gulfstream G650
1st flight
25th November 2009



Airbus A400M
1st flight
11th December 2009



Boeing 787
1st flight
15th December 2009



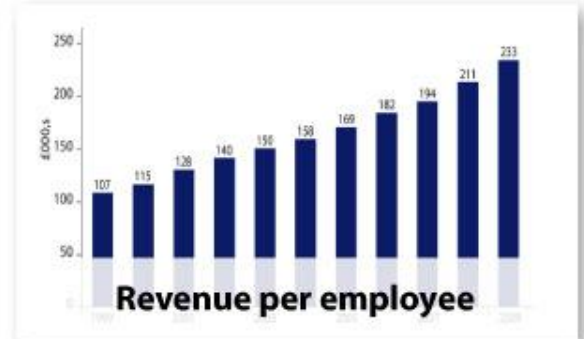
JSF
1st STOVL engagement
7th January 2010

Platform for growth



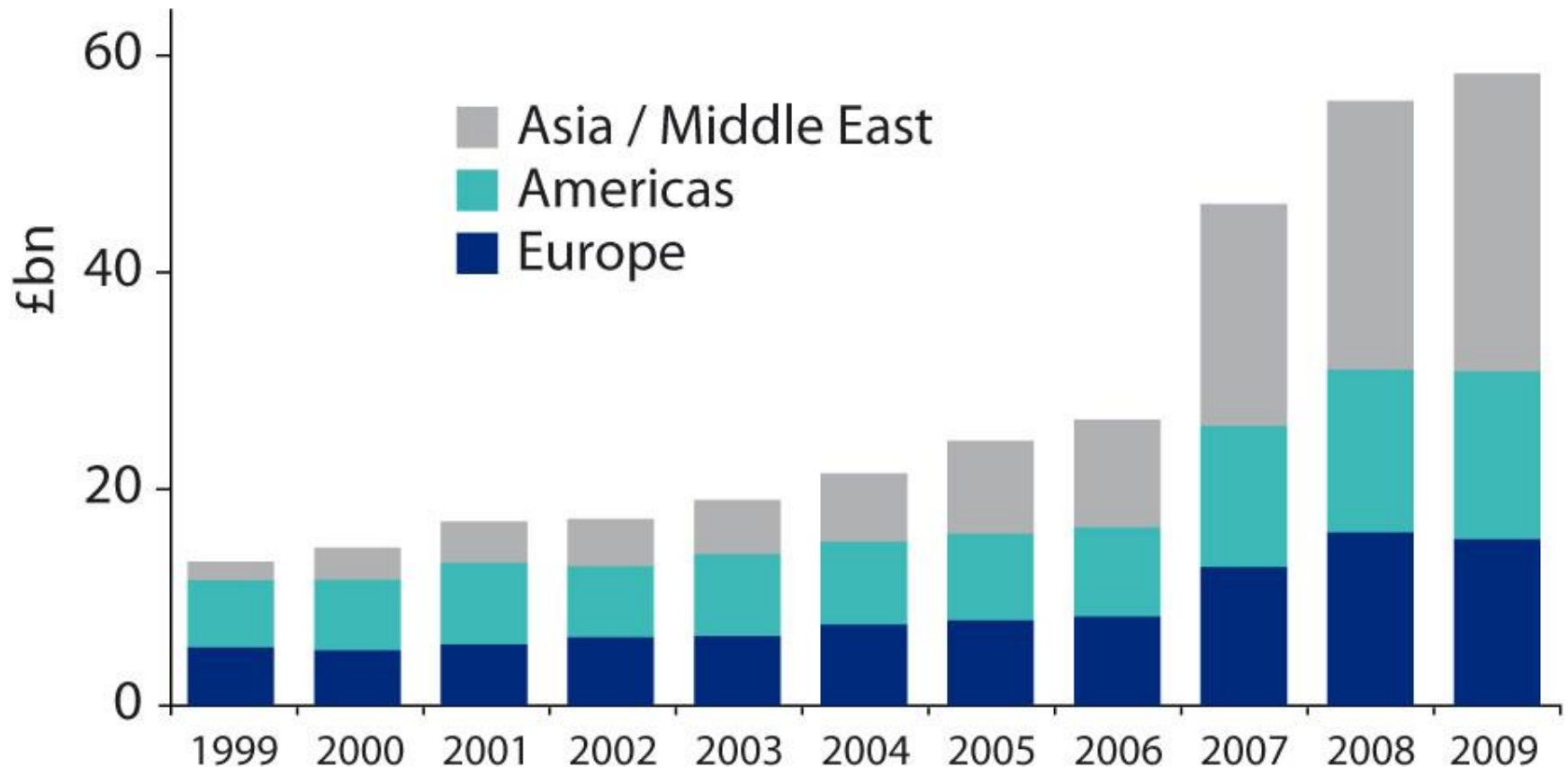
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Delivering today, investing for the future



A resilient order book* ~ £58.3bn

Long-term visibility



*Firm and announced order book stated on a constant currency basis.



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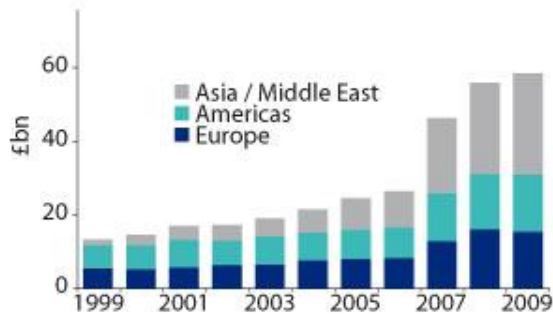
Financial strength

- **Strong liquidity**
 - Average net cash increased to £635m
 - Strong credit rating – committed to maintaining A rating
 - Extended maturities – £500m 10yr Sterling bond
- **Pensions**
 - Actuarial valuation complete on main scheme
 - No change to company funding requirements
- **Customer and supplier financing**
 - Commitments modest
 - Greater demand but manageable and will be discretionary

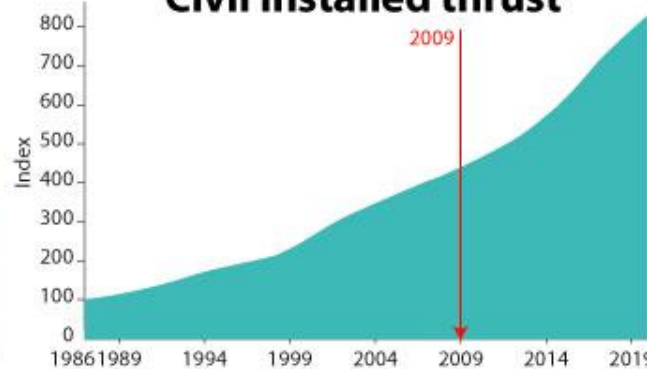


Positioned for long-term growth

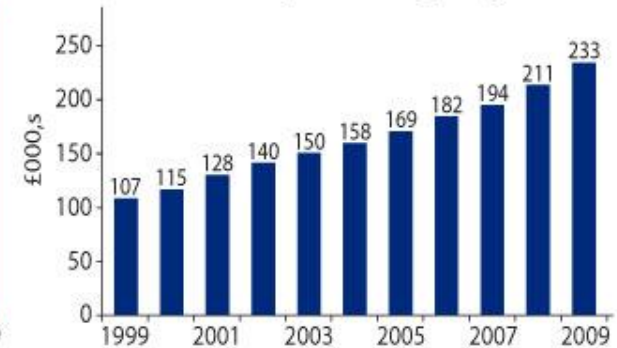
Group order book



Civil installed thrust



Revenue per employee*



- Broadly based, better balanced
- Record order book
- Good market access
- Growing installed base
- New programmes
- World class facilities
- Focus on productivity

**Expect to double revenues
over the next decade**

*Underlying revenue per employee based on three year rolling average.



Resilient in an uncertain environment

- Macroeconomic fundamentals remain weak, but
- Able to access global growing markets
- Strong and well balanced portfolio
- Improving operational performance
- Strong financial position
- **For 2010**
 - Revenue, profits and average cash broadly similar to 2009
 - Modest cash outflow for the year

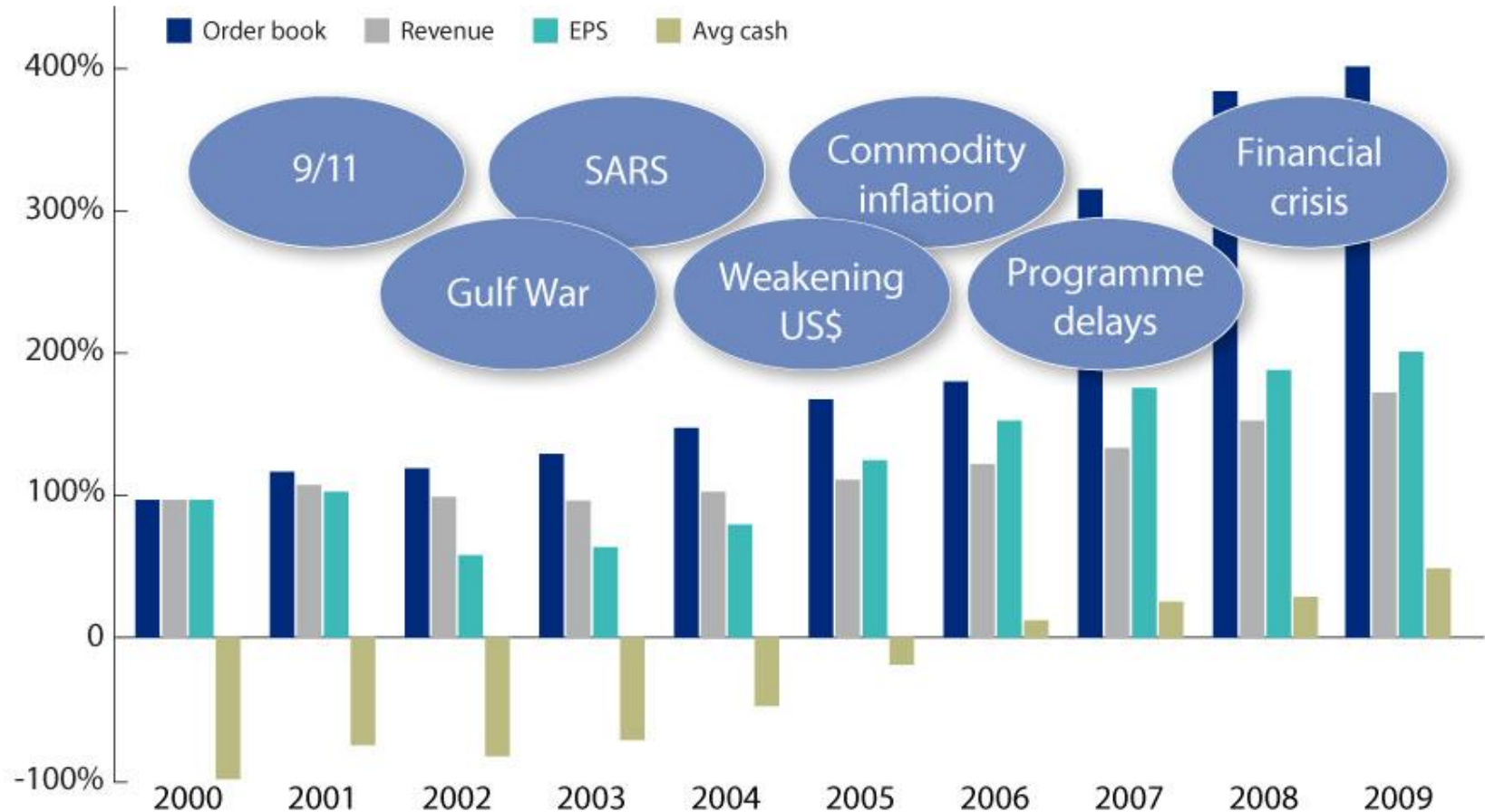


Appendices



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Managing challenges



Solid performance in a difficult year

A well balanced and increasingly resilient portfolio

A growing order book (£bn)



Strong revenue growth (£bn)



Growing underlying profits (£m)



Improving average Net Cash (£m)



Increasing payments to shareholders (p/share)



Revenue per employee* (£000's/head)



*Underlying revenue per employee based on three year rolling average.



2010 Guidance

- **Revenue**

- Broadly similar to 2009

- **Profitability**

- Civil ~ Profits modestly lower
 - OE mix and higher R&D more than offset services growth
- Marine and Defence ~ Similar to 2009
- Energy ~ Profits about double 2009
- Continuing focus on cost and efficiency
- FX ~ Achieved rate improving by 6¢ to 9¢
- Group underlying profits ~ broadly similar to 2009

- **Cash flow**

- Average cash broadly similar to 2009 despite a modest cash outflow



Investing in long-term growth



- **A growing portfolio**
 - Strong and established market positions
 - Increased pace of new programmes
- **World class operations**
 - Globalising the supply chain – US and Singapore
 - Extending global service capability



More new programmes....



Boeing 787



Gulfstream G650



Airbus A400M



Trent XWB

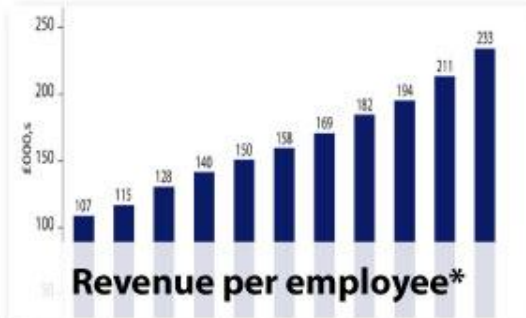
- **Unprecedented introduction of major new applications**
 - New product introduction is a bigger part of the supply chain
 - Schedule volatility – volume and mix
 - Operational disruption well managed
- **A year of strong progress**
 - Matching near-term investment to demand
 - Continued action on cost and discretionary spend
 - Good performance on inventory

....and delivery during a challenging year



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Investing in productivity



Continued progress

- Sales per employee grew at 8% compound last decade
- Increasing flexibility
- Investing in advanced manufacturing processes
- Enhanced capability to deliver operational performance
- World class suppliers and partners investing with us

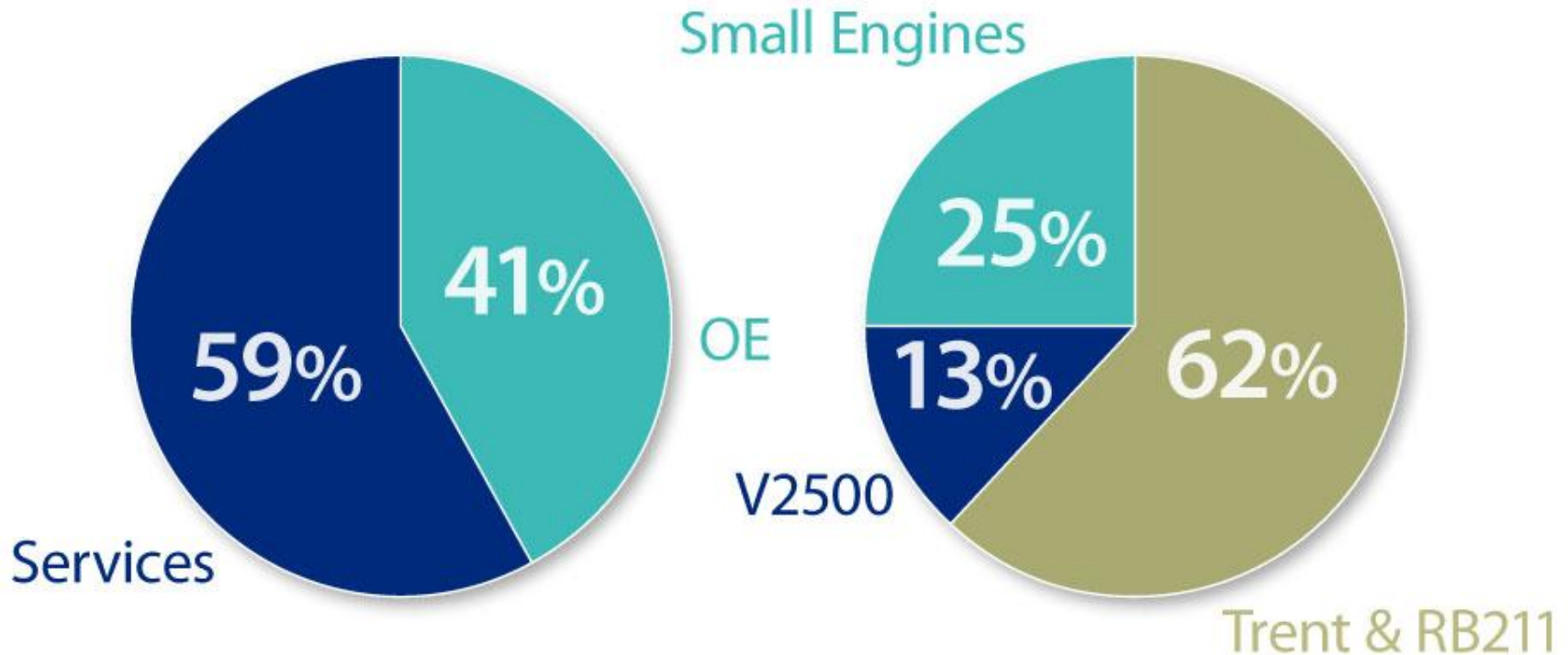
* Underlying revenue per employee based on three year rolling average.



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Civil – Well-balanced portfolio

2009 FY underlying revenues ~ £4.5bn



- Market leader – Large Corporate and Widebody
- Large and increasing installed thrust
- Young, fuel efficient fleet

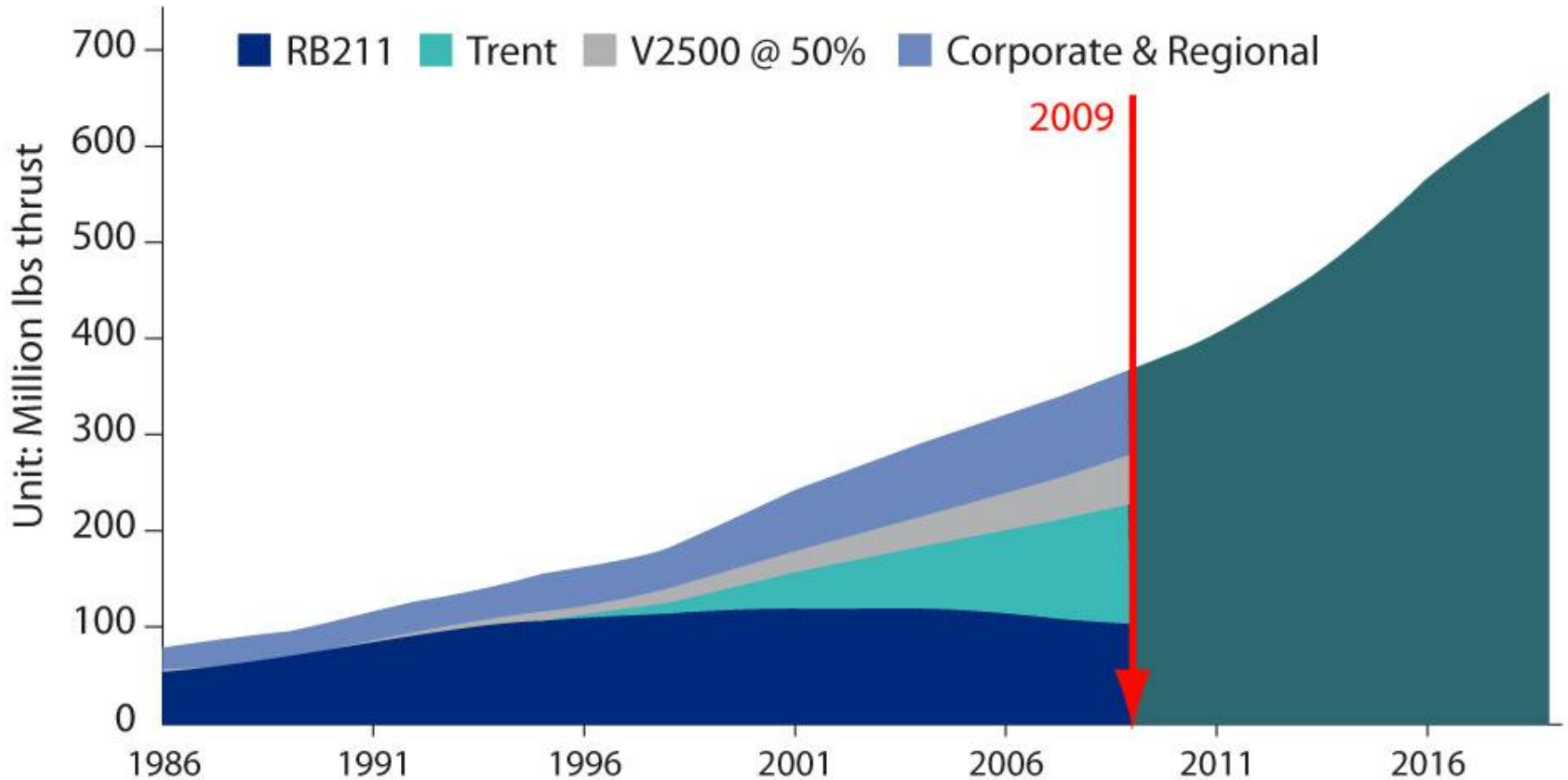
- Growing despite delayed major new programmes
- Increasing penetration of TotalCare and CorporateCare



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Improving market positions

Increasing installed fleet (millions lbs of installed thrust)



Installed thrust includes 50% of the V2500 programme.



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Civil Aerospace

Revenues *		Profit *		Order Book**	
2009	2008	2009	2008	2009	2008
£m	£m	£m	£m	£bn	£bn
4,481	4,502	493	566	47.0	43.5

- First flight of 3 major new programmes
- More than £9bn of orders taken
- Stable revenues
 - Record Trent deliveries, T&M holding back services
- Minimal customer finance or charges
- Margins held back by revenue mix and higher unit costs
- 2010 ~ Lower profits due to revenue mix and higher R&D



*Underlying revenues and profit before financing costs.

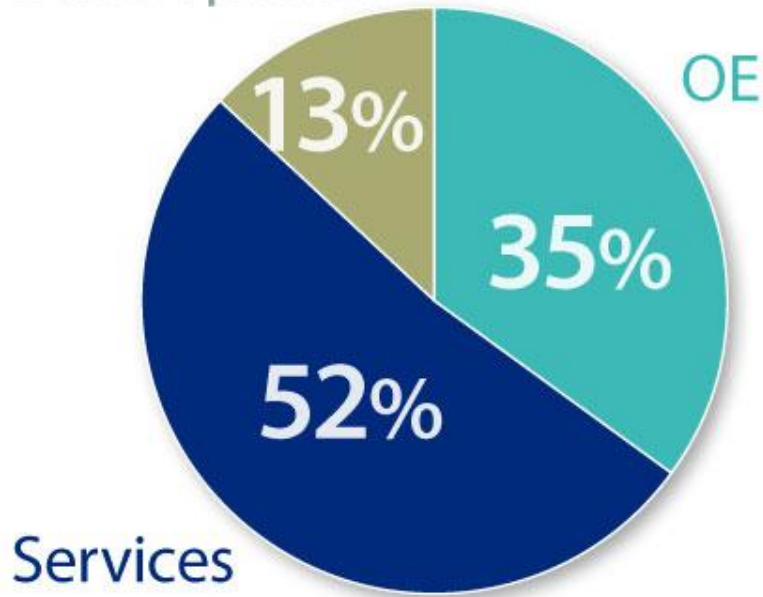
**Order book stated on a constant currency basis.



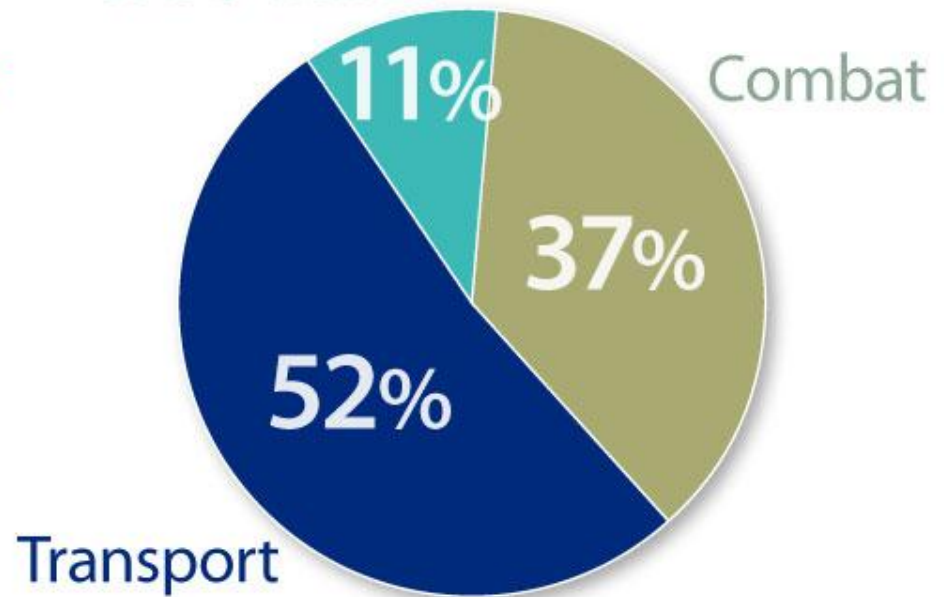
Defence – A broad portfolio

2009 FY underlying revenues ~ £2.0bn

Development



UAV / Trainer



- Broadly based portfolio
- >18,000 engines in service

- Well positioned on global programmes
- Combat, Transport, Helicopters, UAV's, Trainers



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Defence Aerospace

Revenues *		Profit *		Order Book**	
2009 £m	2008 £m	2009 £m	2008 £m	2009 £bn	2008 £bn
2,010	1,686	253	223	6.5	5.5

- First flights ~ A400M, Lynx Wildcat, STOVL on JSF, MANTIS UAV
- Strong orders ~ OE and service contracts
- Military transport underpinning 19% revenue growth
- Margins lower – increased unit costs and one-off charges
- 2010 ~ profits similar to 2009



*Underlying revenues and profit before financing costs.

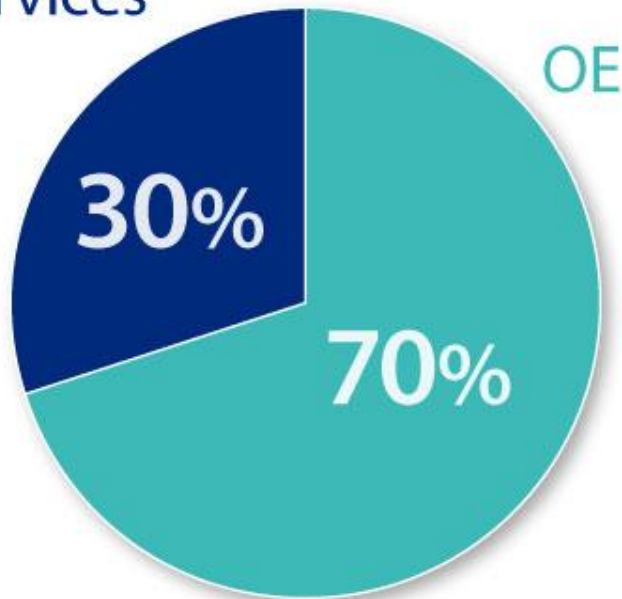
**Order book stated on a constant currency basis.



Marine – Continuing strong growth

2009 FY underlying revenues ~ £2.6bn

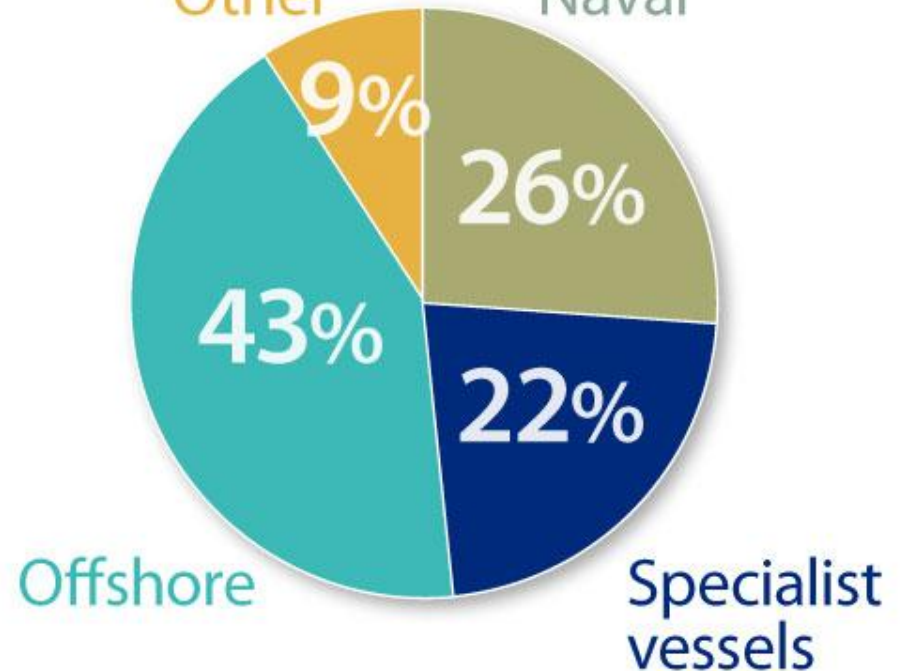
Services



- Integrated propulsion solutions
- Product on 30,000 vessels
- Improving position in Naval

Other

Naval



- Leading position in Offshore
- Services growing quickly – major opportunity



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Marine

Revenues *		Profit *		Order Book**	
2009	2008	2009	2008	2009	2008
£m	£m	£m	£m	£bn	£bn
2,589	2,204	263	183	3.5	5.2

- Extending the portfolio – new vessels and ODIM
- Order book underpinning revenue growth
- 6 new service centres expanding network
- Improved margins ~ increased volumes and lower costs, partially offset by one-offs
- 2010 ~ Revenues 10% lower, improving mix
 - Profits similar to 2009



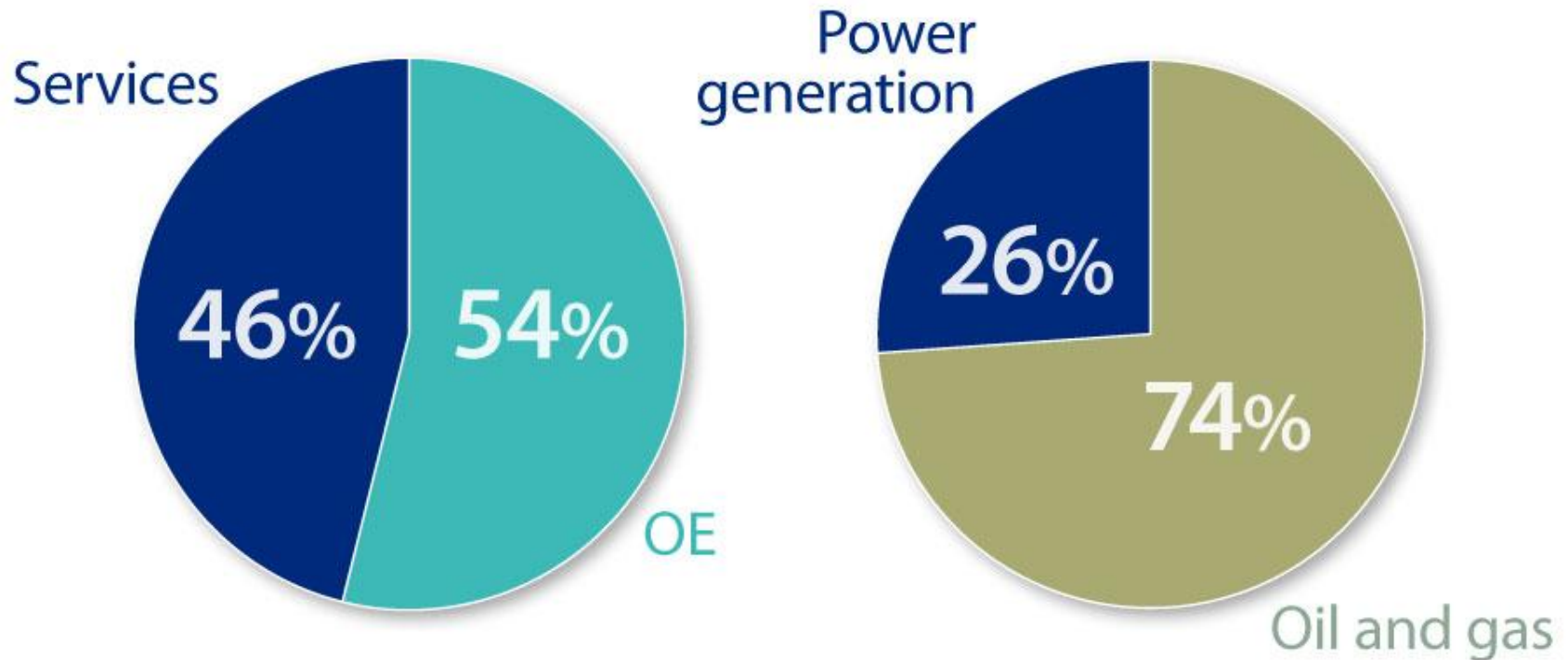
*Underlying revenues and profit before financing costs.

**Order book stated on a constant currency basis.



Energy – Investing for future

2009 FY underlying revenues ~ £1.0bn



- Strong, well-positioned Oil & Gas
- Evolving Power generation

- Growing importance of long-term services support
- Low carbon ~ fuel cells, tidal, nuclear



Energy

Revenues *		Profit *		Order Book**	
2009 £m	2008 £m	2009 £m	2008 £m	2009 £bn	2008 £bn
1,028	755	24	(2)	1.3	1.3

- Orders stable
- Revenue growth supported by strong O&G
- Investing in Tidal, Fuel Cells and Civil Nuclear
- Margins benefit from mix, lower R&D
- 2010 ~ Increasing volumes and lower R&D
 - Profits about double 2009



*Underlying revenues and profit before financing costs.

**Order book stated on a constant currency basis.



Safe Harbour Statement

This document 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 document, and will not be updated during the year. Nothing in this document should be construed as a profit forecast.

