

Rolls-Royce Group Plc



Preliminary Results 2009



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John Rose
Andrew Shilston
Mike Terrett



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John Rose

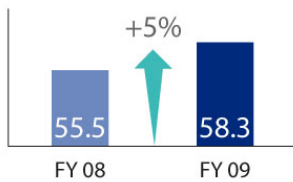


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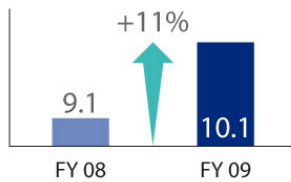
Solid performance in a difficult year

A well balanced and increasingly resilient portfolio

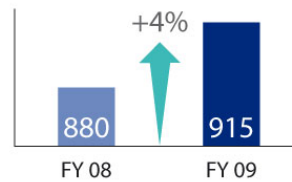
A growing order book (£bn)



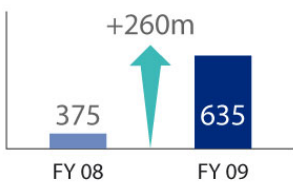
Strong revenue growth (£bn)



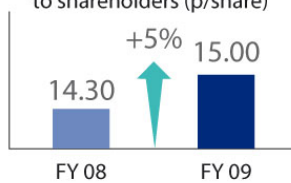
Growing underlying profits (£m)



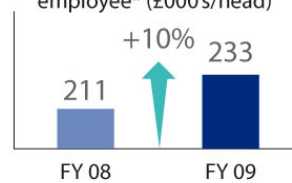
Improving average Net Cash (£m)



Growing payments to shareholders (p/share)



Revenue per employee* (£000's/head)



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



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Resilient in an uncertain environment

- Economic 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



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Preliminary Results 2009 Financial Review



Andrew Shilston



Foreign exchange effects

- **USD and Euro – spot and average rates**

- Periodic revaluations of financial instruments
- Overseas businesses benefit from improved translation rates (€ and \$)
- Headline PBT – £3bn profit in 2009 compared to a £1.9bn loss in 2008

- **Underlying performance – UPBFCT benefits by £76m over 2008**

- Translation benefits – Civil and Marine - £60m
- Transaction benefits – improved USD achieved rate - £16m

- **Balance sheet**

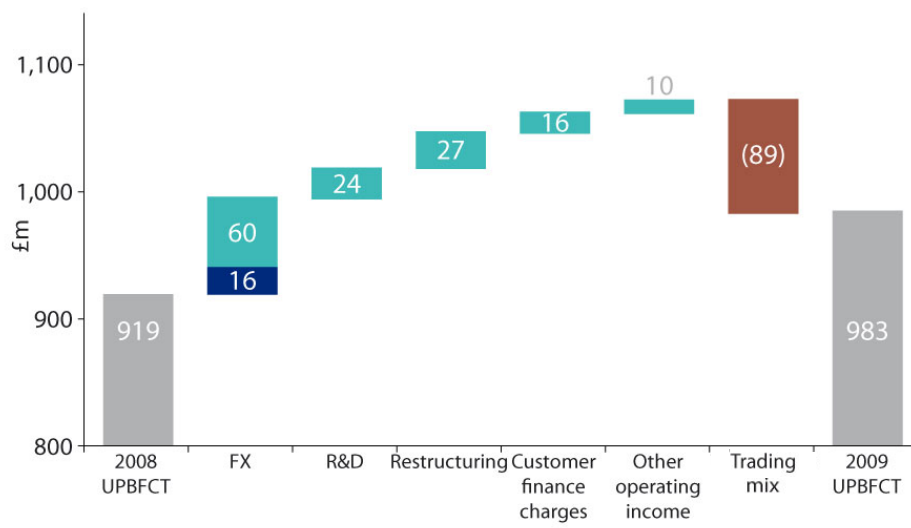
- Financial assets and liabilities – cash deterioration of £141m



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Components of UPBFCT growth

FY 2009

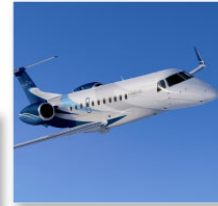


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Civil Aerospace

Revenues *		Profit *		Order Book**	
2009 £m	2008 £m	2009 £m	2008 £m	2009 £bn	2008 £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.



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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
- 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.



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Marine

Revenues *		Profit *		Order Book**	
2009 £m	2008 £m	2009 £m	2008 £m	2009 £bn	2008 £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 ~ volumes and cost reductions
- 2010 ~ Revenues 10% lower, improving mix
 - Profits similar to 2009

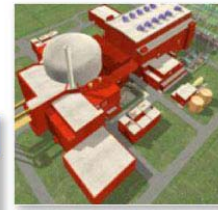


*Underlying revenues and profit before financing costs
 **Order book stated on a constant currency basis.

Energy

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.



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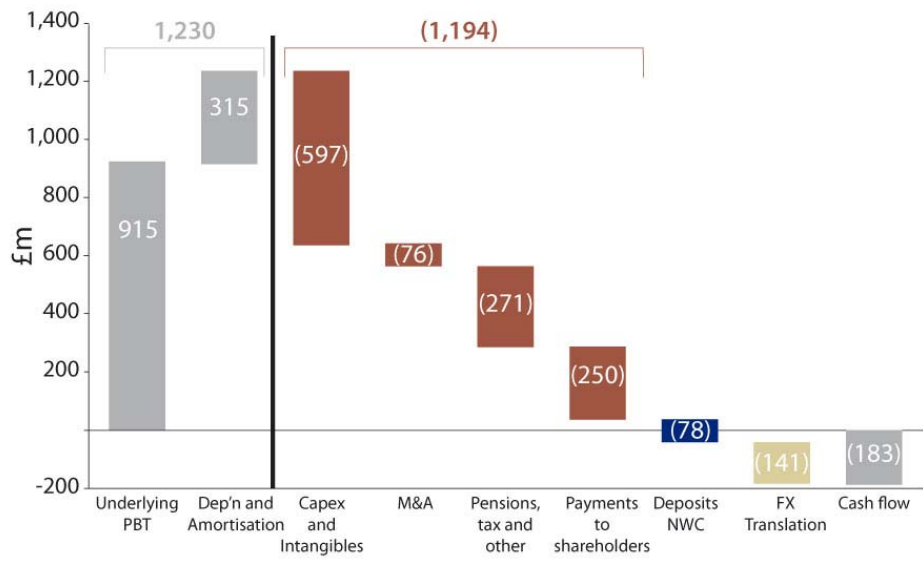
Underlying financing costs

	2009 £m	2008 £m
Interest	(43)	(10)
Financial RRSPs	(25)	(26)
Other	-	(3)
Underlying financing costs	(68)	(39)

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

2009 cashflow



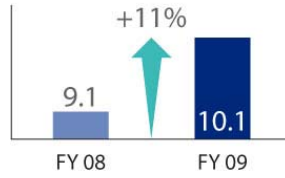
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A solid performance

A growing order book (£bn)



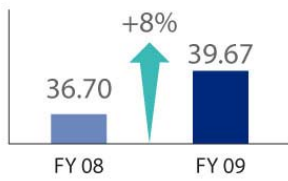
Strong revenue growth (£bn)



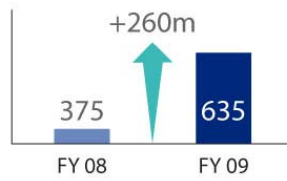
Growing underlying profits (£m)



E.P.S. benefiting from tax (p/share)



Improving average Net Cash (£m)



Revenue per employee* (£000's/head)



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



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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



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Preliminary Results 2009

Operations review



Mike Terrett



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

Increasing pace of new programmes...



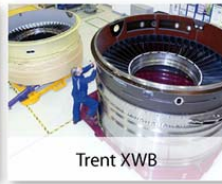
Boeing 787



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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Summary

- **New programmes underpin long-term growth**
 - Strong load growth over the next decade
- **Developing a more flexible supply chain**
 - Investing for productivity and growth
 - Continued globalisation of supply chain
- **Managing short-term volatility**
 - Variability of operational load and programme mix
 - Importance of operational flexibility



LCS - USS Freedom



JSF LiftSystem



Crosspointe - Virginia



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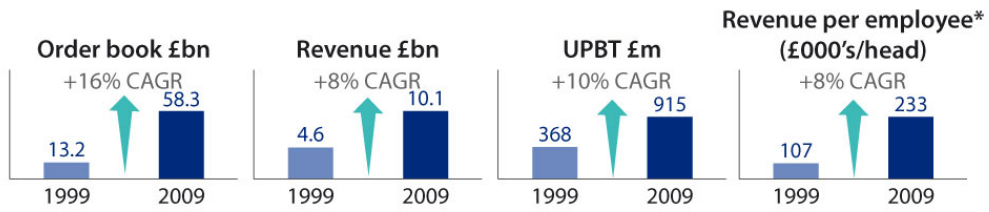
Summary



John Rose



Consistent strategy



Delivering growth

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



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



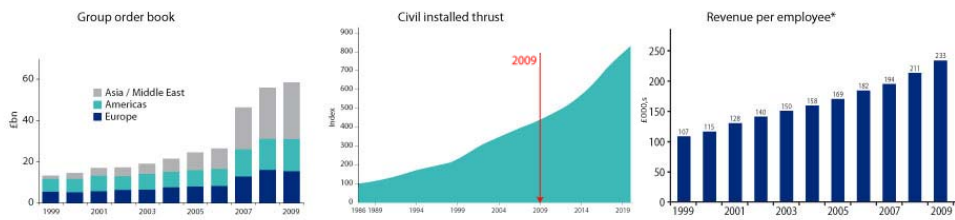
JSF
1st STOVL engagement
7th January 2010

Platform for growth



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Positioned for long-term growth



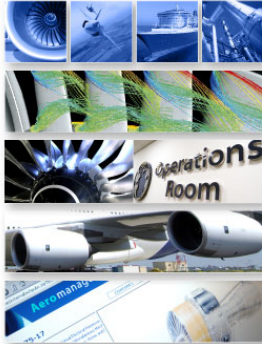
- Broadly based, better balanced
- Record order book
- Good market access
- Growing installed base
- New programmes
- World class facilities
- Focus on productivity

Expect to double revenues over the next decade

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



Providing mission critical integrated power systems



Address four global markets

Invest in technology, capability and infrastructure

Develop a competitive portfolio of power systems and services

Grow market share and installed base

Add value for customers through product-related services

For 2010:

- Revenue, profits and average cash broadly similar to 2009
- Modest cash outflow for the year



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