

Chairman's statement

Simon Robertson

I am very pleased to be able to report that our Company has again performed strongly in 2007.



In 2007, Rolls-Royce delivered a strong profit and cash performance. Our order book increased by 76 per cent, with the Group enjoying particular success in the growing Asian and Middle East markets.

The consistent strategy we have pursued over many years continues to stand us in good stead. We are a long-term business which is designed to generate returns over many decades. The principal goal of the Board is to ensure that the Group's strategy creates value for the long-term investor within an acceptable risk profile.

Over the last year, we have carried out a review of the Group's financial strategy in the light of the business' cash generation capabilities and its long-term investment needs. We have concluded that it is vitally important to retain a strong balance sheet in view of the global markets we address, the long-term relationships with our customers and for the future development of our business. However, it is appropriate that shareholders should benefit from our stronger financial position. We are, therefore, proposing a significant increase in our payment to shareholders of 35 per cent, reflecting the Board's confidence in the outlook for the business.

Rolls-Royce is determined to play a significant part in addressing climate change. We devote the major part of our research investment to improving the environmental performance of our products.

Our aim is to ensure that our products continue to improve the quality of life enjoyed by people across the world, on an environmentally sustainable basis.

I am particularly pleased that our technological expertise, which has enabled us to reduce the environmental impact of our engines progressively over the years, is now being harnessed in a number of international programmes. We believe that technology lies at the heart of society's response to climate change, and we will continue to work with governments, customers and industry partners to find appropriate solutions.

We are committed to achieving and maintaining best practice in all areas of corporate responsibility because we believe that the resulting benefits give us critical competitive advantage. Our strong position on the main corporate responsibility indices reflects the good progress we have made on this important issue.

There have been several changes to the Board during the year. We have welcomed Helen Alexander CBE, Professor Peter Gregson and John Rishton as new non-executive directors. Iain Conn has become the Senior Independent Director and John Rishton has been appointed as the Chairman of the audit committee, in succession to Peter Byrom who remains on our Board.

Mike Terrett joined the Board as Chief Operating Officer in succession to John Cheffins, who retired after a long and distinguished career at Rolls-Royce.

Sir John Taylor also retired from the Board during the year and I thank him for his contribution. Carl Symon will retire from the Board at the conclusion of the 2008 AGM and he will be succeeded as Chairman of the remuneration committee by Helen Alexander. I would like to thank Carl Symon for his considerable contribution over many years to your Company.

I would also like to thank management and all our employees for their dedication, hard work and commitment to the Company in another successful year. I am particularly indebted to my fellow directors for the support and guidance they have given to me personally and to the Group.

2008 is expected to be a challenging year for the global economy. However, I am confident that our business is well placed. We have outstanding technology, a broad product portfolio, long-term relationships with many customers and a highly skilled workforce. I believe that we will continue to build on the strong position we have established in the markets we serve.

Simon Robertson
Chairman
February 6, 2008

