



# Rolls-Royce

## John Rishton AGM Speech 2012

Good morning and thank you for joining us today.

I am pleased to report that Rolls-Royce performed well in 2011 and the business is in good shape.

The year ended with a record order book of £62.2 billion, up 5% ... record underlying revenue of £11.3 billion, up 4% ... record underlying profit of £1.16bn, up 21% and a full year payment to shareholders of 17 ½ pence, up 9%.

This performance was achieved despite difficult market conditions. So I would like to say a big thank you; to everyone at Rolls-Royce who worked so hard to produce these results, to our suppliers and partners for their support and of course to our customers who continue to put their trust in us.

As a consequence of the progress that's been made, since the beginning of 2011 the Rolls-Royce share price has risen by 38% compared with a 2% decrease in the FTSE 100 index.

In 2011, we took 3 major strategic decisions that will accelerate our growth:

First, we acquired the German industrial engines group Tognum in a joint venture with Daimler. This acquisition brings together three world class brands and creates new opportunities especially for our marine and energy businesses. The legal process required to complete this transaction is well advanced.

Second, we signed an exclusive deal to develop an enhanced Trent XWB engine to power the long-range version of the Airbus A350. This is a significant development for what is already our fastest selling Trent engine.

Third we agreed to restructure our interest in International Aero Engines - IAE, a transaction that surprised a lot of people with the embedded value we realised. At the same time we announced plans to form a new joint venture with Pratt & Whitney to build engines for the next generation of mid-size aircraft. This agreement builds on a long and successful partnership with Pratt & Whitney and charts a clear course for our future in this important market segment.

In addition to these decisions, we have achieved a number of important milestones in major programmes across the business.

In Civil Aerospace, Rolls-Royce Trent 1000 engines powered the first commercial flight of the Boeing 787 Dreamliner from Tokyo to Hong Kong. The Trent XWB took to the skies for the first time, on board an Airbus A380 test aircraft. Our BR725 engines will enter service this summer, powering Gulfstream's new flagship G650 business jet.

In Defence Aerospace, the TP400 engine for the Airbus A400M was certified and remains on course to enter service in 2013. Our LiftFan system for the F35B Joint Strike Fighter has made excellent progress in testing, its probationary status has been lifted and the first aircraft have been delivered to the US Marines. Set against this, we were disappointed that the alternate engine for the F35 was terminated as part of US defence cut backs.

In Marine, we received an order, early in 2011, to power a further ten US Navy Littoral Combat Ships. This was our largest ever surface fleet order which we are now busy delivering. The UK government announced that Rolls-Royce will power the next generation of nuclear submarines with our latest Pressurised Water Reactor. In October, we secured the first orders for our award winning Environship, a cargo vessel powered by Liquid Natural Gas that reduces emissions by up to 40 per cent. At the same time we continued to invest in our network of service centres, opening or expanding another five during 2011. These centres bring us closer to our customers and increase our capacity.

In Energy, we won our biggest ever single contract, to supply Petrobras, Brazil's leading oil company, with 32 gas turbine power generators for its offshore operations. Investment continues in our Civil Nuclear business. We signed a number of important agreements with prime nuclear contractors and secured a 250 million euro contract to supply instrumentation and control technology to the world's biggest reactor upgrade programme in France.

Turning now to the current year, this morning we issued an Interim Management Statement, which confirms the guidance we gave at our full year results presentation in February. In 2012, we expect good growth in underlying revenue and underlying profit, with cash flow around break-even as we continue to invest in future growth. The track record of growth that we have established over recent years results from the consistent application of a long-term strategy. It is a strategy that has proved itself in battle and one that I fully endorse.

It is worth repeating, this is a long-term business and its performance can best be judged over a number of years. Measured over the last decade, Rolls-Royce has doubled its revenue, more than trebled its order book and more than quadrupled its profit, while the share price has risen from just over one pound, to eight pounds and fifty nine pence at yesterday's close.

This performance has been achieved in spite of dramatic and disruptive world events including wars and revolutions, the SARS epidemic, the global financial crisis, and soaring oil prices.

The expansion of our portfolio, the investment decisions we have taken and the increase in our order book have made our company increasingly resilient. This has established a secure foundation for future growth. We are confident that we will more than double our revenue in the decade ahead.

Our priorities for the future are clear. These can be categorised under three headings:

First, delivering on our promises. We have made substantial commitments to our customers and other stakeholders and, quite rightly, they expect a lot of us. It is

critical that we deliver our record order book on time, at the right cost and to specification.

Second, we need to decide where we are going to invest for future growth and, just as importantly, where we are not.

Third, improving financial performance. Our record to date has been good, but we can do better. We will increase our focus on costs to secure better margins, and improve our cash generation.

When we remember where we were a decade ago and how far we have come, it gives us - and I hope it will give you - enormous confidence about what we can achieve in the future.

We are trusted to deliver excellence and we strive to achieve that everywhere, every day - thank you.