TRENT 900 UPDATE

Rolls-Royce is now in a position to provide an update on its statement of 8 November concerning the engine failure on the Trent 900 powered A380 Qantas flight QF32 on 4 November 2010.

Immediately following this incident a regime of engine checks was introduced on the Trent 900s to understand the cause and to ensure safe operation. These have been conducted in parallel with a rigorous examination of all available evidence, including data from the damaged engine and its monitoring system, analysis of recovered material and interrogation of the fleet history.

These investigations have led Rolls-Royce to draw two key conclusions. First, as previously announced, the issue is specific to the Trent 900. Secondly, the failure was confined to a specific component in the turbine area of the engine. This caused an oil fire, which led to the release of the intermediate pressure turbine disc.

Rolls-Royce continues to work closely with the investigating authorities.

Our process of inspection will continue and will be supplemented by the replacement of the relevant module according to an agreed programme.

These measures, undertaken in collaboration with Airbus, our Trent 900 customers and the regulators have regrettably led to some reduction in aircraft availability. This programme will enable our customers progressively to bring the whole fleet back into service.

Safety continues to be Rolls-Royce's highest priority.

INTERIM MANAGEMENT STATEMENT

Rolls-Royce Group plc, the global power systems company, is today issuing its Interim Management Statement for the period 1 July to 11 November 2010.

Trading across the Group's businesses has progressed in line with the guidance for modest growth provided in July 2010, at which time the Board expected underlying profits to grow by between four and five per cent compared to 2009. As a result of the recent Trent 900 incident on 4 November, partially mitigated by better performance in the Marine and Defence businesses, the Board now expects underlying profit growth for the full year to be slightly lower than previously guided. The Board also expects a small cash inflow in 2010 with the average net cash balance remaining similar to that in the first half of the year which was £915m, both substantially the same as guided in July.

Sir John Rose, Chief Executive, said:

"Safety is the highest priority of Rolls-Royce. This has been demonstrated by the rapid and prudent action we have taken following the Trent 900 incident. We have instigated a programme of measures in collaboration with Airbus, our Trent 900 customers and the regulators. This will enable our customers progressively to bring the whole fleet back into service. We regret the disruption we have caused.

"This event and the consequent actions will have an impact on the Group's financial performance this year. However the scale of our order book, the breadth and mix of our portfolio, the global nature of our business and our strong balance sheet makes Rolls-Royce a resilient business, and we expect continued underlying profit growth in 2010".

The Group has made further good progress in the period with the non-civil aerospace businesses now expected to perform slightly better than guided in July.

There are signs of improving demand in our **Marine** business as we build our portfolio across the offshore, specialist vessel and naval markets.

The **Energy** business is expected to make good progress in 2010. We continue to explore options to grow our Energy and nuclear activities.

The global reach of our **Defence** business affords us access to the markets where demand for our products and services is increasing. The broad range of applications, customers and sectors that we support and the entry into service of new programmes will further underpin long-term growth.

This will more than compensate for the modest, and anticipated, reduction in revenues from the UK Government which are a consequence of the recently announced Strategic Defence and Security Review.

The **Civil** aerospace business has proved resilient through a challenging economic period. Our market leading positions will progressively be extended as new applications, such as the B787, Gulfstream G650 and A350XWB enter service over the next few years. In 2010 the civil business has continued to make progress in line with our expectations. The bulk of the costs of the Trent 900 incident and the necessary mitigation will be expensed this year. Civil business profitability will therefore be lower than guided in July.

The Group will report its preliminary results for the 12 month period ending 31 December 2010 on 10 February 2011.

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