

## press release

6 May 2011

### Thumbs up for Rolls Royce but investors warned away from RBS

- Rolls Royce expects to double revenue through organic growth in the coming decade

The Share Centre recommends investors steer clear of RBS

Lack of provisions for misselling PPI is a concern

**Graham Spooner, investment adviser at The Share Centre, looks at announcements made by Rolls Royce and Royal Bank of Scotland (RBS) this morning and explains what they mean for investors.**

“Power systems producer, **Rolls Royce**, has announced that current trading is consistent with the guidance issued with its preliminary results. It is expecting an uplift in profits in 2011 and is confident that in the coming decade it will be able to double revenue through organic growth alone. The global markets the company operates in are beginning to show signs of recovery, however they recognise this is fragile and markets remain volatile.

“Investors should remain confident in the company and its plans for growth are encouraging. If its joint public tender offer with Daimler AG for Tognum is accepted the company would see significantly accelerated growth in the Marine and Energy business.

“Investors seeking growth and global exposure may be attracted to Rolls Royce. Those looking for a long term buy may be rewarded for their patience by investing in a company that has a quality and diverse order book.”

**Commenting on RBS Spooner adds:** “RBS have announced underlying operating profits of £1.05bn for the first quarter, however when taking debts and fair value charges into consideration the bank actually registered a loss of £116m.

“Our main concern is its lack of provisions set aside for misselling Payment Protect Insurance. Yesterday we saw Lloyds allocate £3.2bn for this and as RBS continues to settle the claims it states it is unable to reliably estimate the potential financial liability.

“Despite the group’s balance sheets continuing to strengthen the on-going impairments and fines trouble us and we continue to recommend investors to stay away from RBS.”

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