2022 Full Year Results Supplementary Data

23 February 2023

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Drivers of Civil LTSA balance change

Deferred revenue reflects difference between invoiced EFH receipts and P&L revenues traded

Invoiced EFH receipts

Reflects invoiced EFH receipts on long-term contracts across entire Civil LTSA-covered fleet

P&L revenue

Driven by cost (e.g. shop visits) across large engine, business aviation and regional fleets

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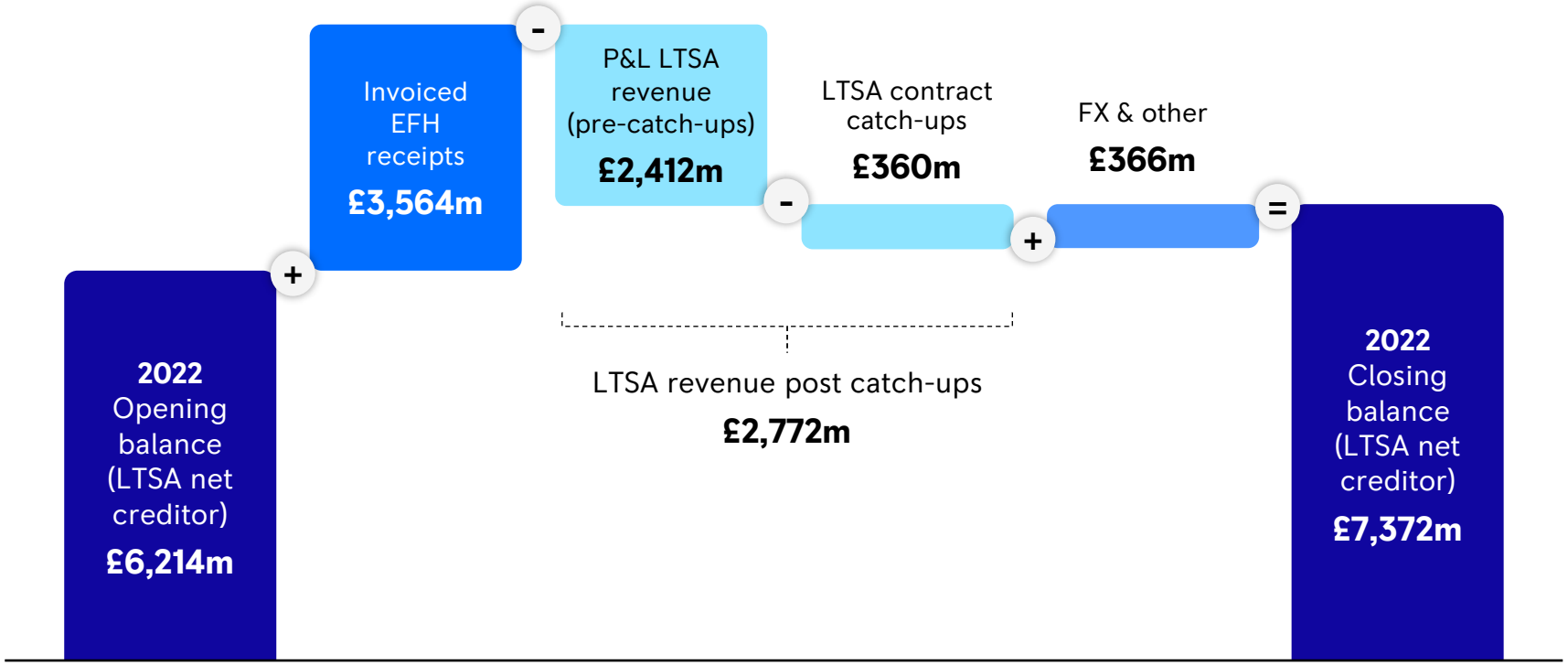
Recognised by contract, as costs incurred, at relevant contract margins



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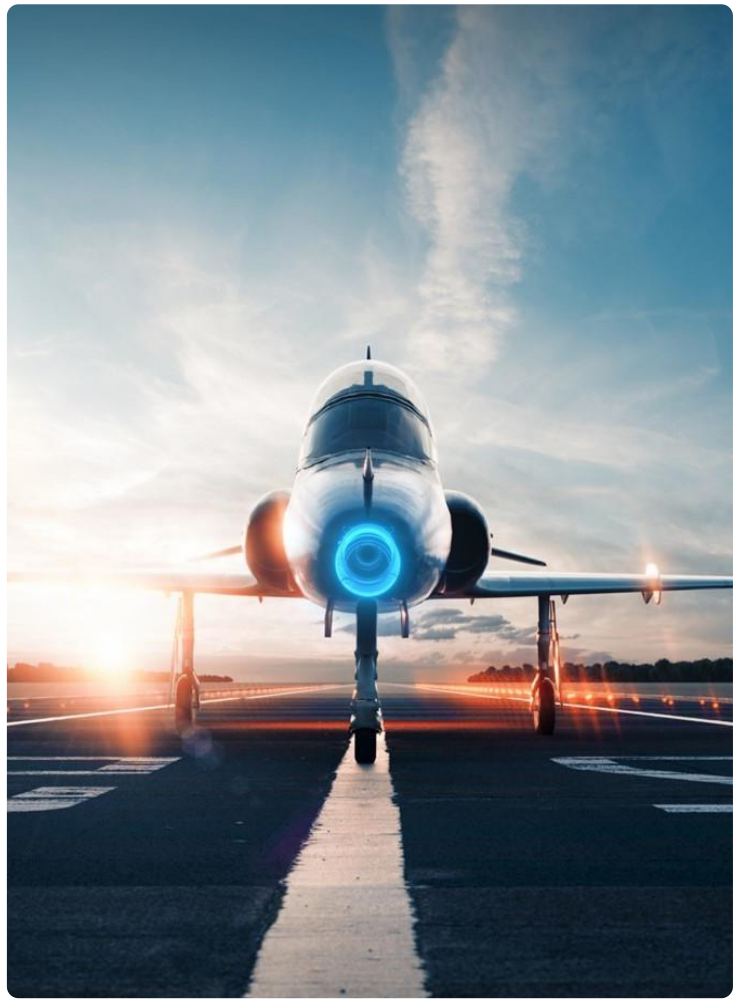
FY 2023 outlook and guidance

	2022	2023
Operating profit	**£652m**	**£0.8bn - £1.0bn**
Free cash flow from continuing operations	**£505m**	**£0.6bn - £0.8bn**
Significant profit items:		
Civil LTSA catch-ups	£319m	£100m - £200m
Significant cash flow items:		
LTSA creditor growth	£792m	£500m-£700m
Net OE engine concession payments	nm	c£(200)m
Over-hedge costs	£(326)m	£(389)m
Disruption due to supplier fires	-	c£(100)m
Civil Aerospace drivers:		
Total engine deliveries	355	400-500
Large LTSA EFH as % of 2019	65%	80% - 90%
Total shop visits	1,044	1,200 - 1,300
Other guidance:		
Interest paid (including fees)	£(352)m	c£25m - £75m lower
Cash tax	£(174)m	£(160)m – (£190)m
Pensions (in excess of PBT charge)	£(32)m	Broadly stable



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Full Year 2022 financial highlights

Delivering on our commitments

	Revenue Growth		Profitability		Cash flow	
Divisional guidance	**Guidance**	**Outturn**	**Guidance**	**Outturn**	**Guidance**	**Outturn**
Civil Aerospace	"good"	**25%**	"improved profitability"	**+600bps YOY**	"substantial improvement"	**+£1,896m YOY**
Defence	"modest"	**2%**	"low double-digit"	**11.8%**	"Strong cash conversion"	**99%**
Power Systems	"good"	**23%**	"broadly flat" (2021: 8.8%)	**8.4%**	"lower" cash conversion YOY (2021: c.90%)	**56%**
New Markets	N/A	**N/A**	Larger loss due to "significantly increased" R&D	**£(62)m YOY**	"around two thirds" of the operating loss	**43%**
Group continuing business	"low to mid single digit"	**14%**	"broadly unchanged" (2021: 3.8%)	**5.1%**	"modestly positive"	**£505m**

Outturn is organic change on an underlying basis

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Transactional foreign exchange

Rolls-Royce hedges transactional FX

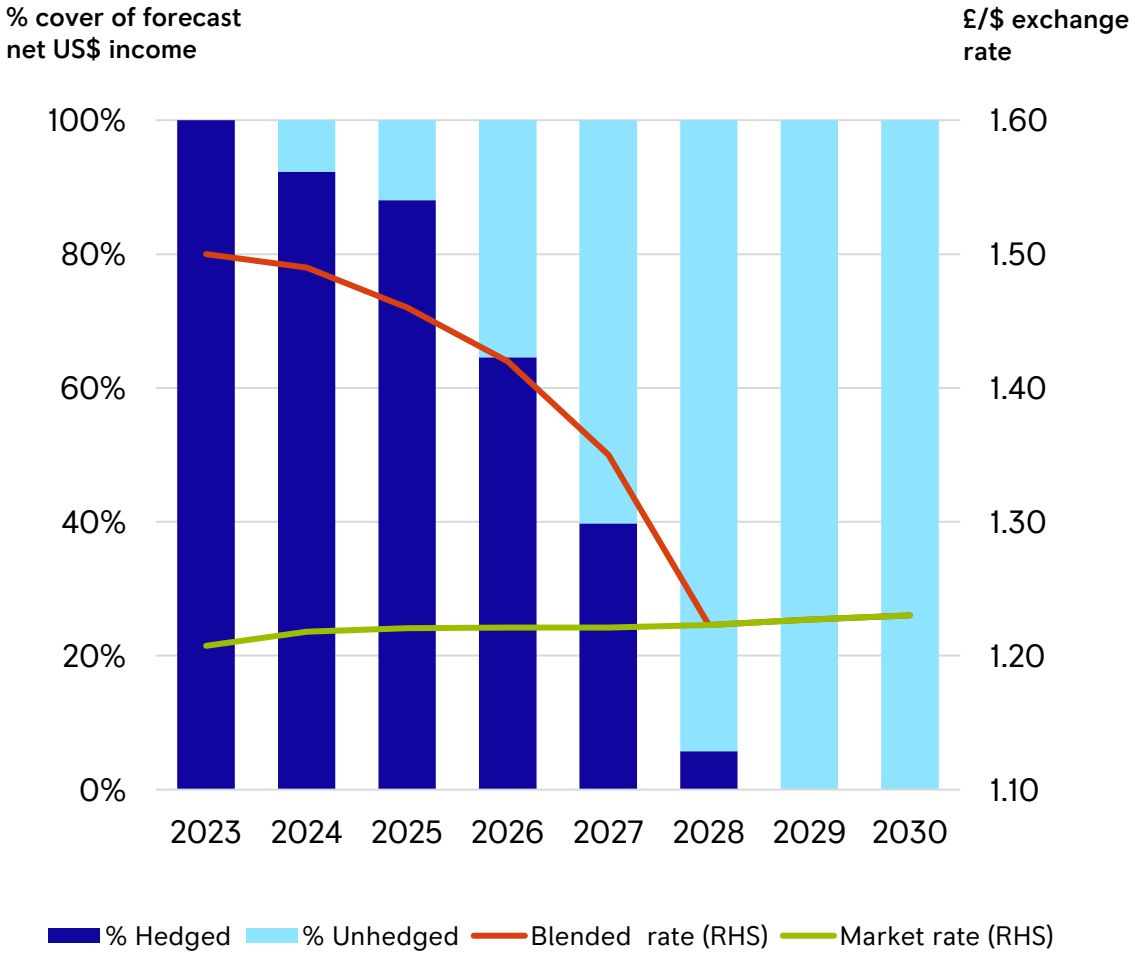
- Transactional exposure arises when revenue currencies differ from cost currencies
- Achieved rate is not typically affected by short-term spot rate movements unless new cover is taken; this impact is usually diluted
- $19 billion GBP:USD hedge book (average rate £/$1.53)
- $2 billion EUR:USD hedge book (average rate €/$1.22)
- Each 1 $ cent change in the £/US$ hedge rate impacts underlying operating profit and pre-tax cash by c£20-30m

USD hedge book cash costs of closing out over-hedge positions

Costs are included in Group FCF definition

2023-2026 are future cash outflows

£m	2020	2021	2022	2023	2024-2026	Total
Cash cost	186	452	326	389	321	1,674



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Translational foreign exchange

The impact of translational foreign exchange is driven by period average spot rates

Period average rates	2022	2021
USD	**1.24**	1.38
EUR	**1.17**	1.16

	Exposure	Underlying revenue impact		Underlying operating profit impact	
2022 vs. 2021 £m	**Revenue/Profit**	**Including FX**	**FX**	**Including FX**	**FX**
Group		12,691	210	652	41
Civil Aerospace	USD, EUR	5,686	24	143	19
Defence	USD, EUR	3,660	214	432	19
Power Systems	EUR, USD	3,347	(28)	281	(2)
New Markets	EUR, USD	3	-	(132)	-
Other Businesses	EUR	-	-	(31)	-
Corporate / eliminations		(5)	-	(41)	5

Rolls-Royce does not hedge against the impact of translational FX

- Translational exposure varies by source of revenues and profits
- Translational FX impact is driven by period average spot rates
- Translational impact increases as rate reduces

Translational impact of 0.01 unit of currency change in period average rates

	Revenue	Profit
USD	£16 million	£3 million
EUR	£41 million	£3 million

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Pensions

UK Defined Benefit (DB) Plan

- UK DB Plan (RRUKPF) closed to future accrual on 31 December 2020 (closed to new hires in 2007). Around 6,000 employees have a benefit in RRUKPF and most are now building up savings in our DC plan
- RRUKPF represents 75% of gross pension liabilities and 91% of gross pension assets for the Group
- It has £5.2bn of assets and surplus of £594m (IAS 19 basis*). Assets have reduced by £3.9bn. This is largely due to the decrease in the value of the fund's liability matching assets as a result of rises in UK Government and corporate bond yields. Accordingly, liabilities fell by £3.4bn largely due to higher discount rates
- The fund was not a forced seller of any assets in September or October when UK Government bond yields spiked, as it had sufficient collateral in its liability matching portfolio. No loans were needed from the employer. Funding has improved on the solvency measure
- The next statutory funding valuation is due as at 31 March 2023. The statutory funding position at 31 December 2022 was estimated to be 109%
- Cash contributions:

2020: £24m 2021: £99m** **2022: £1m**

Overseas plans

25% of gross pension liabilities and 9% of gross pension assets.

Deficit of £1bn (IAS 19 basis*). Net liabilities in Germany of £628m are largely unfunded. The US has funded pensions and unfunded healthcare with a net deficit of £345m.

During the year (i) one US pension plan was bought out and removed from the balance sheet (£235m); and (ii) Power Systems replaced a number of their existing defined benefit schemes with a new company pension scheme, significantly reducing interest and longevity risks for the employer for future commitments.

Cash contributions:

2020: £56m 2021: £63m **2022: £80m**

*IAS 19 reporting basis discounts liabilities using a AA bond rate – while this is the required reporting method it does not match the method used to manage and fund the UK plan - which discounts liabilities using a curve aligned to its liability matching investments (UK Government bond based). This significantly reduces the real funding volatility relevant for cash funding purposes rather than that shown for IAS 19.

**Contributions paid in 2021 relate to contributions from 2020 in accordance with payment schedules. No further significant contributions were paid in 2022.

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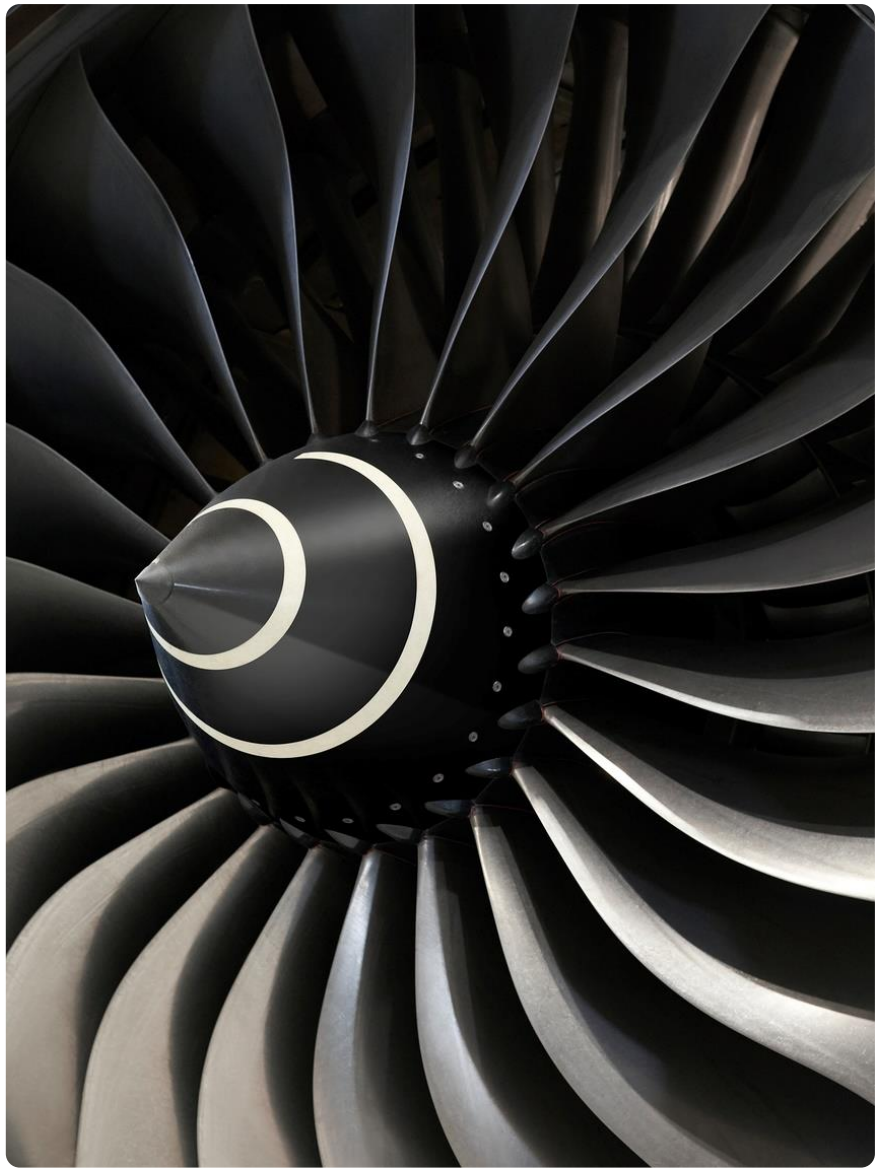
Civil Aerospace revenues by engine type

£m	2022	2021	Organic change[1]
Original Equipment	**1,982**	**1,612**	**23%**
Large engine	1,516	1,297	17%
Business aviation	447	310	45%
V2500	19	5	280%
Service	**3,704**	**2,924**	**26%**
Large engine	2,492	1,958	27%
Business aviation	721	654	8%
Regional	229	187	17%
V2500	262	125	110%
Total	**5,686**	**4,536**	**25%**



[1] Organic change is the measure of change at constant translational currency applying full year 2021 average rates to 2022.

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Trent engine products

Widebody backlog and market share

	Airframe	Market share*	Engines in service	Engines on order
Trent 7000	Airbus A330neo	100%	170	372
Trent XWB	Airbus A350	100%	886	784
Trent 1000	Boeing 787	33%	662	125
Trent 900	Airbus A380	48%	252	0
Trent 800	Boeing 777	40%	184	0
Trent 700	Airbus A330	60%	1,178	1
Trent 500	Airbus A340	100%	80	0
Total			**3,412**	**1,282**

* Share of total firm and announced programme sales with an engine decision (excludes cancelled orders)

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Civil Aerospace engine deliveries

By engine	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Trent 500	8	-	-	-	-	-	-	-	-	-	-
Trent 700	157	181	184	140	88	110	63	10	2	2	1
Trent 800	-	-	-	-	-	-	-	-	-	-	-
Trent 900	64	42	35	6	30	67	44	34	15	1	2
Trent 1000	46	59	79	106	122	109	125	126	82	12	5
Trent XWB-84			13	56	117	196	184	178	109	120	96
Trent XWB-97						1	45	56	34	29	23
Trent 7000							8	106	22	31	63
Civil Large Engines	**275**	**282**	**311**	**308**	**357**	**483**	**469**	**510**	**264**	**195**	**190**
Tay	60	67	46	38	28	2	-	-	-	-	-
AE3007	43	78	48	34	20	8	10	4	-	-	-
BR700	290	326	334	332	244	190	205	191	112	70	77
Pearl							2	24	72	44	88
Civil Small Engines	**393**	**471**	**428**	**404**	**292**	**200**	**217**	**219**	**184**	**114**	**165**
V2500*	220	-	-	-	-	-	-	-	-	-	-
Civil Total	**888**	**753**	**739**	**712**	**649**	**683**	**686**	**729**	**448**	**309**	**355**

* V2500 deliveries are recorded until the sale of Rolls-Royce's stake in International Aero Engines on 29th June 2012

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Civil Aerospace in-service installed fleet*

By engine	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
RB211 22B	6	3	3	3	3	3	3	3	3	3	-
RB211 524	530	455	352	302	278	266	242	210	82	80	85
RB211 535	1,028	1,026	1,012	908	868	826	850	824	576	658	682
RB211 Total	**1,564**	**1,484**	**1,367**	**1,213**	**1,149**	**1,095**	**1,095**	**1,037**	**661**	**741**	**767**
Trent 500	452	440	388	352	336	280	284	240	68	92	80
Trent 700	948	1,114	1,288	1,388	1,460	1,590	1,636	1,606	1,054	1,146	1,178
Trent 800	446	436	422	362	352	330	334	320	134	176	184
Trent 900	208	244	280	304	332	360	400	428	68	168	252
Trent 1000	44	84	164	260	384	476	546	658	538	604	662
Trent XWB-84	-	-	2	30	124	278	432	590	562	666	762
Trent XWB-97	-	-	-	-	-	-	28	70	96	98	124
Trent 7000	-	-	-	-	-	-	2	80	90	130	170
Trent	**2,098**	**2,318**	**2,544**	**2,696**	**2,988**	**3,314**	**3,662**	**3,992**	**2,610**	**3,080**	**3,412**
Civil Large Engines	**3,662**	**3,802**	**3,911**	**3,909**	**4,137**	**4,409**	**4,757**	**5,029**	**3,271**	**3,821**	**4,179**
Spey	632	580	506	460	430	404	360	284	252	236	210
Tay	1,969	2,019	2,011	2,035	2,027	1,993	2,009	1,946	1,892	1,866	1,838
AE3007	2,544	2,598	2,534	2,468	2,326	2,302	2,448	2,472	2,028	2,124	1,954
BR700	2,362	2,696	2,964	3,388	3,642	3,858	4,098	4,322	4,314	4,382	4,442
Pearl	-	-	-	-	-	-	-	-	36	84	120
Civil Small Engines	**7,507**	**7,893**	**8,015**	**8,351**	**8,425**	**8,557**	**8,915**	**9,024**	**8,522**	**8,692**	**8,564**
Civil Total	**11,169**	**11,695**	**11,926**	**12,260**	**12,562**	**12,966**	**13,672**	**14,053**	**11,793**	**12,513**	**12,743**
Fleet growth	**-13%**	**5%**	**2%**	**3%**	**2%**	**3%**	**5%**	**3%**	**-16%**	**6%**	**2%**

* Installed engine base is net of retirements and excludes aircraft which are parked or in storage
Fleet data from Cirium excludes aircraft temporarily parked due to COVID-19

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Civil in-service thrust base (millions lbs)*

Thrust per engine (lbs)		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
RB211 22B	60,000	-	-	-	-	-	-	-	-	-	-	-
RB211 524	60,000	32	27	21	18	17	16	15	13	5	5	5
RB211 535	40,000	41	41	40	36	35	33	34	33	23	26	27
RB211 Total		**73**	**69**	**62**	**55**	**52**	**49**	**49**	**46**	**28**	**31**	**32**
Trent 500	56,000	25	25	22	20	19	16	16	13	4	5	5
Trent 700	72,000	68	80	93	100	105	114	118	116	76	83	85
Trent 800	92,000	41	40	39	33	32	30	31	29	12	16	17
Trent 900	70,000	15	17	20	21	23	25	28	30	5	12	18
Trent 1000	71,000	3	6	12	18	27	34	39	47	38	43	47
Trent XWB-84	84,000	-	-	-	3	10	23	36	50	47	56	64
Trent XWB-97	97,000					-	-	3	7	9	10	12
Trent 7000	72,000					-	-	-	6	7	9	12
Trent		**152**	**168**	**185**	**196**	**217**	**243**	**270**	**297**	**198**	**233**	**260**
Civil Large Engines		**226**	**237**	**247**	**251**	**269**	**292**	**319**	**343**	**226**	**265**	**292**
Spey	11,000	7	6	6	5	5	4	4	3	3	3	2
Tay	15,000	30	30	30	31	30	30	30	29	28	28	28
AE3007	7,500	19	19	19	19	17	17	18	18	15	16	15
BR700	15,000	35	40	44	51	55	58	61	65	65	66	67
Pearl	15,000	-	-	-	-	-	-	-	-	-	1	2
Civil Small Engines		**91**	**97**	**99**	**105**	**107**	**109**	**114**	**116**	**112**	**114**	**114**
Civil Total		**317**	**333**	**346**	**356**	**376**	**402**	**433**	**459**	**338**	**378**	**406**
Thrust Growth		**-12%**	**5%**	**4%**	**3%**	**6%**	**7%**	**8%**	**6%**	**-26%**	**12%**	**7%**

* Installed engine base is net of retirements and excludes aircraft which are parked or in storage
Fleet data from Cirium excludes aircraft temporarily parked due to COVID-19

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Safe harbour statement

This announcement contains certain forward-looking statements. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. In particular, all statements that express forecasts, expectations and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of interest or exchange rates, the availability of financing to the Company, anticipated cost savings or synergies and the completion of the Company's strategic transactions, are forward-looking statements. By their nature, these statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The forward-looking statements reflect the knowledge and information available at the date of preparation of this announcement, and will not be updated during the year. Nothing in this announcement should be construed as a profit forecast. All figures are on an underlying basis unless otherwise stated - for the definition see note 2 to the condensed consolidated financial statements section of the 2022 Full Year Results Statement.

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