



Annual General Meeting

12 May 2022



Anita Frew
Chair of the Board



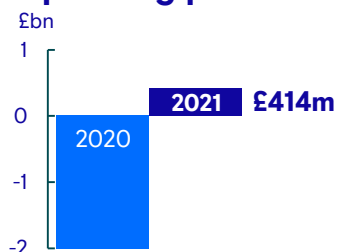
Warren East

Chief Executive

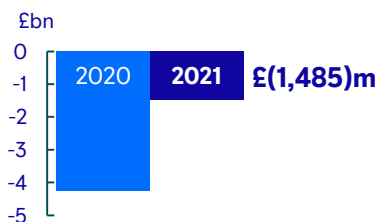


Financial summary

Operating profit



Free cash flow



AGM 2022
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Improved financial performance Delivering on our commitments Investing for growth and sustainable value

- Improved financial performance driven by cost reduction and market growth
 - ✓ Operating profit recovered to profitability from prior year loss
 - ✓ Free cash flow ahead of guidance and substantially improved on 2020
- Successful restructuring programme delivering more than £1.3bn run-rate savings
- Disposals on-track to complete with total expected proceeds of around £2bn
- R&D delivering market-leading technology for new and existing markets with focused investments in net zero opportunities
- Strong liquidity position with no maturities before 2024



Civil Aerospace

£4,536m

Underlying revenue

£(172)m

Underlying
operating loss

£(1,670)m

Trading cash flow



FY 2021 highlights

- Improved operational gearing with restructured cost base
- Significant value in installed base of around 5,700 large and 9,700 regional and business aviation engines
- Airbus A350 freighter is a great opportunity for Trent XWB with 58 additional engine orders since its launch
- Two key new selections in Business Aviation with our Pearl 10X and Pearl 700

Trading update first four months 2022

- Large engine flying hours (EFH) 42% higher year on year
- Slow start to deliveries and shop visits expected to pick-up as year progresses
- As part of Project Sunrise, Rolls-Royce and Qantas have committed to sign a TotalCare® service agreement for the Trent XWB-97 engines that will power 12 Airbus A350-1000 aircraft



Defence

£3,368m

Underlying revenue

£457m

Underlying
operating profit

£377m

Trading cash flow



FY 2021 highlights

- Awarded the B-52 engine replacement contract in the US, securing new work for the coming decades
- In a competitive process for the Future Long-Range Assault Aircraft (FLRAA) programme
- Supporting customer demand for products that deliver advances in technology and sustainability

Trading update first four months 2022

- Our strong order backlog gives us confidence on revenue, profit and cash conversion against the headwinds of inflation and supply chain risk.
- Governments are increasing their long-term budget allocations towards defence activities, underpinning the long-term growth outlook we hold for Defence



Power Systems

£2,749m

Underlying revenue

£242m

Underlying
operating profit

£219m

Trading cash flow



FY 2021 highlights

- 2021 represented the best order book in Power Systems' history, with a record order intake in the 4th quarter
- Significant awards include power solution for a hyperscale data centre customer and a first-of-a-kind net-zero microgrid
- Increased investment enabling the continued development of new technologies, including hybrid-electric systems

Trading update first four months 2022

- Order intake has been very strong and the order book continues to grow
- Interest in sustainable solutions is increasing; the first engines for power generation, construction and industrial applications have been approved for operation with sustainable fuels



New Markets: Rolls-Royce Electrical

New Markets reporting
segment established for
Rolls-Royce SMR and
Rolls-Royce Electrical



- Double world record success of the 'Spirit of Innovation' demonstrates pace of electrical technology acceleration and exciting applications for the Advanced Air Mobility Markets
- Vertical Aerospace's VX4 all-electric urban air mobility aircraft took \$5.4bn pre-orders (1,350 aircraft) from some of the world's biggest and most innovative airlines
- Collaboration with Tecnam and Widerøe for an all-electric powertrain for the commuter market - entry into service in the 2020s
- Completed the successful flight-testing of a hybrid-electric demonstrator aircraft which is powered by a parallel-hybrid propulsion system
- Strategically partnered with Embraer's urban air mobility spin-out, EVE, to develop powertrain and energy storage design. EVE has 1,735 aircraft pre-orders (\$5.2bn, Dec 2021)

Early stage businesses with high growth potential

Focused on addressing the opportunities being created by the transition to net zero



New Markets: Rolls-Royce SMR

New Markets reporting
segment established for
Rolls-Royce SMR and
Rolls-Royce Electrical



- Rolls-Royce SMR secured £490m of funding in 2021
- UK Government grant and third party equity investment helping to support SMR design through multi-year UK Generic Design Assessment (GDA) process
- First orders not dependent on completion of GDA and anticipated within next couple of years
- One SMR could power the production of 230 tonnes of H₂ or 280 tonnes of net-zero synthetic fuel per day
- SMRs provide an always-on solution for energy intensive users, such as data centres
- Encouraged by the recent commitment to nuclear energy by the UK Government



Rebuilding the balance sheet

Clear pathway to improving our credit profile

Pathway to investment grade profile

Reduce uncertainty

Deliver on our commitments



Reduced uncertainty of EFH recovery



Improve financials

Improve operational and financial performance



Improve leverage metrics



Improve business profile (balanced Group)



Strong ESG scorecard

- £7.1bn liquidity provides resilience and strength to our business
- No debt maturities before 2024
- Disposals on-track with total expected proceeds of around £2bn
- £5.2bn net debt at 30 Dec 2021, including leases



Civil Aerospace value drivers and outlook

Site visit to Civil Aerospace on 13 May 2022 will provide deeper view into the value drivers and provide medium term outlook

All related presentation materials will be added to our website

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Value drivers

Maximise Service Receipts

Service Cost Reduction

OE Margin Improvement

Business Aviation Growth

Investment Cycle

Medium-term financial outcomes

Revenue
Low double digit % CAGR

Operating profit
High single digit % margin

Trading cash
To comfortably exceed operating profit



2022 outlook and guidance

Well positioned for the anticipated growth in our end markets

Revenue growth low-to-mid single digit percentage

Operating profit margin broadly unchanged year on year

Generate modestly positive **free cash flow**

Investing in the future

- Long-term revenue growth expectations driven by technology and innovation opportunities and rising global demand for sustainable power
- Targeting 75% of total R&D spend on lower-carbon growth



Summary

Improved financial
performance
driven by cost
reduction and
market growth

Delivering
on our
commitments

Investing to
drive growth
and deliver
sustainable value

A better balanced and more sustainable business



Mark Gregory

General Counsel