

12 May 2022

## ROLLS-ROYCE HOLDINGS PLC AGM STATEMENT AND TRADING UPDATE

Rolls-Royce Holdings plc is holding its Annual General Meeting today and is hosting a site visit to its Civil Aerospace business tomorrow. Alongside these events, Rolls-Royce has issued the following trading update for the first four months of 2022 and also medium term outlook for its Civil Aerospace business.

In his address to shareholders, Chief Executive Warren East will comment:

*"In 2021, we delivered improved financial performance and continued to deliver on our commitments. As a result of the actions we have taken, we have made significant progress on the path to recovery from the impact of COVID-19 and are emerging as a better balanced and more resilient business with a sustainable future, focused on the long-term business opportunities presented by the global energy transition. I would like to thank our colleagues for their commitment and achievements this year and all our stakeholders for their support and engagement."*

*It has been a privilege to lead Rolls-Royce and I am fully committed to driving our business while we work towards a smooth leadership transition this year. We are confident that we have positioned the business to achieve positive profit and cash this year, driven by the benefits of our cost reductions and increased engine flying hours in Civil Aerospace together with a strong performance in Defence and Power Systems, and balanced by our commitment to invest in technology and systems that are critical to the leading sustainable solutions we are delivering now and in the future."*

### Trading update and outlook

Financial performance year-to-date has been in line with expectation and our financial guidance for 2022 is unchanged. We are well positioned for the anticipated growth in our end markets and continue to expect positive momentum in our financial performance in 2022 despite the ongoing risks around macroeconomic uncertainties. We are working closely with our global supply chain to limit the impact of disruption and will continue to adapt our plans as the global situation evolves. Our long-term sourcing agreements and hedging policies designed to limit volatility in raw material inflation, give some near-term protection and we have increased inventory levels to help mitigate the impact. We are working with our suppliers to monitor and manage these risks and challenges.

In Civil Aerospace, large engine long term service agreement (LTSA) flying hours for the first four months of 2022 were 42% higher than the prior year period. Passenger demand is recovering on routes where travel restrictions have been lifted, such as in Europe and the Americas, but additional COVID-19 restrictions have resulted in fewer flights in China where the situation is still evolving. Flying hours in Business Aviation have remained strong. Shop visits and original equipment (OE) deliveries of installed and spare engines are expected to accelerate during the course of the year. We are continuing to capitalise on new opportunities. For instance, Qantas recently committed to a deal for 12 Airbus A350-1000s for its long-haul Project Sunrise initiative, powered by our Trent XWB-97 engines. Rolls-Royce and Qantas have also committed to sign a TotalCare® service agreement for the Trent XWB-97 engines that will power the 12 aircraft.

In Defence, the products and services we provide are delivered and maintained over decades of service to our large number of customers and as such they are not immediately exposed to individual geopolitical events. Our strong order backlog gives us confidence on revenue, profit and cash conversion against the headwinds of inflation and supply chain risk. As guided previously, our operating margin is expected to be lower in 2022 compared with 2021, reflecting original equipment and aftermarket mix changes and the planned increase in investment in Defence to support new programme wins. Governments are increasing their long-term budget allocations towards defence activities, underpinning the long-term growth outlook we hold for Defence.

In Power Systems, the first four months of order intake has been very strong across the entire business and particularly in both power generation and defence end markets. We are working to limit the impact of supply chain disruption, in part through holding increased inventory, which as previously guided will impact cash conversion this year. Interest in sustainable solutions is increasing: the first engines for power generation, construction and industrial applications have been approved for operation with sustainable fuels and we are developing hydrogen engines.

Our New Markets businesses, Rolls-Royce Electrical and Rolls-Royce SMR, continue to make good progress supported by Rolls-Royce and third-party investment. We have commenced the multi-year UK Generic Design Assessment process for our SMR design and we are encouraged by the recent commitment to nuclear energy by the UK Government. In Rolls-Royce Electrical, alongside the aircraft manufacturer Tecnam and engine manufacturer Rotax, we have completed the successful flight-testing of a hybrid-electric demonstrator aircraft powered by a parallel-hybrid propulsion system.

We are progressing well with our programme of disposals and are confident in achieving the commitment to generate around £2bn in total proceeds once the sale of ITP Aero completes, which is expected to be in the first half of this year, subject to regulatory approvals. The proceeds from the programme of disposals will be used to repay debt.

### Civil Aerospace medium term outlook and site visit

We are hosting a site visit at our Civil Aerospace facilities in Derby tomorrow, 13 May. The event will include tours of our facilities and a presentation with Q&A. We will set out our key Civil Aerospace value drivers, highlight the

operational side of our business and provide a deeper understanding of how the changes we have implemented are making it a better quality, more resilient, and more agile business which is set up to increase returns and deliver long-term sustainable growth.

The presentation will include our view of the medium-term financial outlook for Civil Aerospace based on the actions we have taken to improve cost efficiency and productivity, combined with the current assumed recovery in demand, which is subject to risks and uncertainties based on prevailing market and macroeconomic conditions. In the medium term, we expect Civil Aerospace underlying revenue to grow at a low double-digit percentage compound average growth rate from 2021 with an operating margin percentage in the high single digits, and with trading cashflow comfortably exceeding operating profit.

Due to physical capacity constraints, the event is by invitation only but there will also be a webcast starting at 10am UK time on 13 May and lasting for approximately two hours. The webcast details and presentation materials will be shared on our website [www.rolls-royce.com/investors](http://www.rolls-royce.com/investors) and a replay will be made available after the event.

Our next scheduled trading update will be on 4 August 2022, when we will publish our Half Year 2022 results.

This announcement has been determined to contain inside information.

**For further information, please contact:**

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**About Rolls-Royce Holdings plc**

1. Rolls-Royce pioneers the power that matters to connect, power and protect society. We have pledged to achieve net zero greenhouse gas emissions in our operations by 2030 (excluding product testing) and joined the UN Race to Zero campaign in 2020, affirming our ambition to play a fundamental role in enabling the sectors in which we operate achieve net zero carbon by 2050.
2. Rolls-Royce has customers in more than 150 countries, comprising more than 400 airlines and leasing customers, 160 armed forces and navies, and more than 5,000 power and nuclear customers.
3. Annual underlying revenue was £10.95 billion in 2021, underlying operating profit was £414m and we invested £1.18 billion on research and development. We also support a global network of 28 University Technology Centres, which position Rolls-Royce engineers at the forefront of scientific research.
4. Rolls-Royce Holdings plc is publicly traded company (LSE: RR., ADR: RYCEY, LEI: 213800EC7997ZBLZJH69)

**Note on forward-looking statements**

This press release may contain projections and forward-looking statements. The words "believe", "expect", "anticipate", "intend" and "plan" and similar expressions identify forward-looking statements. All statements other than statements of historical facts included in this press release, including, without limitation, those regarding the Company's financial position, potential business strategy, potential plans and potential objectives, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. Further, certain forward-looking statements are based upon assumptions of future events which may not prove to be accurate. The forward-looking statements in this press release speak only as at the date of this press release and the Company assumes no obligation to update or provide any additional information in relation to such forward-looking statements.

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