CMD 23

ROLLS-ROYCE 2023 CAPITAL MARKETS DAY

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 Interim Financial Statements section of the 2023 Half Year Results Statement.

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TUFAN ERGINBILGIC

Chief Executive Officer

MEET THE TEAM

Deep experience and fresh perspectives

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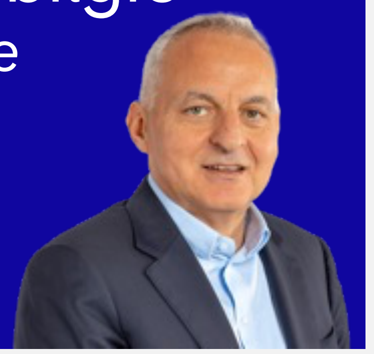
Tufan Erginbilgic
Chief Executive Officer



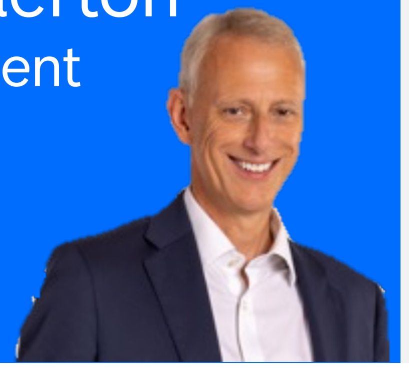
Helen McCabe
Chief Financial Officer

Dr. Rob Watson
President, Civil Aerospace

Adam Riddle
President, Defence

Dr. Jörg Stratmann
President, Power Systems

Chris Cholerton
Group President



Nikki Grady-Smith
Chief Transformation Officer

Simon Burr
Group Director, Engineering, Technology & Safety

Sarah Armstrong
Chief People Officer

Mark Gregory
General Counsel

AGENDA

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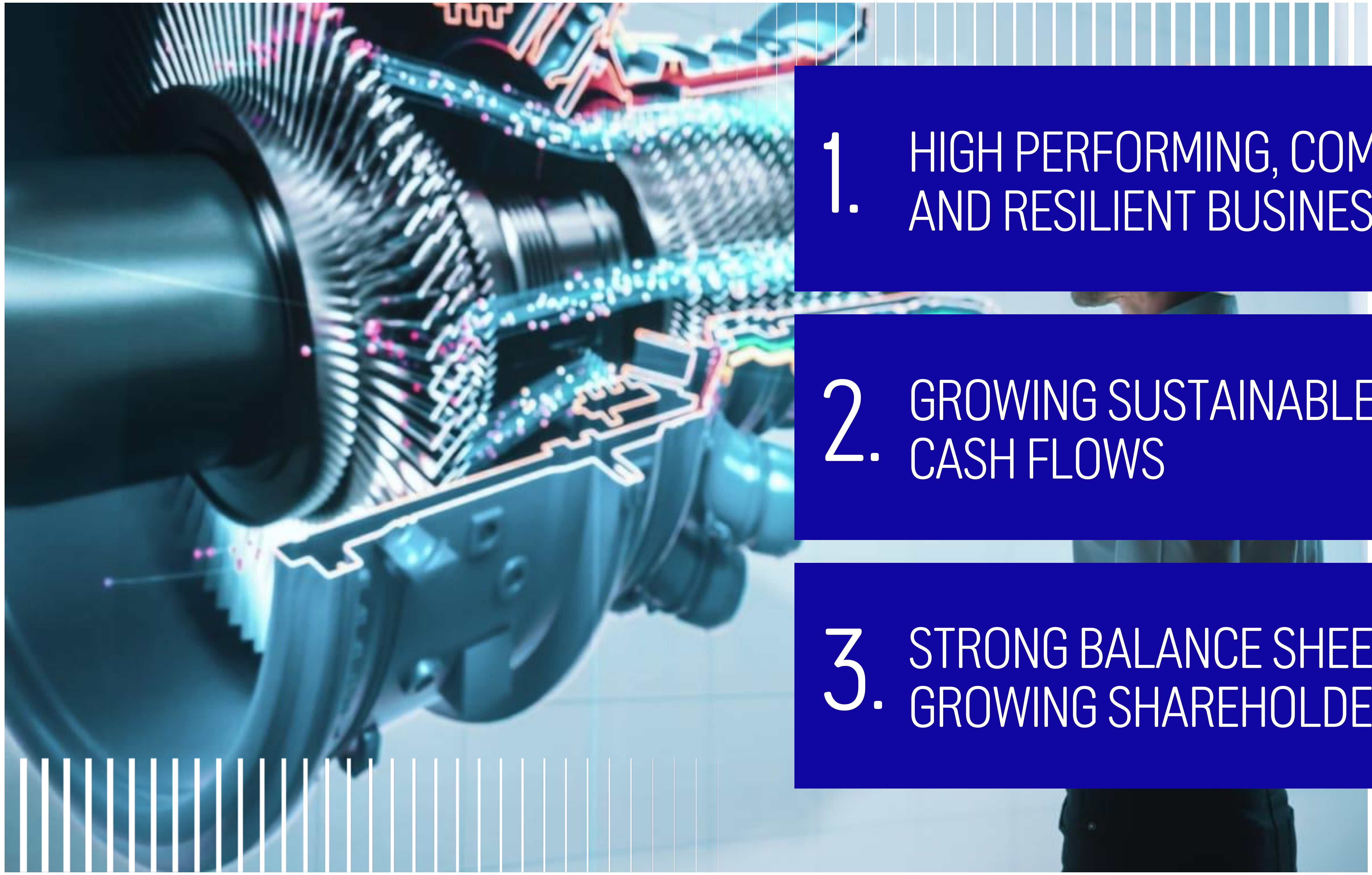
TOPIC	SPEAKER
Strategic update and mid-term targets	Tufan Erginbilgic
Financial summary and capital framework	Helen McCabe
Q&A	Tufan Erginbilgic and Helen McCabe
Refreshments and exhibition	14:20 – 15:10
Civil Aerospace	Dr. Rob Watson
Power Systems	Dr. Jörg Stratmann
Defence	Adam Riddle
Q&A	All
Key takeaways	Tufan Erginbilgic
Exhibition and networking	16:40 – 17:30

ROLLS-ROYCE PROPOSITION



1. HIGH PERFORMING, COMPETITIVE AND RESILIENT BUSINESS
2. GROWING SUSTAINABLE CASH FLOWS
3. STRONG BALANCE SHEET AND GROWING SHAREHOLDER RETURNS

DIFFERENTIATED GROUP STRENGTHENED THROUGH TRANSFORMATION

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BUILDING ON….

- **Civil Aerospace |** Leading positions in Business Aviation, and exclusivity on the latest Airbus widebody aircraft
- **Defence |** Long-term pipeline and leading position in Transport, Combat and Submarines
- **Power Systems |** Structural advantages
- **Nuclear |** Broadest capability portfolio in the industry, fuelling growth in defence and commercial applications
- **Group |** Global brand, deep customer relationships and experienced partner

…TRANSFORMING INTO…

- **A more resilient and efficient** business with
  - **Quality of earnings** – **cash** expansion focused
  - More **rateable and growing cash flows**
- **One Rolls-Royce** with
  - Different **ways of working and mind-set**
  - Differentiated **performance culture**
  - **A new organisation** - re-organising for **efficiency, synergies and capability building**
  - **Strategic clarity** – focused and aligned organisation
  - **External focus** and **benchmarking**

Foundations

SAFETY | PEOPLE | TECHNOLOGY

DIFFERENTIATED AND ADVANTAGED TECHNOLOGIES

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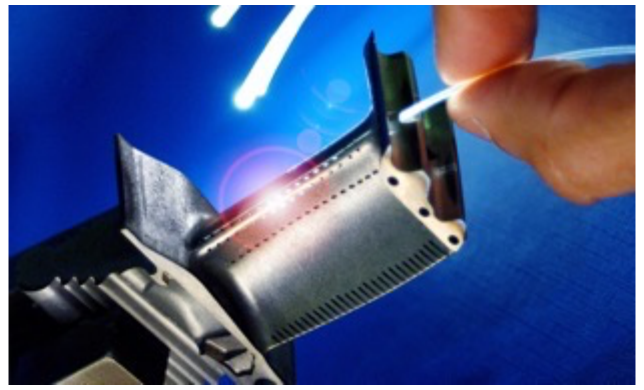
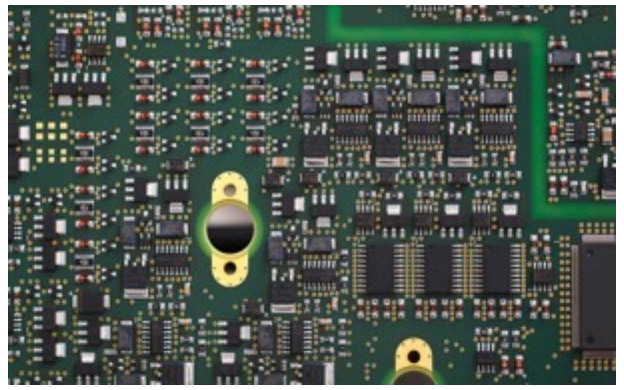
Advantaged technologies

Systems integration



Advanced manufacturing

Control systems



Electrical systems

UltraFan

Leading technologies for next generation aircraft

Nuclear

Trusted and proven reactor design

Vertically integrated

Next generation technology

CAPTURING PERFORMANCE IMPROVEMENT OPPORTUNITIES

Strategic framework

1. Portfolio choices & partnerships
2. Advantaged businesses & strategic initiatives
3. Efficiency & simplification
4. Lower carbon & digitally enabled businesses

High performing
Operating profit

Competitive
Operating margin

Growing
Sustainable cash flow

Resilient
Return on capital

CAPTURING PERFORMANCE IMPROVEMENT OPPORTUNITIES

Group mid-term targets

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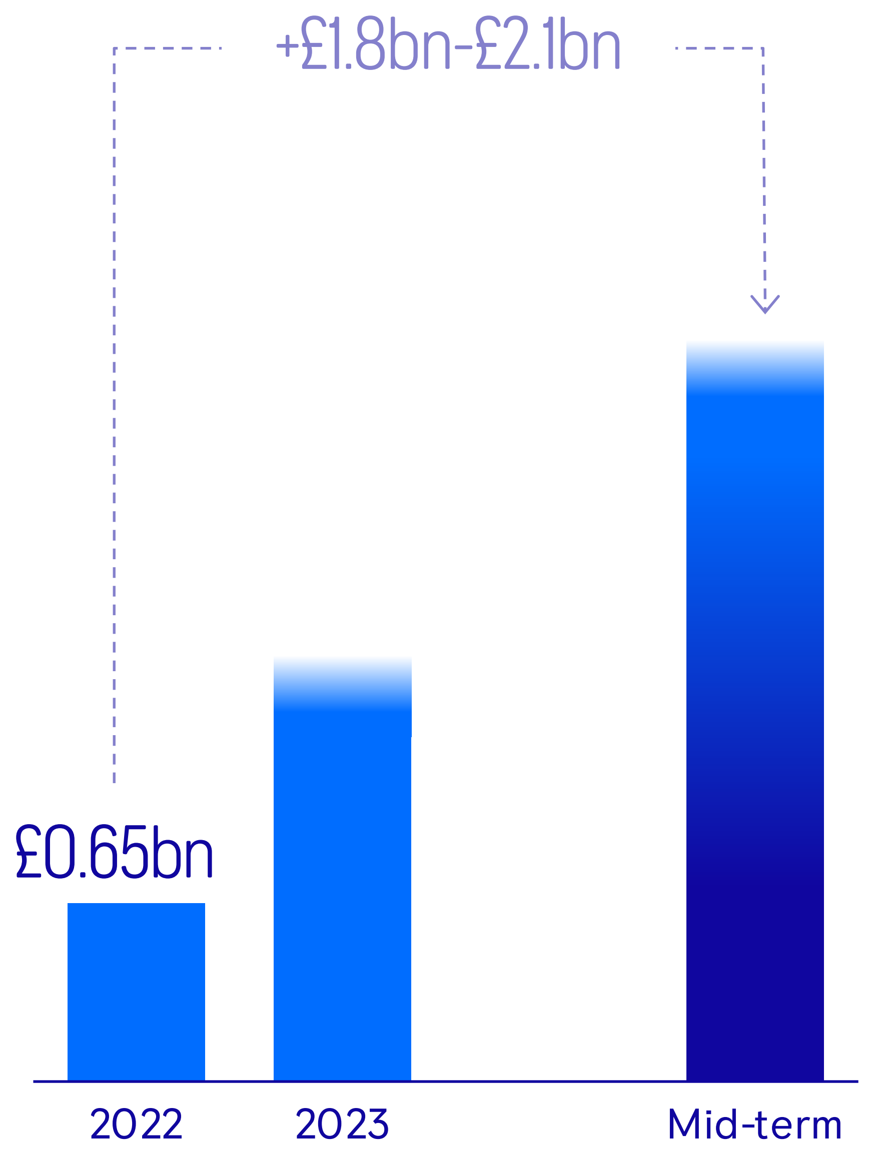
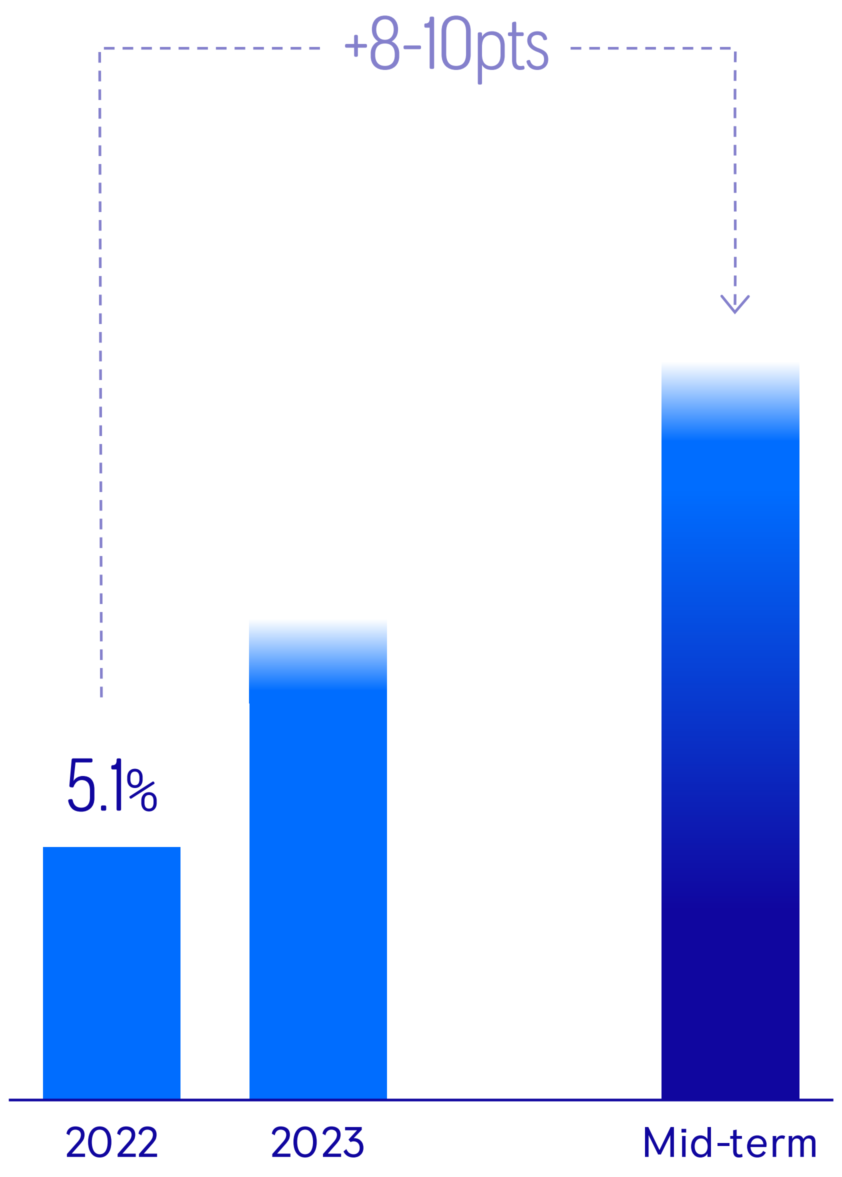
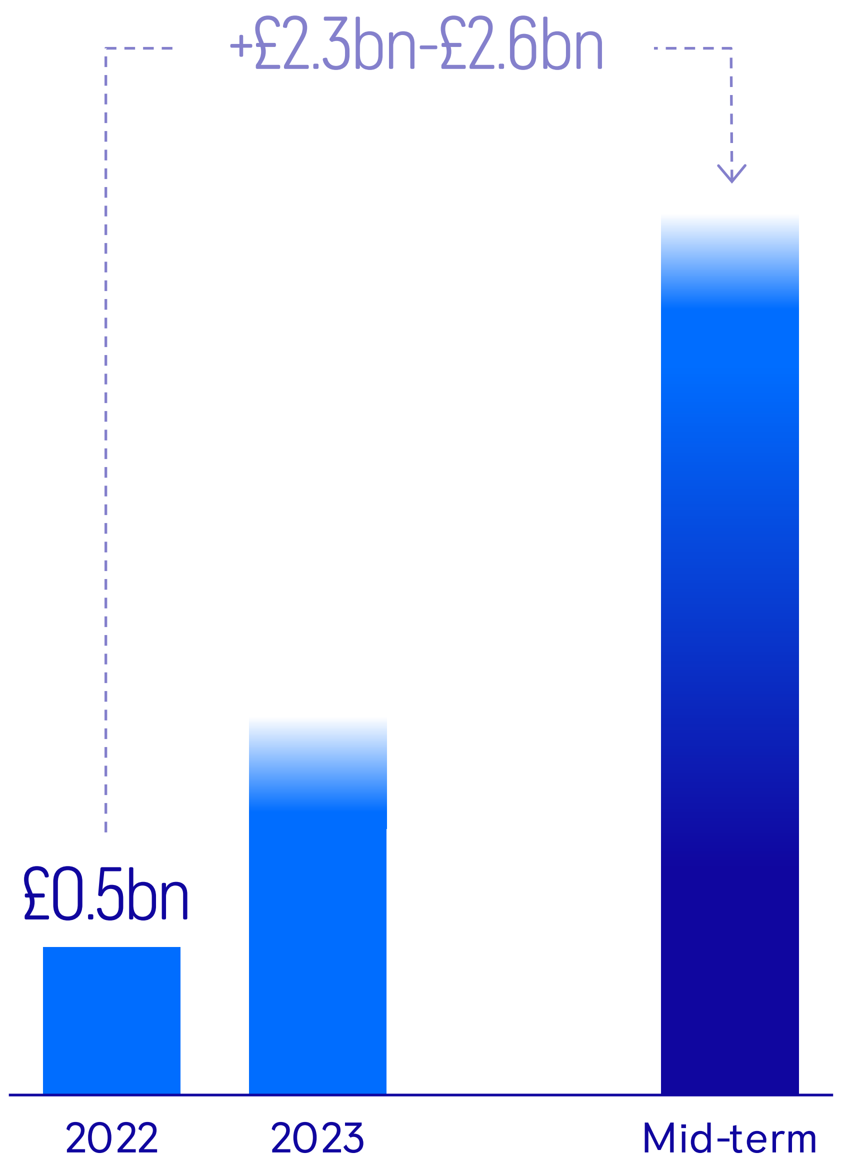
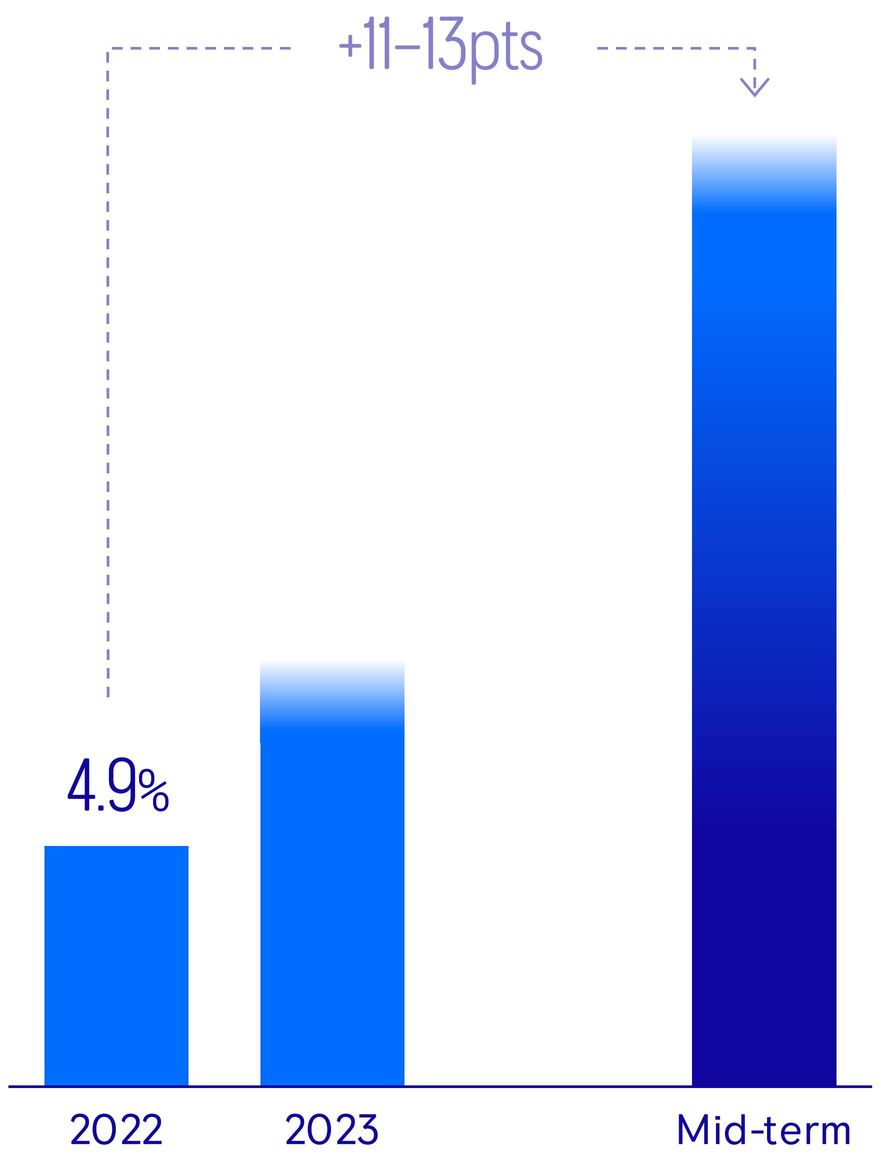
Operating profit	Operating margin	Free cash flow	Return on capital
£2.5bn-£2.8bn	13-15%	£2.8bn-£3.1bn	16-18%







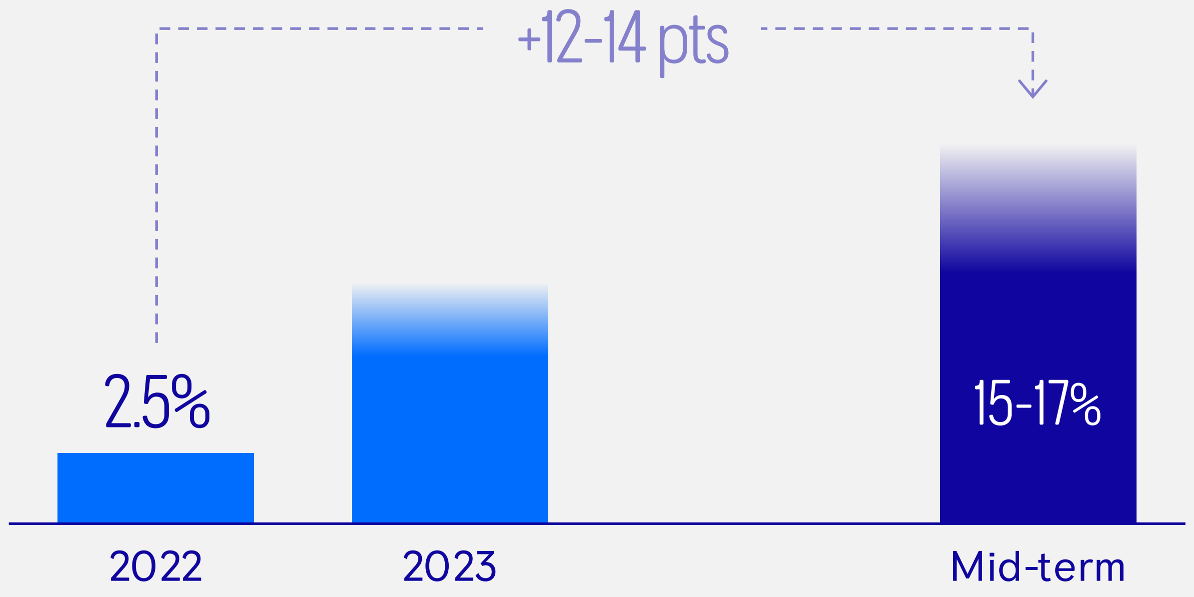


CAPTURING PERFORMANCE IMPROVEMENT OPPORTUNITIES

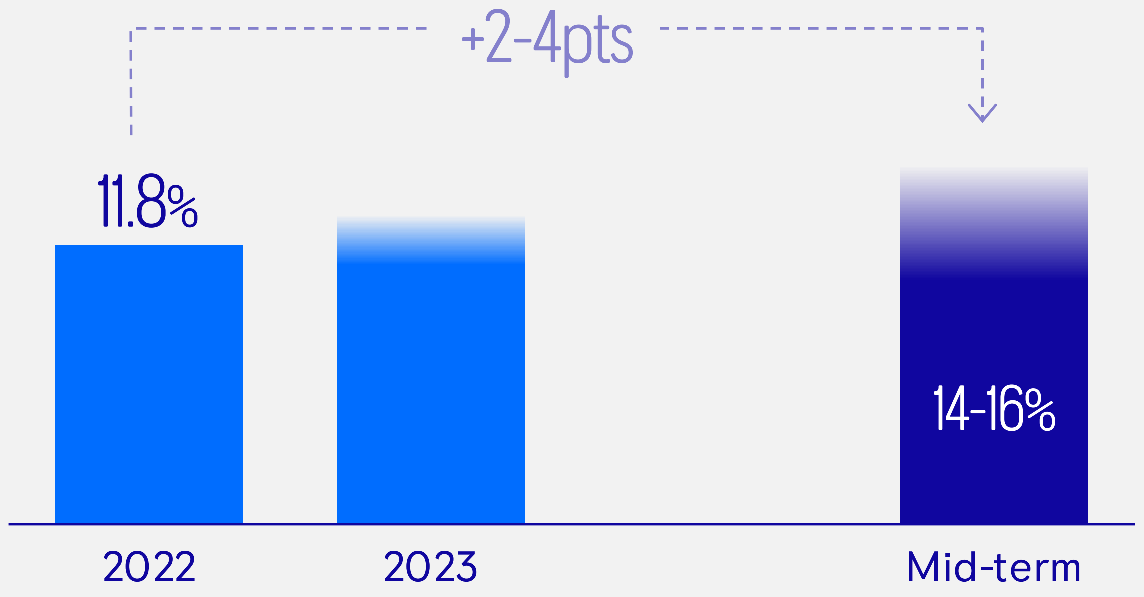
Divisional mid-term targets

Divisional operating margin, %

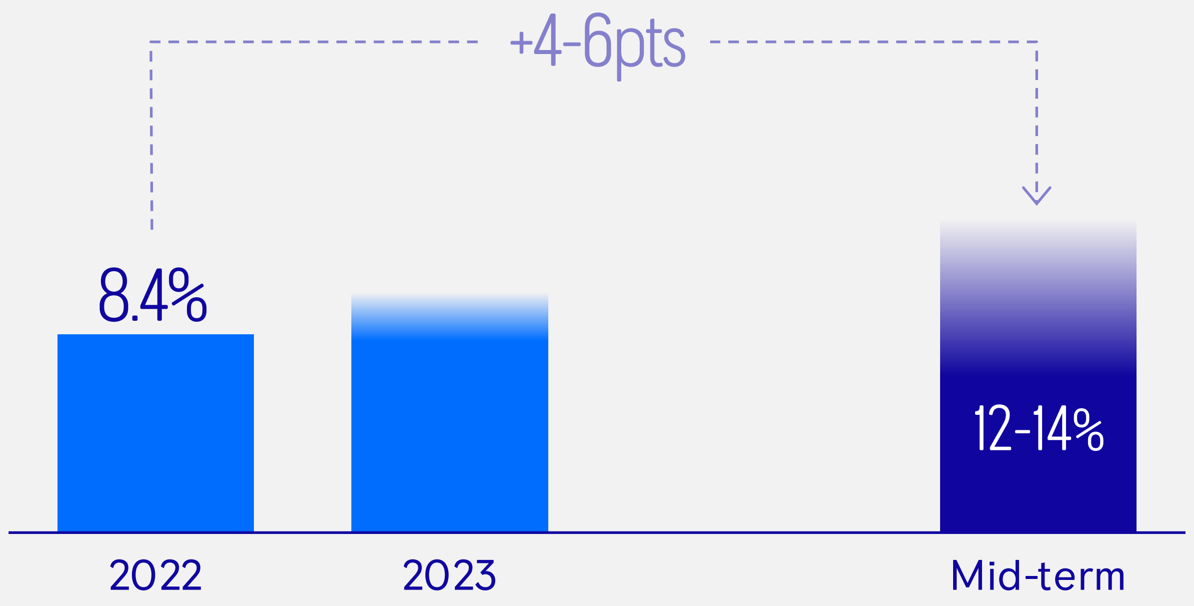
CIVIL AEROSPACE



DEFENCE



POWER SYSTEMS



1. PORTFOLIO CHOICES & PARTNERSHIPS

Focused and granular approach

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	Key investment areas for performance and growth	Partnerships	Exits

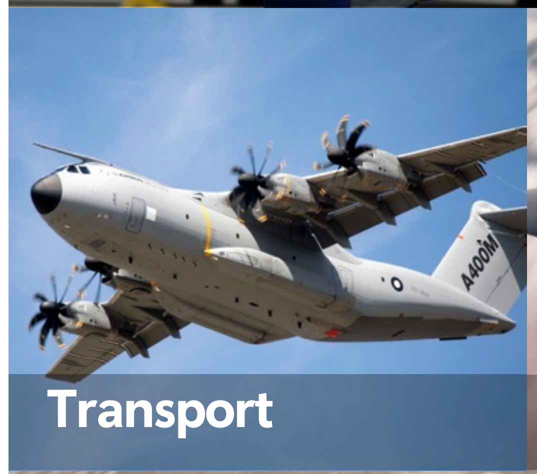
CIVIL AEROSPACE


Business Aviation


Widebody

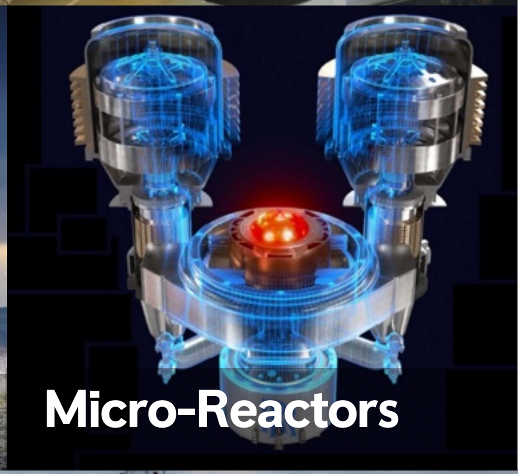

Narrowbody

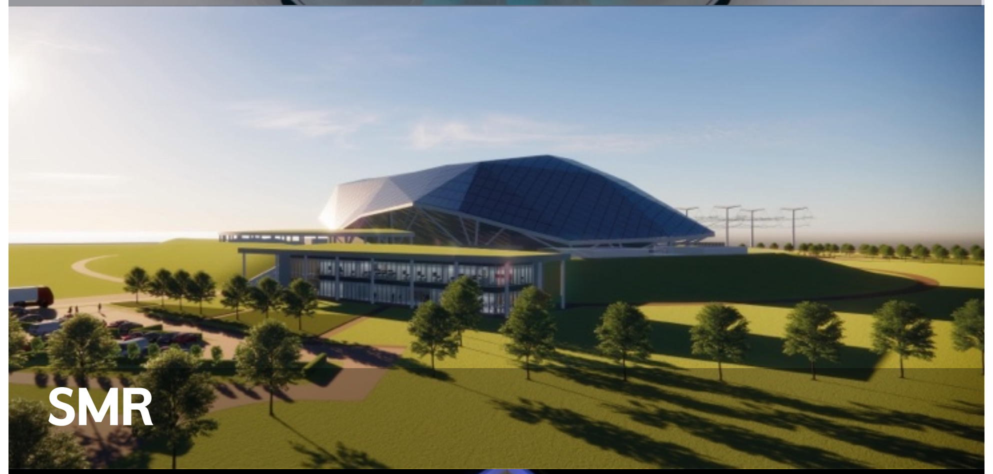
DEFENCE


Transport

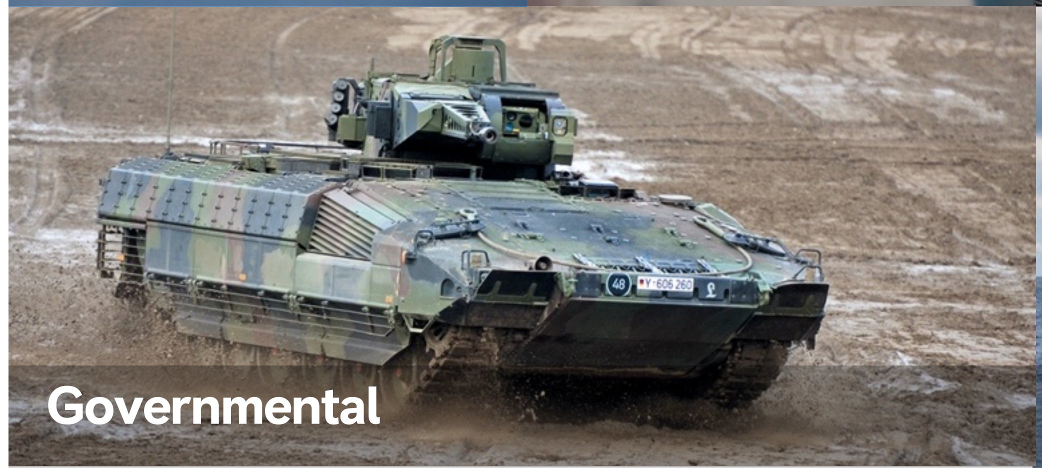

Combat


Submarines


Micro-Reactors


SMR

POWER SYSTEMS


Governmental


Marine


Power Generation & Battery Storage

Exits

Focused on

- Non-core businesses
- Valued higher outside portfolio


Electrical – Advanced Air Mobility

£1.0bn-£1.5bn

Gross disposal proceeds across all divisions

2. ADVANTAGED BUSINESSES & STRATEGIC INITIATIVES

Positioned in attractive and growing markets

2022-2030 annual market growth rates[1]

COMMERCIAL AVIATION

3-5%
Business Aviation

5-7%
Widebody

DEFENCE

0-2%
Combat & Transport

UK & AUKUS
Submarines

POWER SYSTEMS

5-7%
Power Generation

4-6%
Mobile Application [2]

1. 2022-2030 Growth Rate assumptions - Commercial Aviation market growth rates based on volumes | Widebody growth based on estimated increase in aircraft in service, Business Aviation growth based on estimated increased deliveries of Ultra and Very Long Range aircraft. Defence and Power Systems growth rates are value based | Estimated based on growth in revenue of Original Equipment and Services in Defence and Power Systems sub-segments. | 2. Power Systems mobile application includes Governmental, Marine and Industrial

2. ADVANTAGED BUSINESSES & STRATEGIC INITIATIVES

Sustainably expanding earnings potential

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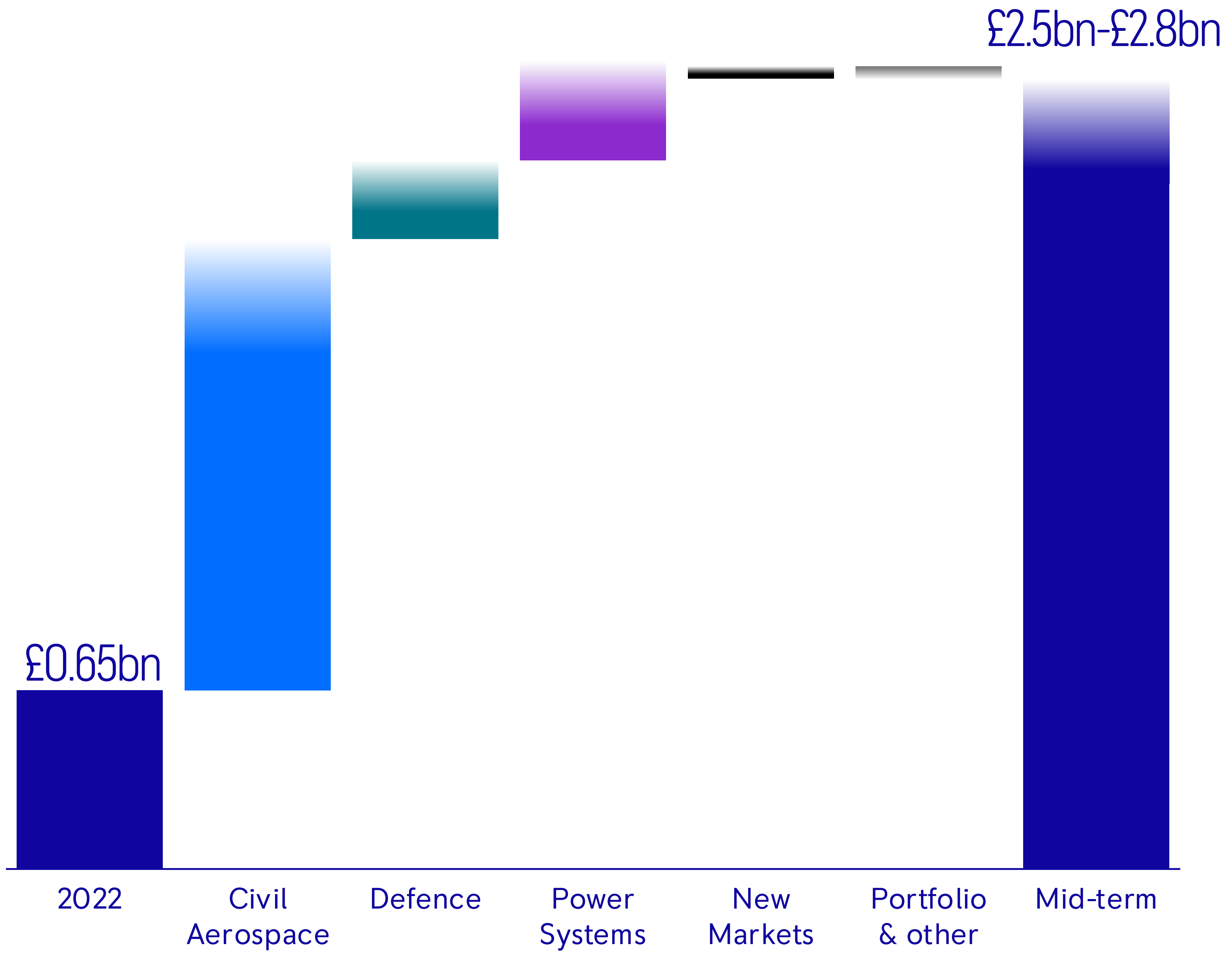
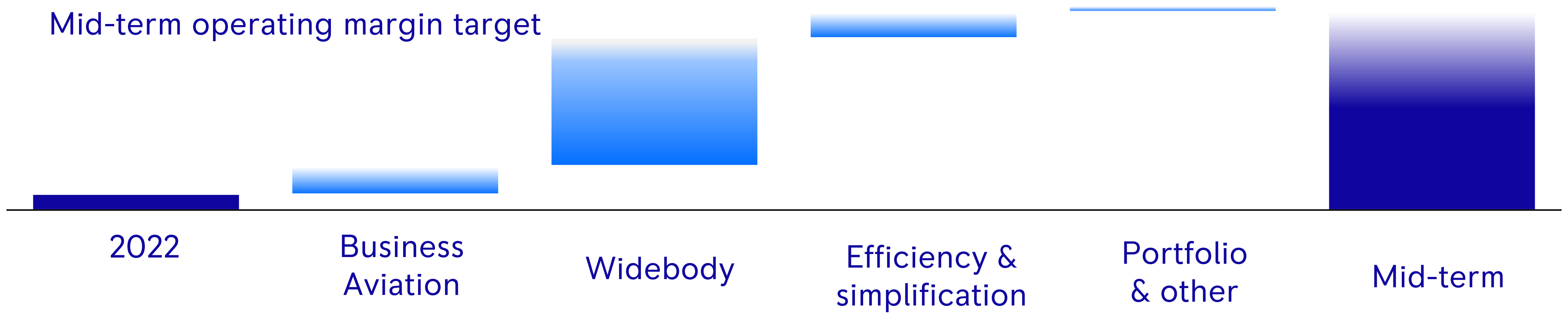
Group operating profit improvement



Strategic initiatives driving margin improvements

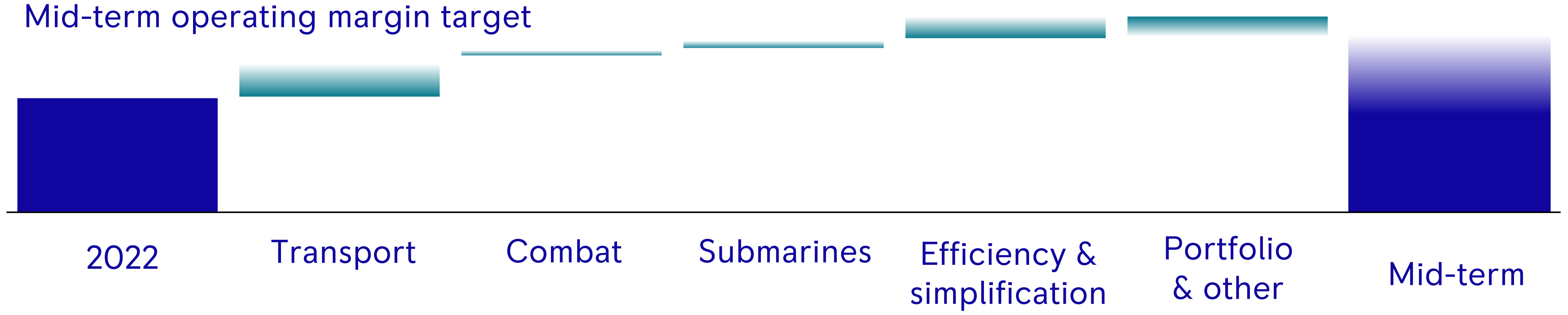
CIVIL AEROSPACE 15-17%

Mid-term operating margin target



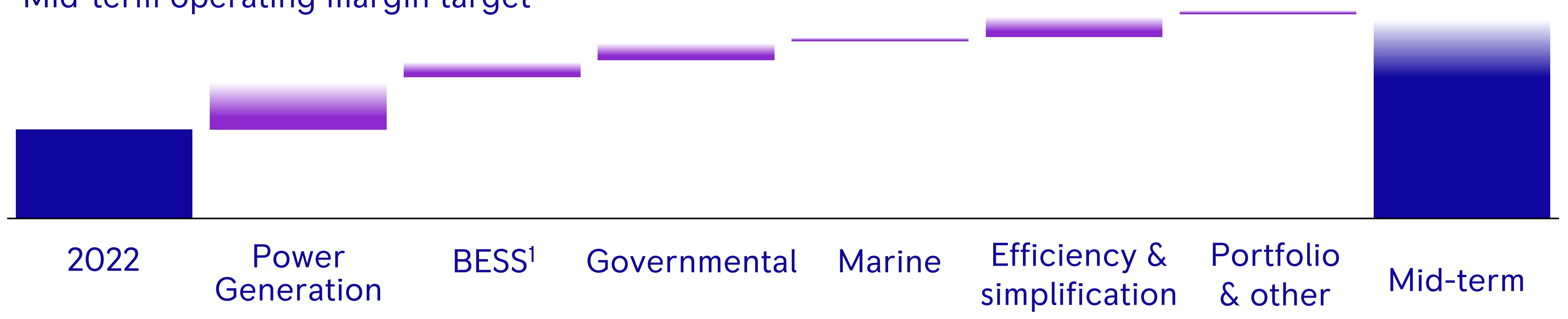
DEFENCE 14-16%

Mid-term operating margin target



POWER SYSTEMS 12-14%

Mid-term operating margin target



1. Battery Energy Storage Solutions

3. EFFICIENCY & SIMPLIFICATION

Sustainable cost efficiency to improve competitiveness and resilience

Key drivers

Right-sizing the organisation

- Reduction of 2,000-2,500 roles proposed worldwide
- Focus on efficiency, simplification and enterprise-wide synergies to create a more agile business
- £200m annual benefits

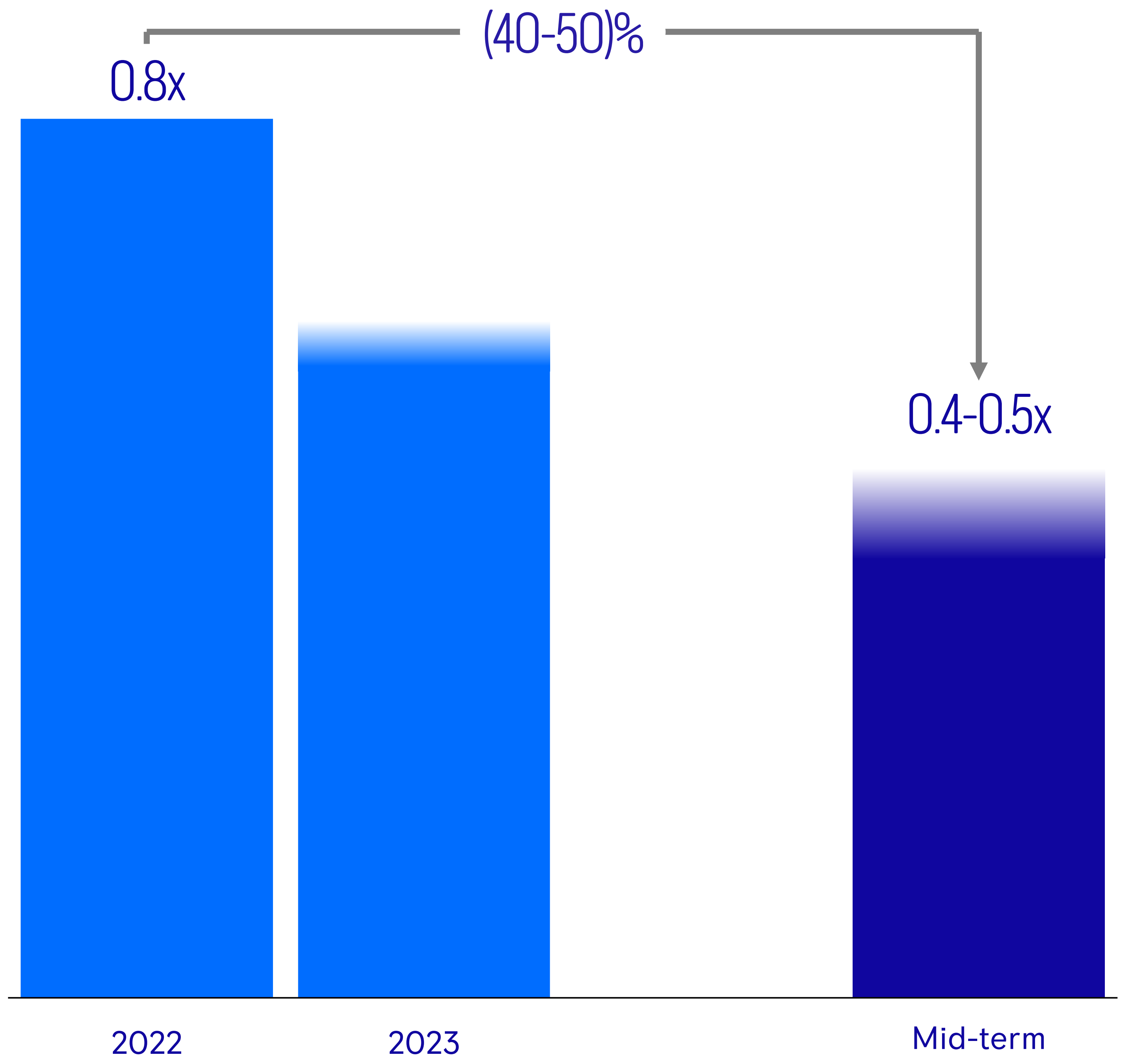
Procurement Excellence

- ~£1bn procurement interventions
- Consolidation of Group spend, leverage scale and develop consistent best-in-class standards

Zero-based budgeting

- 10-15% reduction in targeted areas

Total Cash Cost / Gross Margin (TCC/GM)



4. LOWER CARBON & DIGITALLY ENABLED BUSINESSES

Transition to lower carbon, supporting our customers on their journey to net zero

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- Committed to 2050 net zero ambition
- All in-production commercial aero engines 100% SAF compatible
- Foundations in place for lower carbon transition

AEROSPACE AND DEFENCE

ENGINE EFFICIENCY

SUSTAINABLE AVIATION FUEL

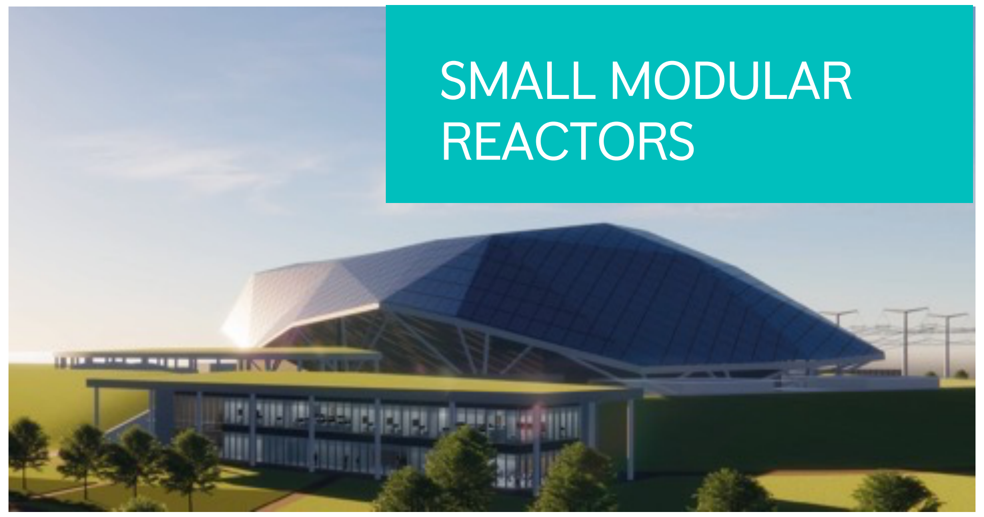
POWER SYSTEMS

ALTERNATIVE FUELS AND HYBRID

BATTERY ENERGY STORAGE SOLUTIONS

NUCLEAR

SMALL MODULAR REACTORS

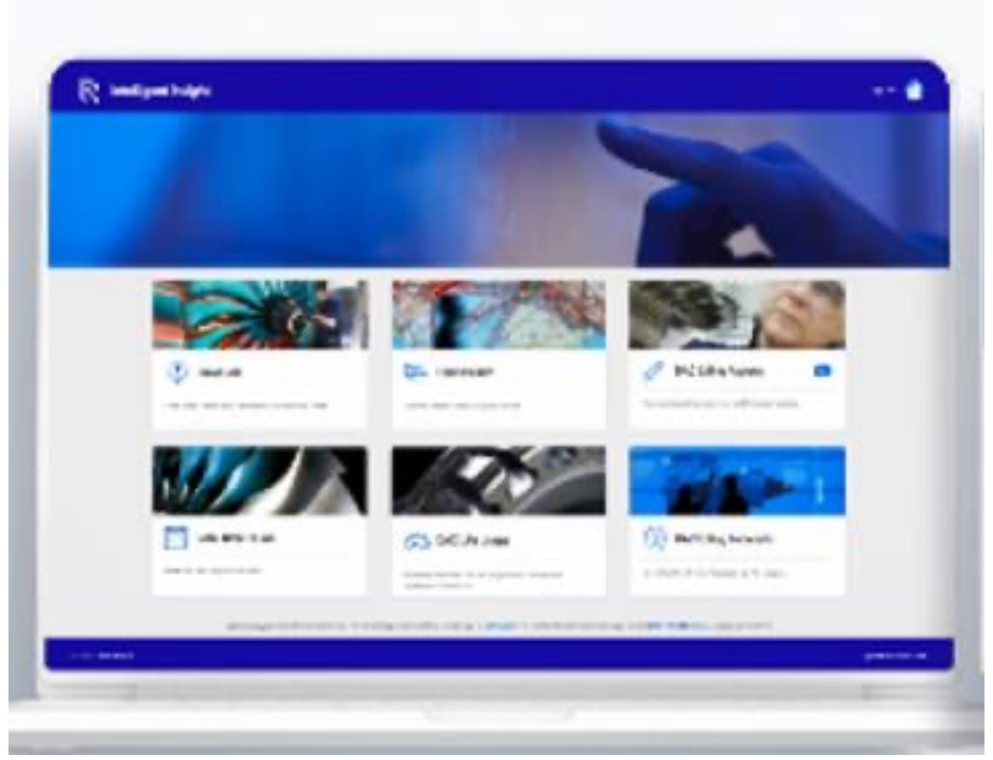


MICRO-REACTORS

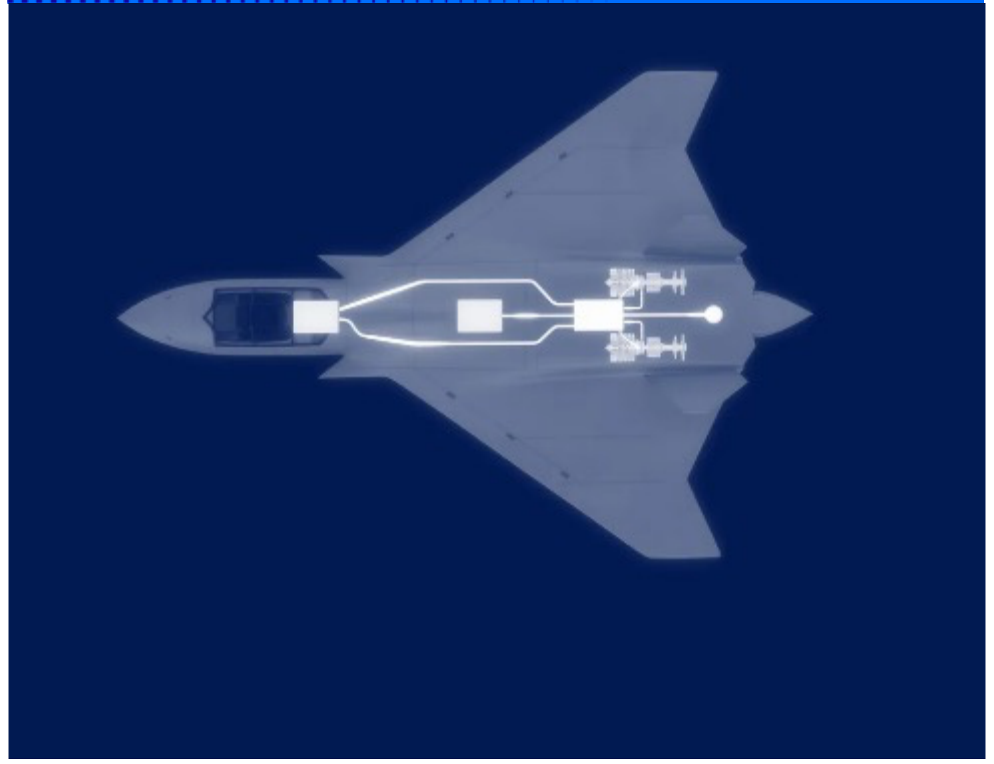
4. LOWER CARBON & DIGITALLY ENABLED BUSINESSES

Differentiated customer experience and greater operational efficiency

CUSTOMER
Differentiated service and experience



DESIGN
Digitally-integrated design, build and operate



MANUFACTURE
Improved operational performance

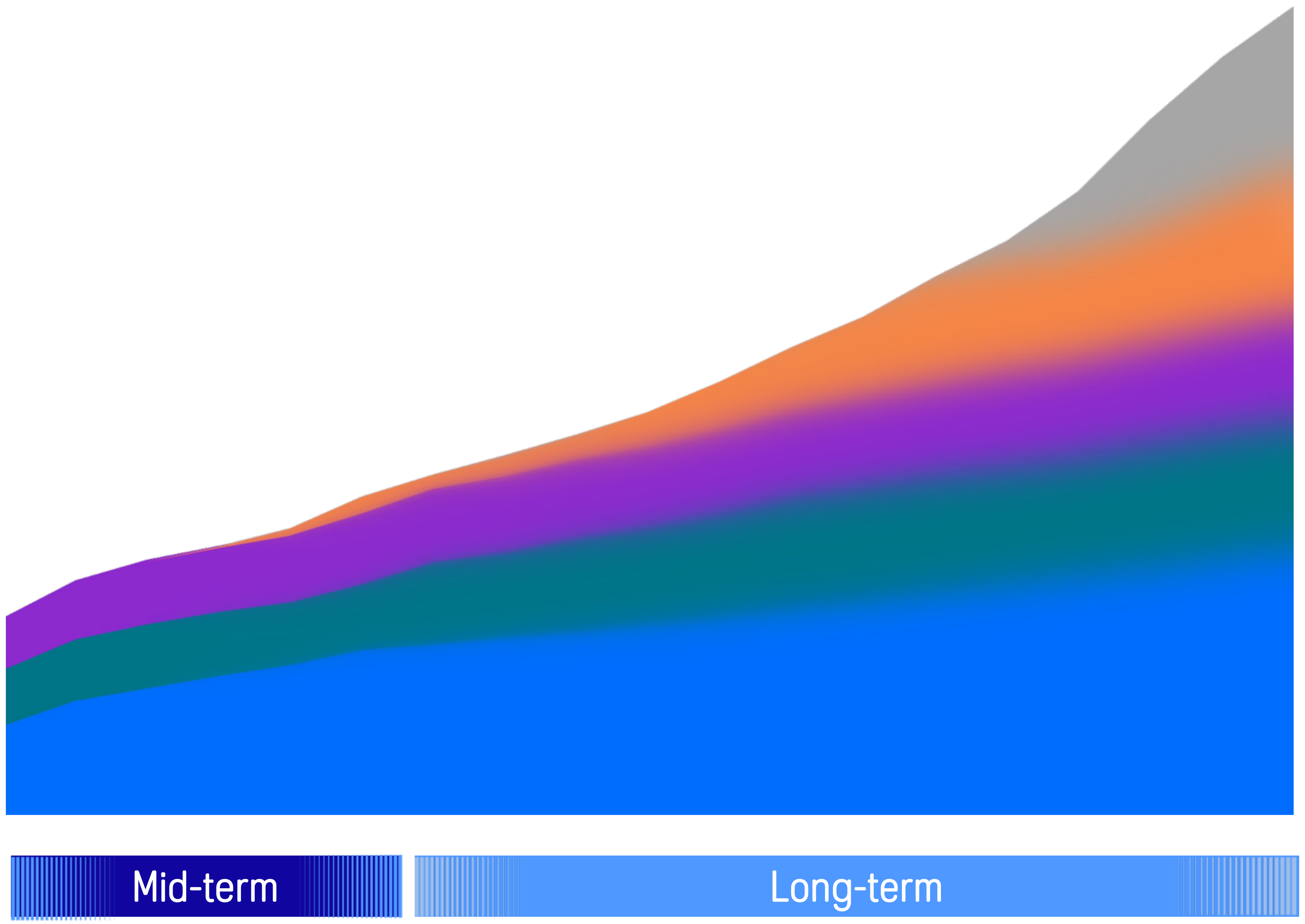
PEOPLE
Digitally connected workforce

Leveraging AI across all businesses and functions

LONG-TERM GROWTH MOMENTUM

Continued material growth opportunities beyond mid-term

Rolls-Royce long-term growth prospects



For illustrative purposes. Not to be used as guidance

New business

Additional upside potential from narrowbody and nuclear micro-reactors

SMR

Poised to play major role in the civil nuclear market

Power Systems

Grow in line with markets and above GDP with competitive product portfolio

Defence

Significant benefits of recent wins, such as B-52, FLRAA, AUKUS and GCAP

Civil Aerospace

Continue to lead in Business Aviation, Widebody Engines growing above GDP and ready for the next generation platform

KEY MESSAGES

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Portfolio choices & partnerships

Efficiency & simplification

Advantaged businesses & strategic initiatives

Lower carbon & digitally enabled businesses

£2.5bn-£2.8bn
Operating profit

£2.8bn-£3.1bn
Free Cash Flow

13-15%
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Return on capital