

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.



CMD
RR 23

TUFAN ERGINBILGIC

Chief Executive Officer



MEET THE TEAM

Deep experience and fresh perspectives

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



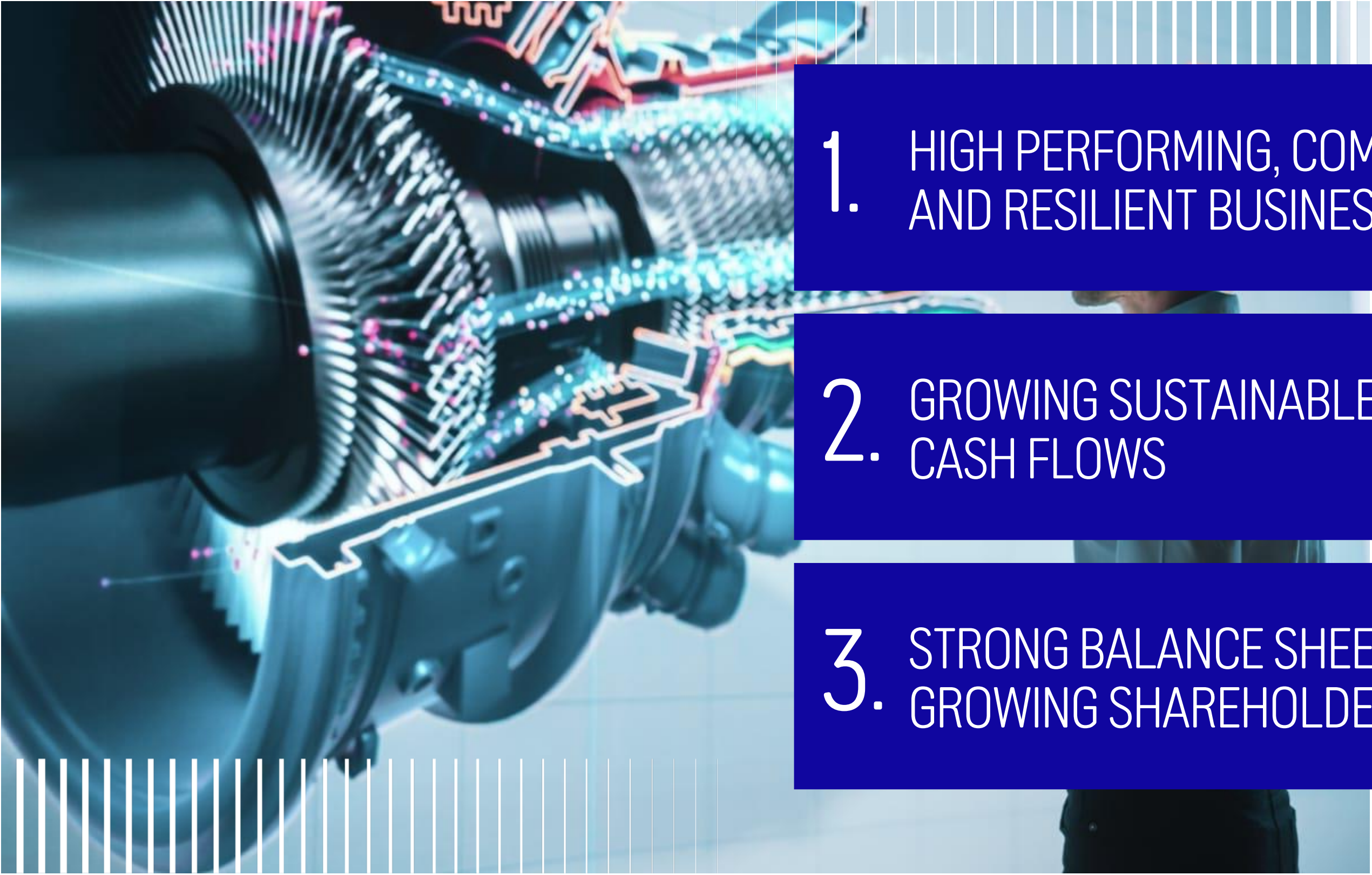
Mark Gregory
General Counsel



AGENDA

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

...TRANSFORMING INTO...

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

- **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

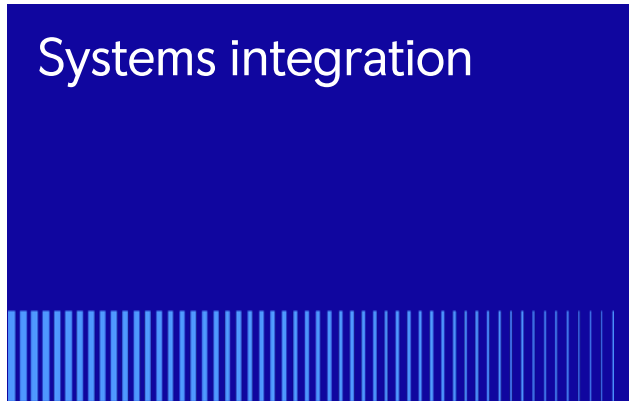
PEOPLE

TECHNOLOGY

DIFFERENTIATED AND ADVANTAGED TECHNOLOGIES

Advantaged technologies

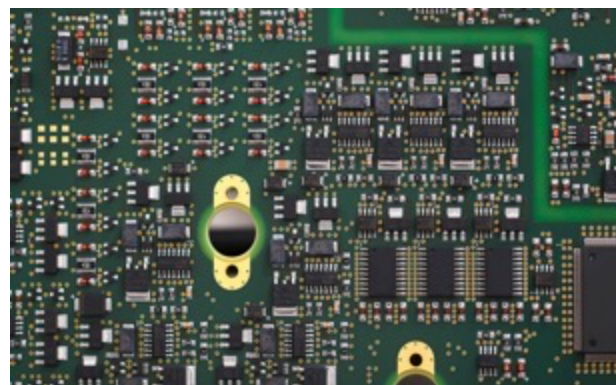
Systems integration

A blue rectangular block with a white horizontal line at the bottom.

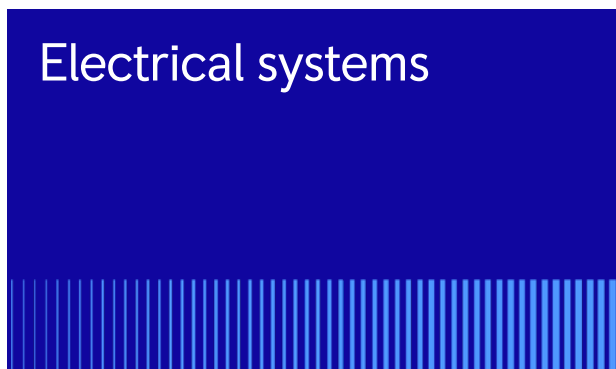
Advanced manufacturing

A blue rectangular block with a white horizontal line at the bottom.

Control systems

A blue rectangular block with a white horizontal line at the bottom.

Electrical systems

A blue rectangular block with a white horizontal line at the bottom.

UltraFan

Leading technologies for next generation aircraft

A large photograph of a white UltraFan engine core, showing the fan and compressor sections, with two people standing in front for scale.

Nuclear

Trusted and proven reactor design

A photograph of a submarine on the surface of the water.

Vertically integrated

A photograph of a welding process, showing sparks and a bright light.

Next generation technology

A photograph of a nuclear reactor building at night, with a small aircraft visible in the foreground.

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

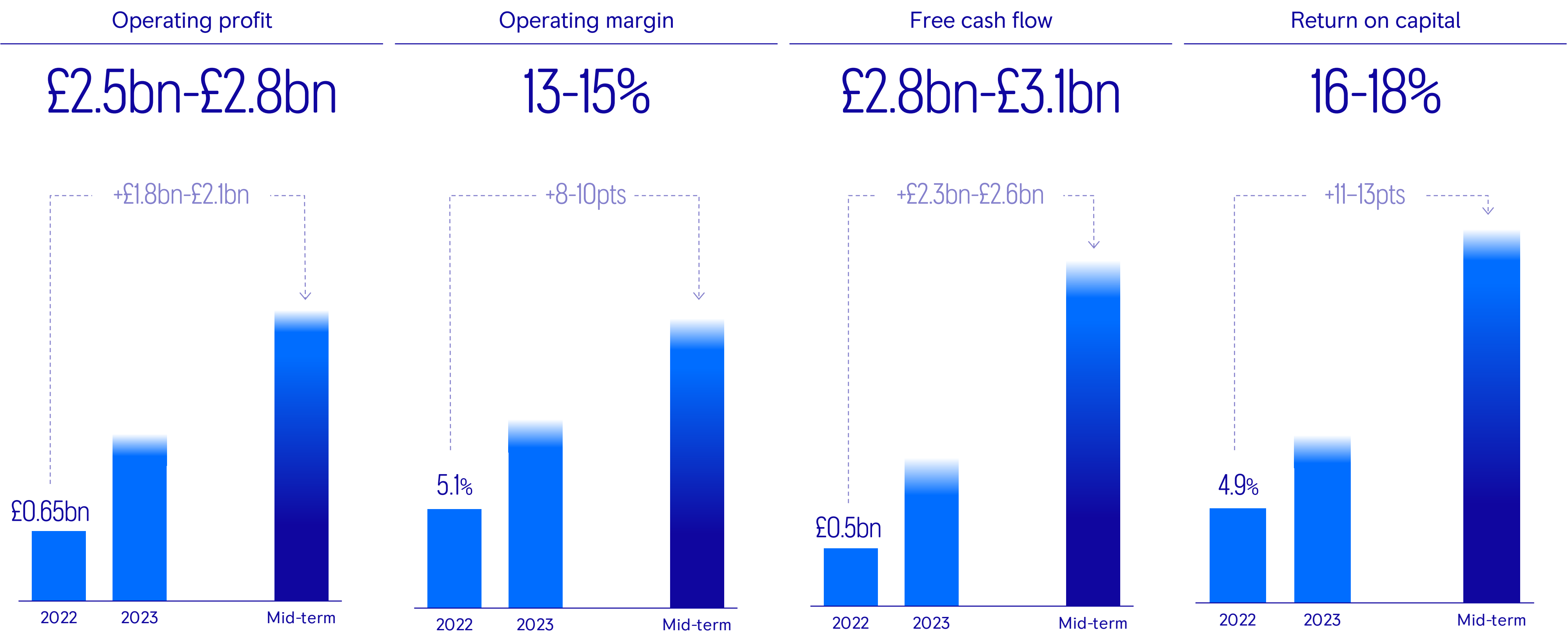
Sustainable cash flow

Resilient

Return on capital

CAPTURING PERFORMANCE IMPROVEMENT OPPORTUNITIES

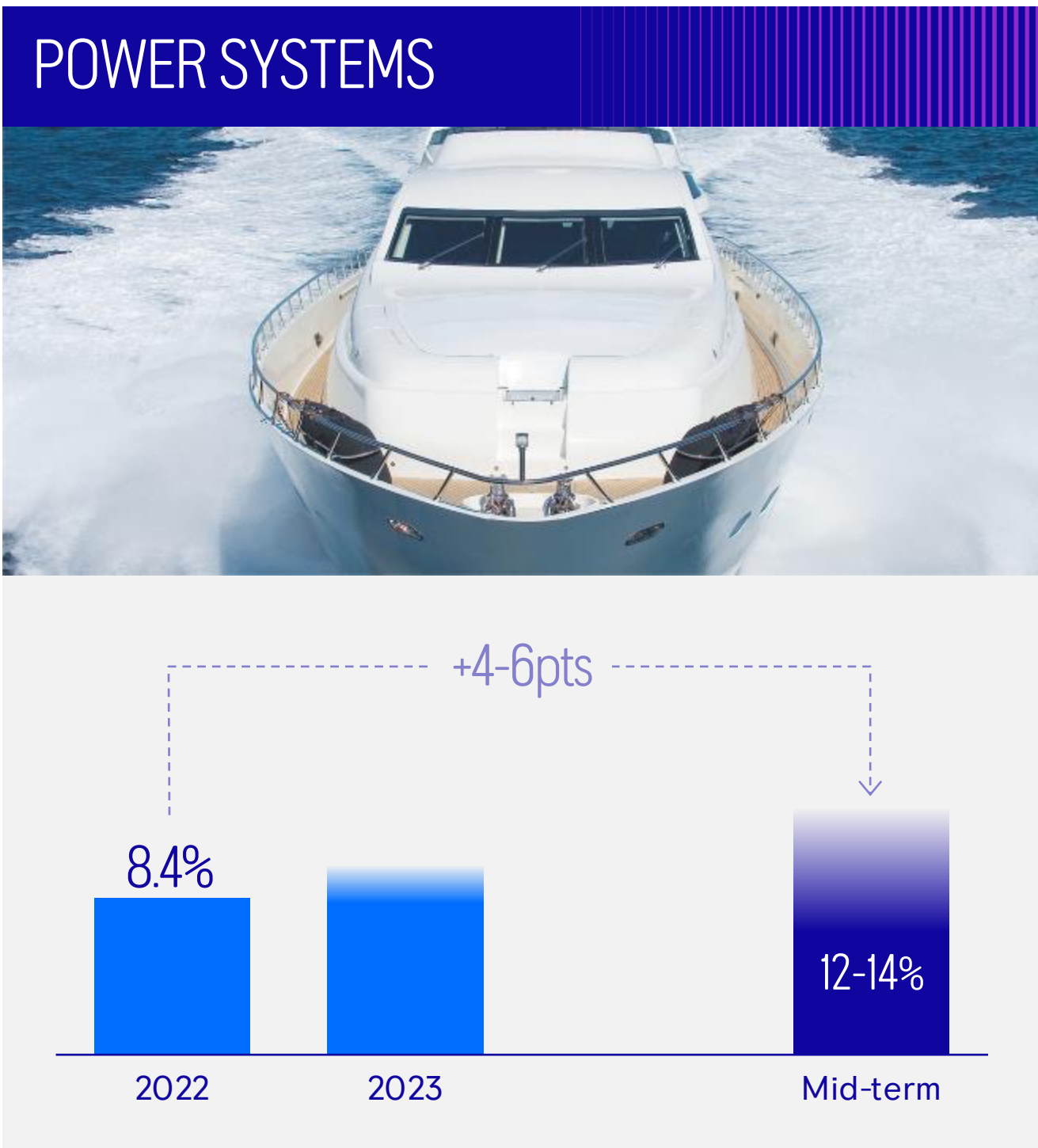
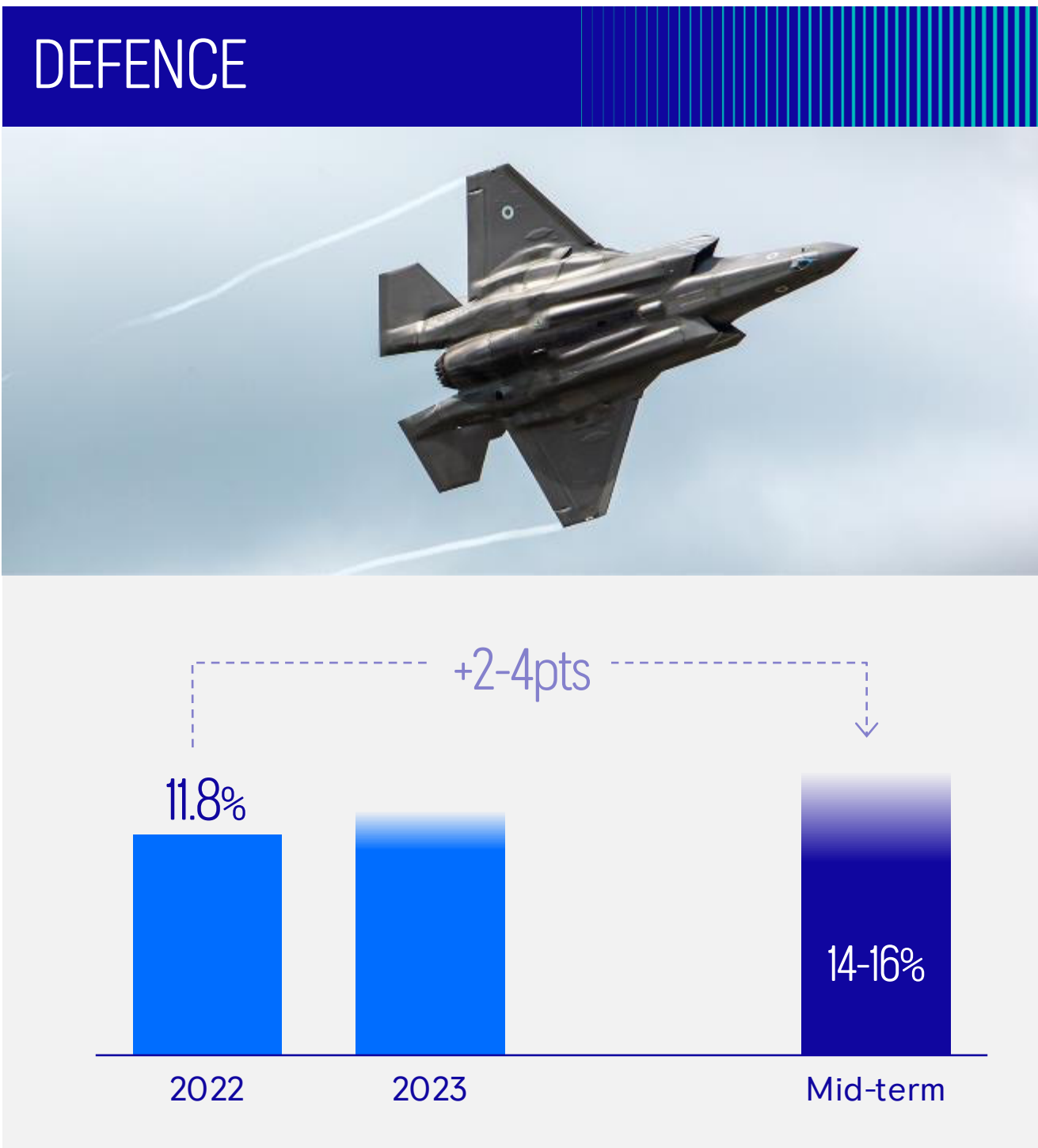
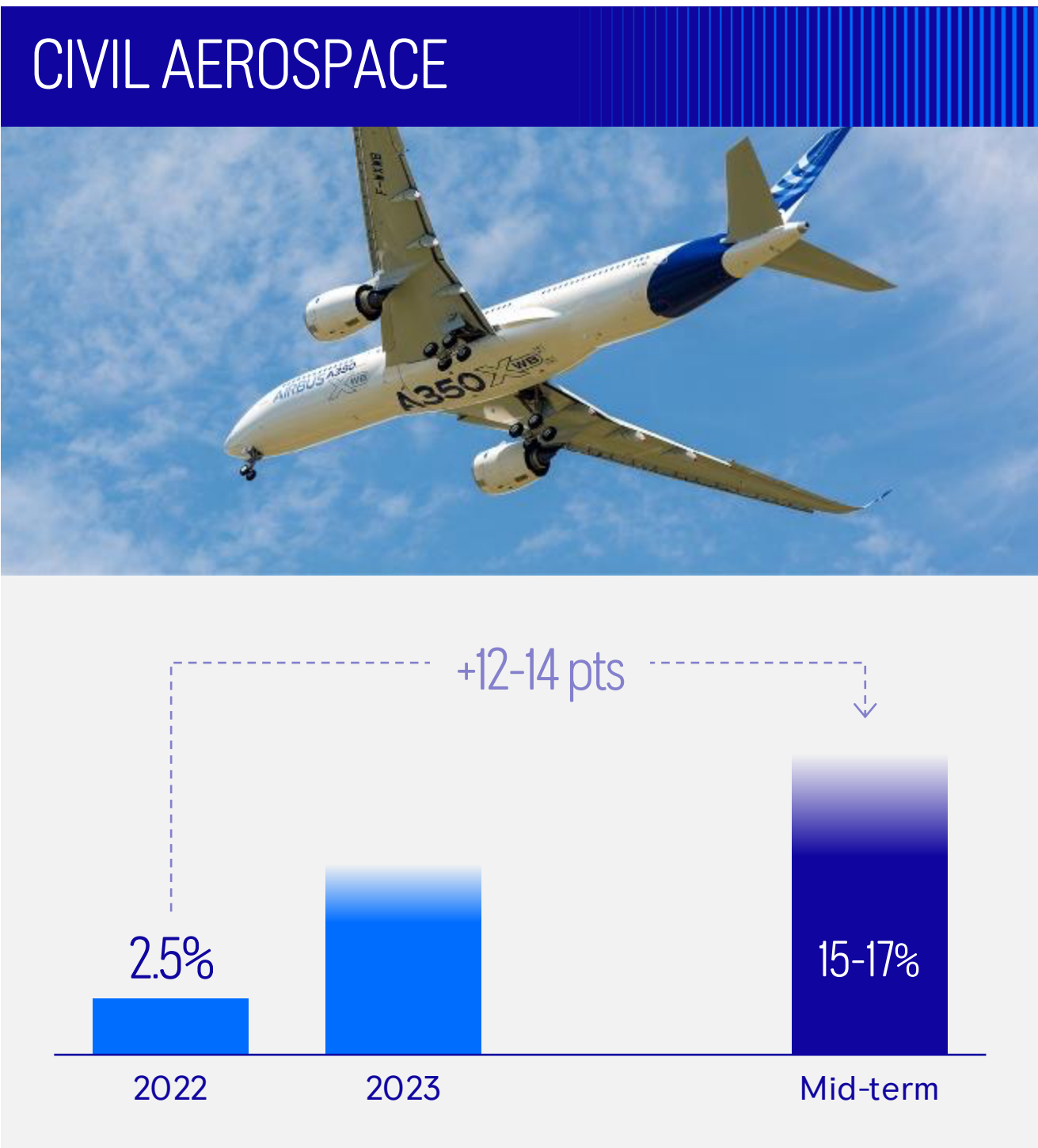
Group mid-term targets



CAPTURING PERFORMANCE IMPROVEMENT OPPORTUNITIES

Divisional mid-term targets

Divisional operating margin, %



1. PORTFOLIO CHOICES & PARTNERSHIPS

Focused and granular approach

Key investment areas for performance and growth

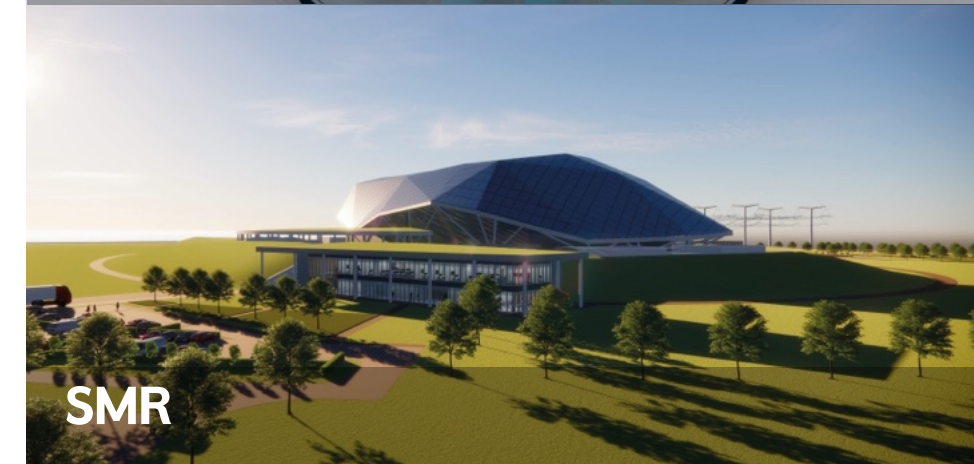
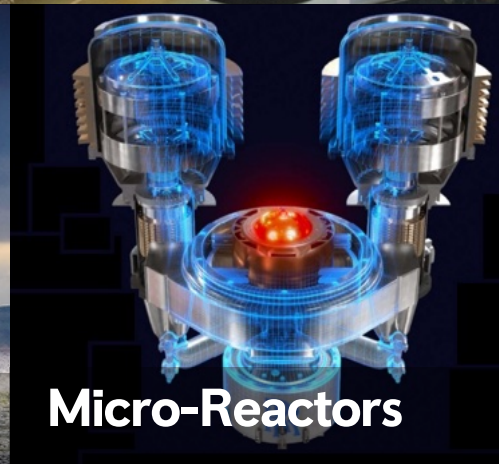
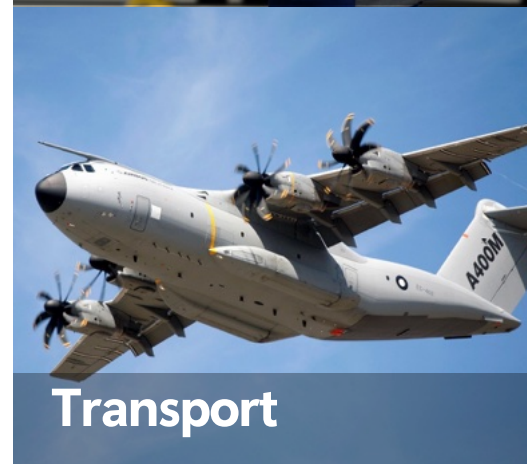
Partnerships

Exits

CIVIL AEROSPACE



DEFENCE

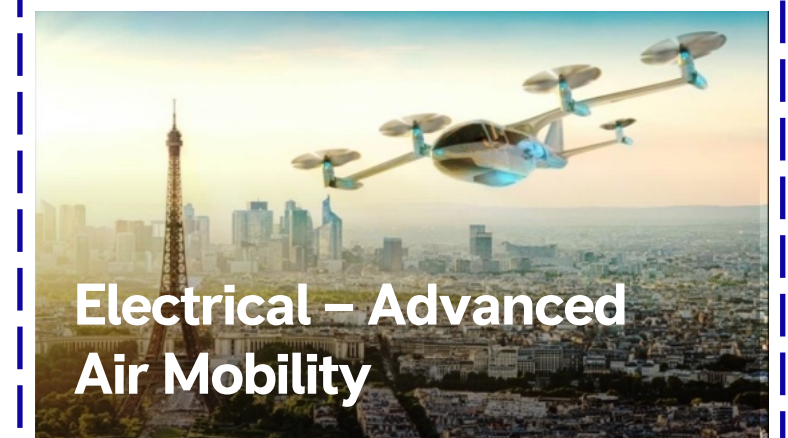


POWER SYSTEMS



Focused on

- Non-core businesses
- Valued higher outside portfolio



£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 rates¹

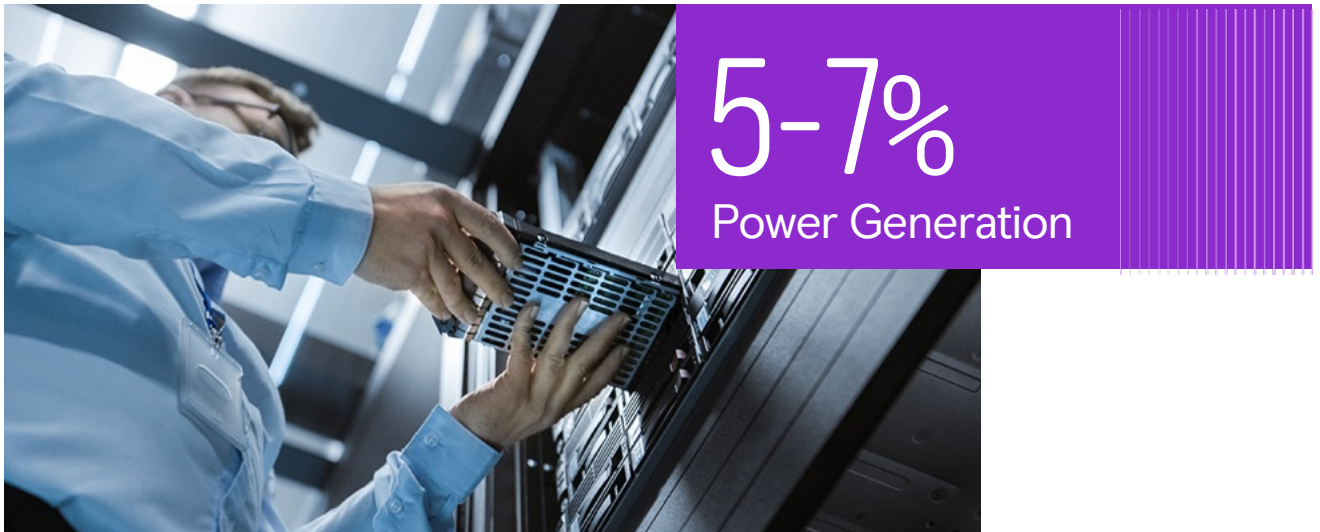
COMMERCIAL AVIATION



DEFENCE



POWER SYSTEMS

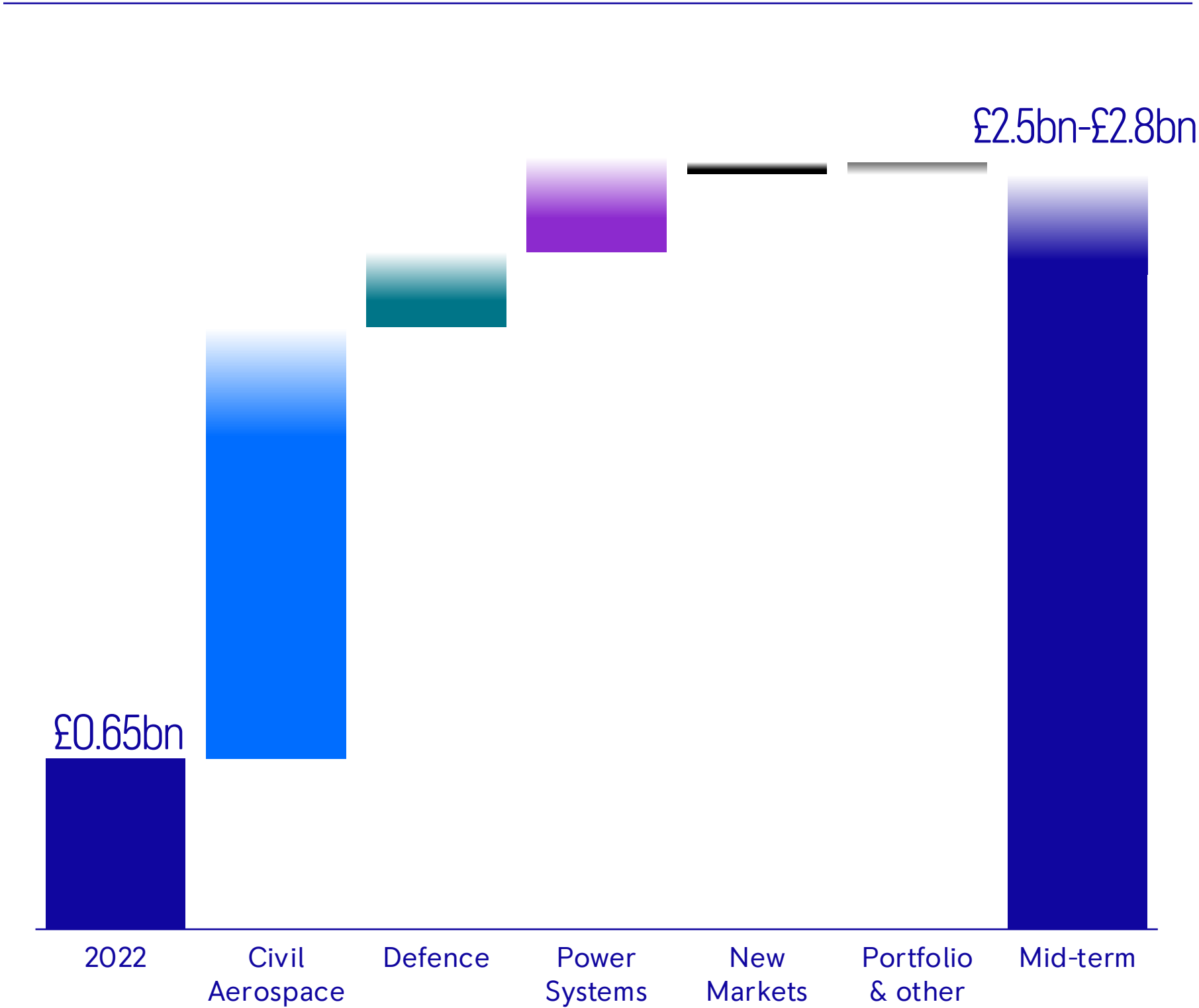


1. 2022-2030 Growth Rate assumptions - Commercial Aviation market growth rates based on volumes | Widebody growth based on estimated increase in aircraft in service, Business Aviation growth based on estimated increased deliveries of Ultra and Very Long Range aircraft. Defence and Power Systems growth 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

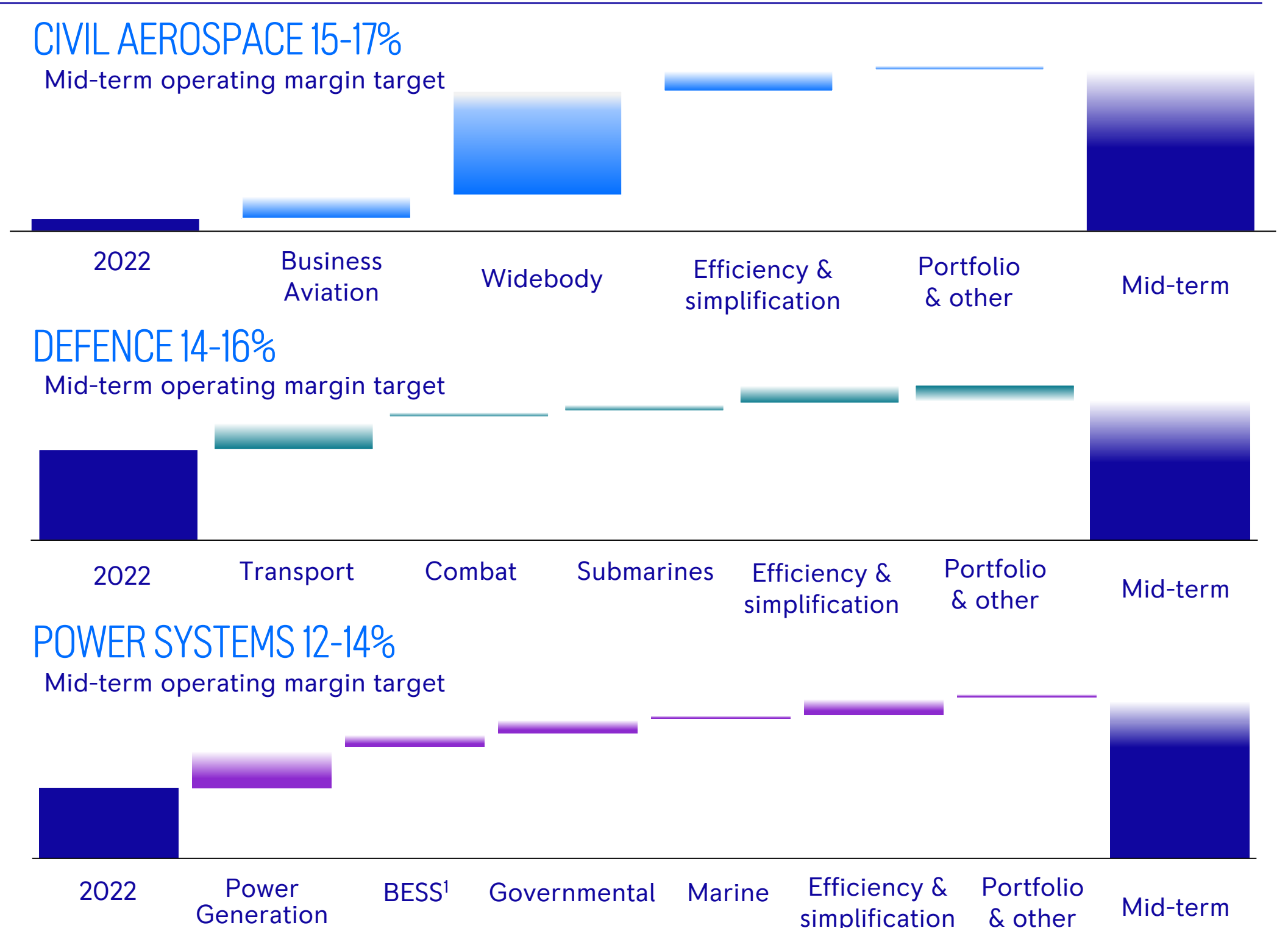
2. ADVANTAGED BUSINESSES & STRATEGIC INITIATIVES

Sustainably expanding earnings potential

Group operating profit improvement



Strategic initiatives driving margin improvements



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

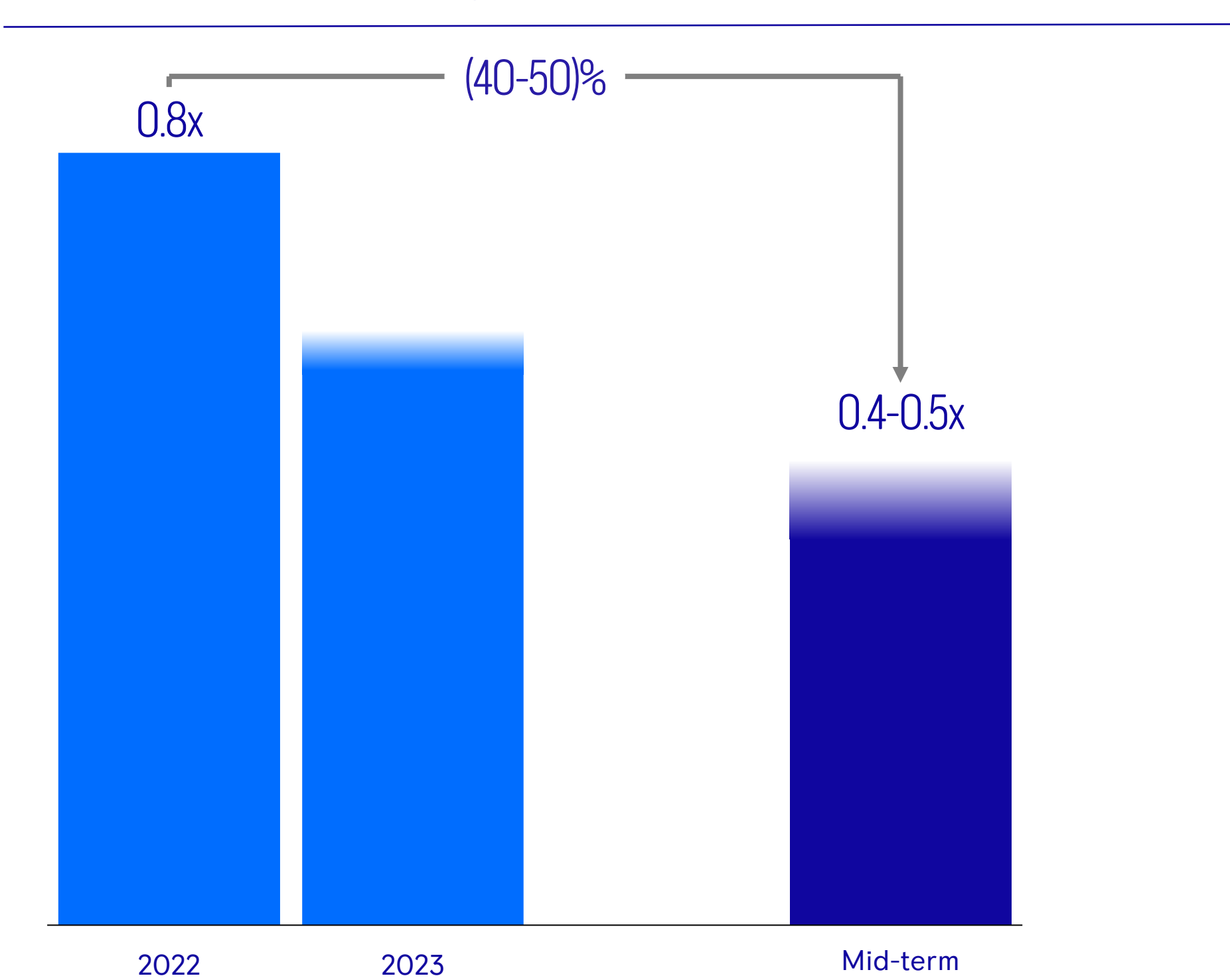
Procurement Excellence

- ~£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

- 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

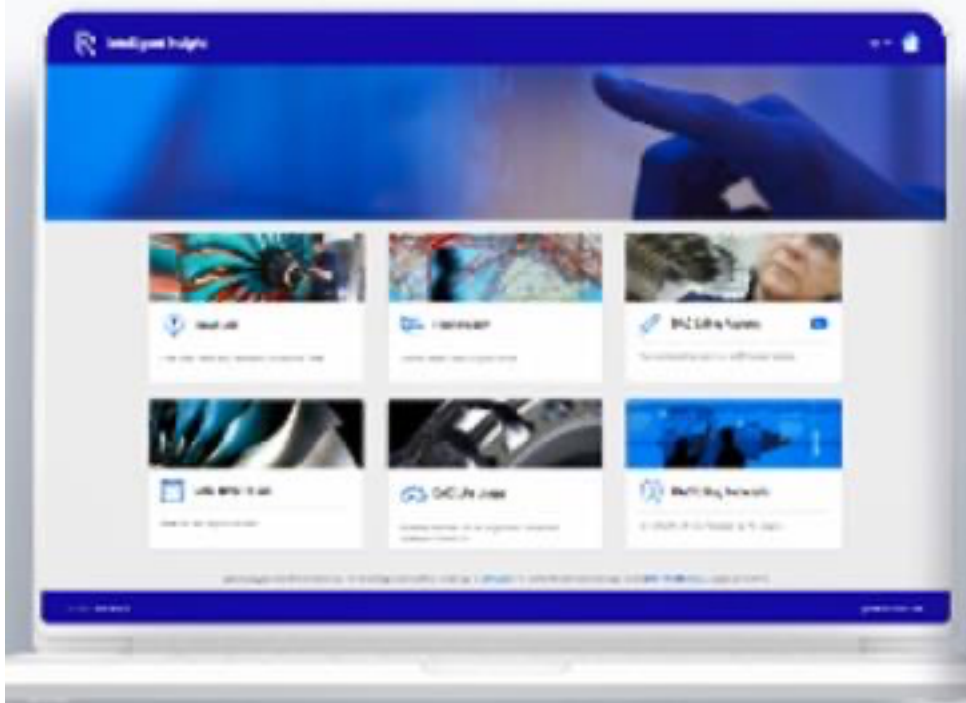
MICRO-REACTORS

4. LOWER CARBON & DIGITALLY ENABLED BUSINESSES

Differentiated customer experience and greater operational efficiency

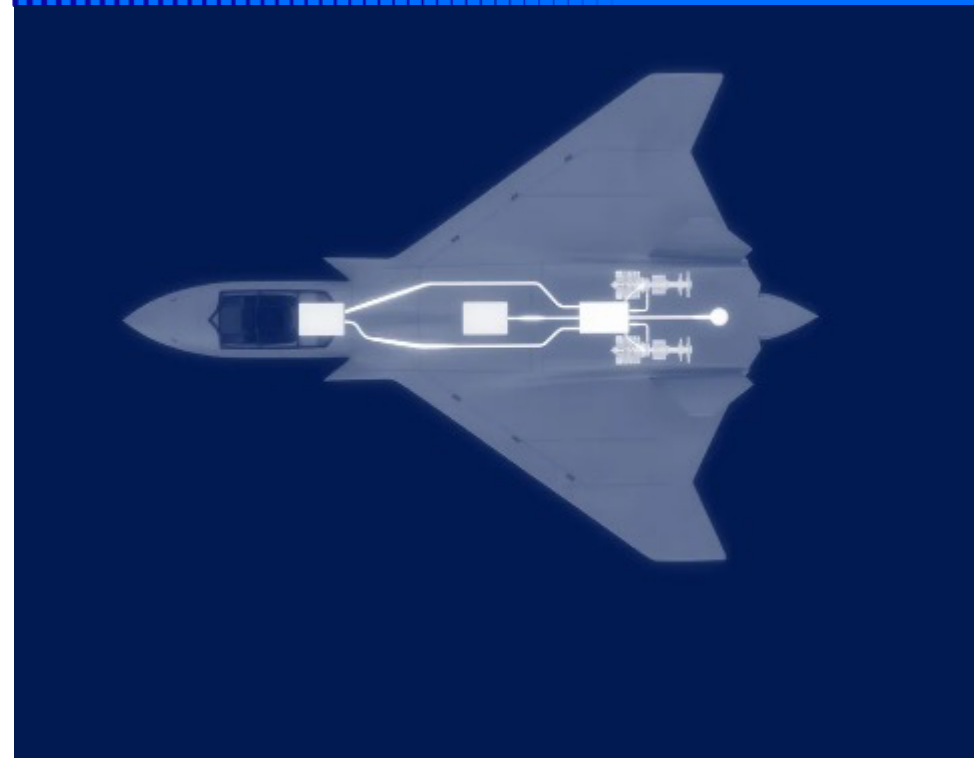
CUSTOMER

Differentiated service and experience



DESIGN

Digitally-integrated design, build and operate



MANUFACTURE

Improved operational performance



PEOPLE

Digitally connected workforce

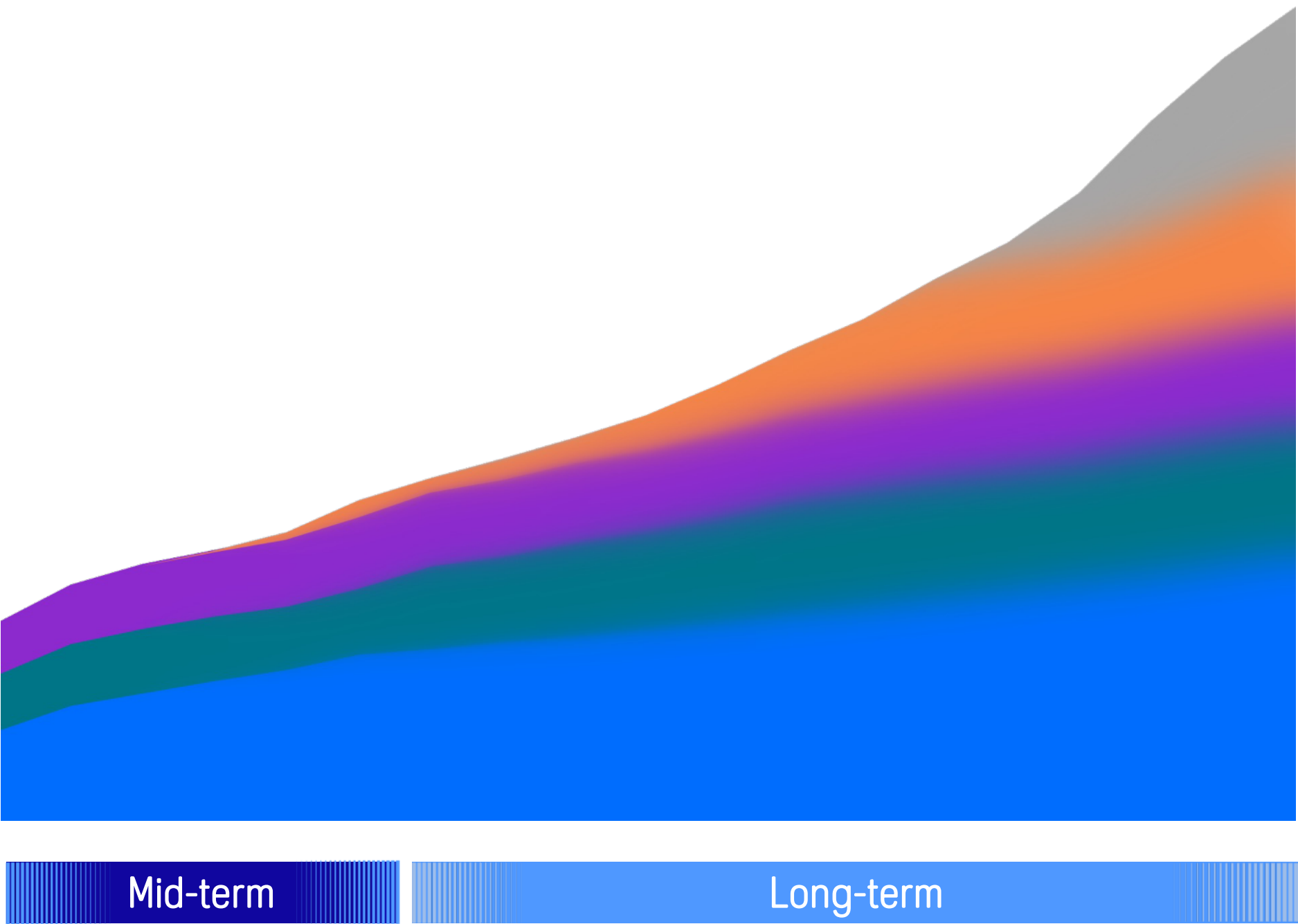


Leveraging AI across all businesses and functions

LONG-TERM GROWTH MOMENTUM

Continued material growth opportunities beyond mid-term

Rolls-Royce long-term growth prospects



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

For illustrative purposes. Not to be used as guidance

KEY MESSAGES

Portfolio choices & partnerships



Efficiency & simplification



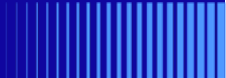
Advantaged businesses & strategic initiatives



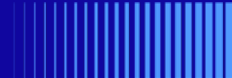
Lower carbon & digitally enabled businesses



£2.5bn-£2.8bn
Operating profit



£2.8bn-£3.1bn
Free Cash Flow



13-15%
Operating margin



16-18%
Return on capital

