



Annual General Meeting

13 May 2021



Sir Ian Davis

Chairman of the Board





Nick Luff



Paul Adams





Sir Ian Davis

Chairman of the Board





Warren East

Chief Executive





Safeguarding our people and business

2020 was a year of unprecedented disruption we focused on **protecting our people and our business**

We also continued to pursue our **long-term commitment to drive innovation in sustainable lower-carbon power solutions**



We focused on protecting our people and our business

Our people

Immediate actions to keep our people safe while serving our customers
Working with our people to deliver necessary restructuring



Our communities

Provided practical assistance to the community; manufacturing PPE, supporting education and working on ventilators



Our investments

Continue to invest in low carbon future technology
Launched the Emergent Alliance – a global community using data analytics to assist recovery





Our FY 2020 performance was severely impacted by the COVID-19 pandemic

We were quick to act, implementing a fundamental restructuring programme to reduce costs Group-wide and consolidate our Civil Aerospace footprint

FY 2020 Results summary

Underlying revenue	Free cash flow	Gross R&D expenditure
£11.8bn	£(4.2)bn	£1.3bn
U/L Operating loss	Net debt	Liquidity
£(2.0)bn	£(1.5)bn	£9.0bn

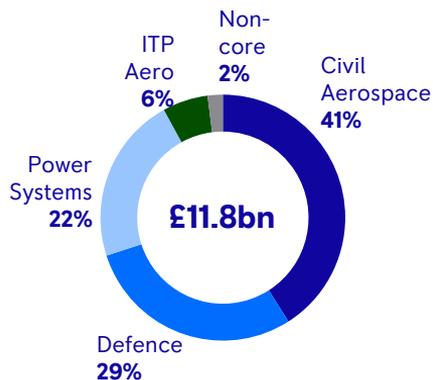
Our actions

- Rapid mitigating actions reduced in-year cash costs by over £1.0bn
- £7.3bn additional liquidity secured, including £2.0bn rights issue
- Major restructuring programme implemented targeting £1.3bn savings
- Strong progress in 2020 with approximately 7,000 roles removed
- Potential disposals announced to generate >£2bn proceeds



FY 2020 Business performance

Underlying revenue by business



CIVIL AEROSPACE

£5,089m (2019: £8,107m)

Underlying revenue

£(2,574)m (2019: £44m)

Underlying operating loss



POWER SYSTEMS

£2,745m (2019: £3,184m)

Underlying revenue

£178m (2019: £367m)

Underlying operating profit



DEFENCE

£3,366m (2019: £3,250m)

Underlying revenue

£448m (2019: £415m)

Underlying operating profit



ITP AERO

£705m (2019: £936m)

Underlying revenue

£68m (2019: £111m)

Underlying operating profit



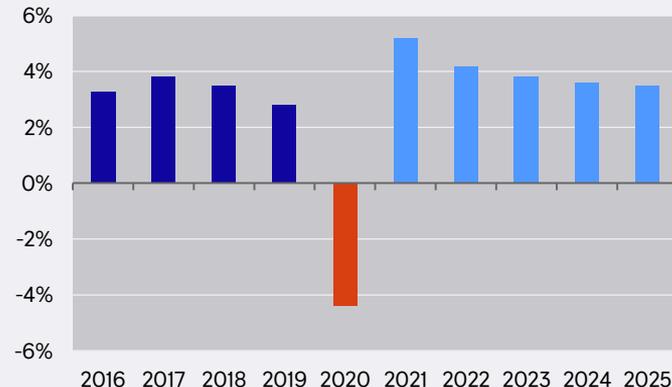


Despite uncertainty, prevailing views expect a recovery in 2021

Vaccine roll-outs, testing and ongoing government support measures are supportive of a recovery

However, **short-term** new COVID variants and national restrictions create uncertainty

Global GDP Growth (%)
IMF (2020 estimate, 2021-2025 forecasts)



Civil Aerospace and ITP Aero: Above-GDP growth driven by fast-growth economies with low penetration of flights per person

Power Systems: Short-cycle recovery with customer demand for power systems closely linked to economic growth

Defence: Government defence spending reflects global geopolitical tension and governments' budgets



Positioning for the recovery and creating a sustainable future

1

Restore financial performance

2

Maximise value from existing capabilities

3

Science-led innovation in sustainable power

Restore performance, maximise value and focus on sustainable power

Market recovery and fundamental restructuring

Realise value from installed base

Develop low carbon solutions and capitalise on opportunities



*Sustainable Aviation Fuel



Restoring performance: fundamental restructuring

We were quick to act, implementing a fundamental restructuring programme to reduce costs Group-wide and consolidate our Civil Aerospace footprint

Operating Cost



- Total role reduction of more than **9,000**
- **~7,000 exits in 2020**
- **Engaging with unions & supporting employee mental health**



- Subcontractor spend in Civil Aero reduced to **<1/3 pre-COVID level**
- Continued **strict cost control**
- **Reduced indirect spend**

~£1bn

Capital prioritisation



- Targeting peer range of **3-4% of sales** (2020: 5%)
- **Expanded third-party MRO network**
- **Capital-light approach** to spare engines

>£300m

>£1.3bn annual cost savings by end 2022



Maximising value from existing capabilities

Realising the value of our installed base, growing strategic opportunities and focusing on high-growth end markets.



Civil Aerospace



- Large WB installed base
- 4 new launches since 2010
- 55% share of the large engine backlog
- Average engine age < 10 yrs

- #1 in Business Aviation
- New agreement with Dassault for Falcon flagship engine



Power Systems



- Installed base >150,000 engines; expansion into complete system solutions
- Growing strategic position in China
- Commercialising electrical, hybrid and hydrogen technology alternatives



Defence



- Installed base 16,000 engines
- Over £7bn estimated lifetime value from:
 - B-52 new engine programme; outcome expected 2021
 - Future vertical lift programme; outcome expected 2022

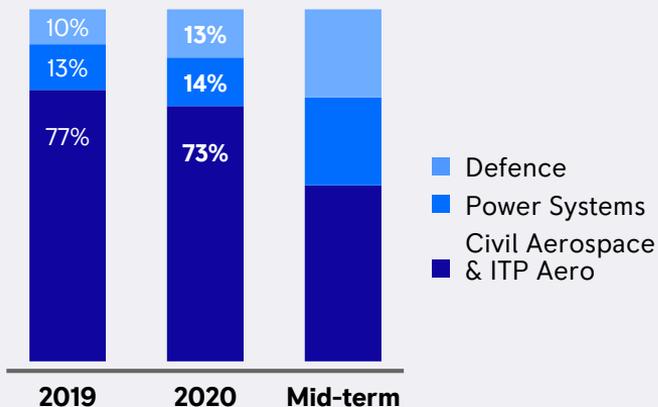


Investing for the future

Targeting approx. 20% annual R&D spend on low carbon solutions including SMRs, hybrid, hydrogen and electric power technologies, by 2023

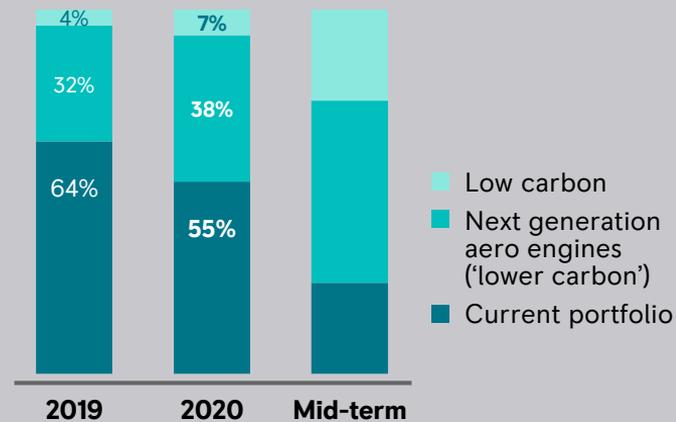
Pivoting towards Power Systems and Defence

Engineering (inc. R&D) and capital spend



Accelerating focus on low carbon

Self-funded R&D



Low carbon technologies includes investments in electric, hybrid, hydrogen and nuclear solutions. Next gen aero engines primarily relates to UltraFan and future Defence engines

Net zero ambitions

- Joined UN Business Ambition for 1.5°C and UN Race to Zero campaigns
- Committed to becoming a carbon neutral business and enabling the vital sectors in which we operate to achieve net zero by 2050



Our low carbon approach

We are committed to the decarbonisation of our core markets and will continue to invest in technologies that can accelerate this transition, whilst minimising the impacts of our business operations.

*Excludes product test and development



UltraFan

Low carbon technologies

- UltraFan: next generation aero engine with ALECSys Lean Burn Combustor
- Sustainable fuels to replace jet fuel and diesel
- Hybrid power solutions

Enabling net zero

- Hydrogen powered aviation and H2 fuel-cell generators
- Energy storage solutions supporting net-zero microgrids
- Small Modular Reactors (SMRs) JV underway



Small Modular Reactor



P-Volt commuter aircraft

Electric aviation

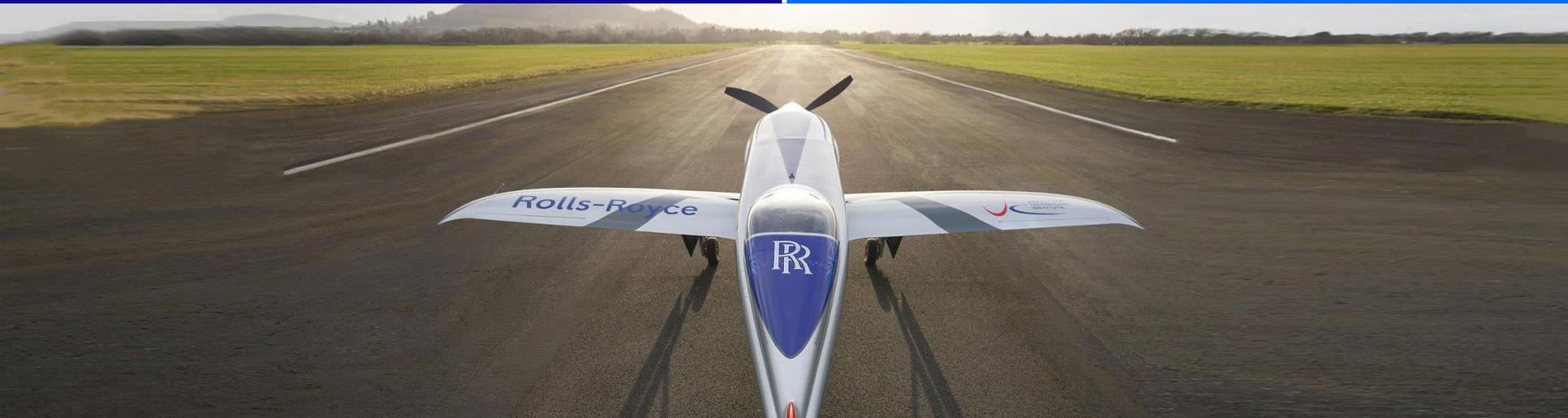
- Urban air mobility: eVTOL demonstrator programme
- Commuter and regional: collaboration with Tecnam and Widerøe
- Small propeller: 1500+ missions flown with 2-4 seat demonstrators

Decisive and effective actions to address challenging market conditions

- ✓ >£1bn in-year cash savings achieved in 2020 from one-off mitigating actions
- ✓ Strengthened liquidity to increase resilience and support long-term strategy
- ✓ Strong progress on fundamental restructuring programme
- ✓ Commenced programme of disposals to raise >£2bn in proceeds

Well positioned for recovery and for a lower-carbon future

- ✓ Fundamental restructuring to deliver permanent cost efficiencies
- ✓ Lower capital spend phase in Civil Aviation, increased R&D and capex on Power Systems, Defence and lower-carbon solutions
- ✓ Committed to support the decarbonisation of our end-markets
- ✓ Actively growing our lower-carbon technology





Questions

13 May 2021