



Presentation following the Annual General Meeting

07 May 2020



Ian Davis

Chairman of the Board





Warren East

Chief Executive







2019 Full Year Results summary

Reported 25% growth
FY underlying operating
profit & encouraging
level of FCF

Underlying
core revenue 
£15.3bn +6%*

Underlying core
operating profit 
£810m +25%*

Core free cash flow
£911m 2018:
£648m

Underlying core PBT 
£587m +17%*



2019 Full Year Results Overview

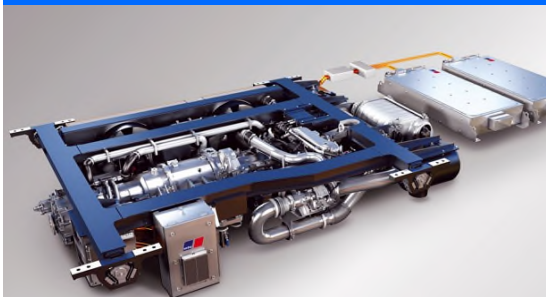
Civil Aerospace



Revenue **+10%**
Profit **+£195m**

- 64% order market share
- Record engine deliveries
- Good aftermarket performance & improved OE unit losses

Power Systems



Revenue **+4%**
Profit **+15%**

- Increased revenues
- Growth in power generation
- Market share gains in Asia

Defence



Revenue **+1%**
Profit **-7%**

- Strong cash performance
- Record order intake
- Strong book:bill helped drive healthy cashflow

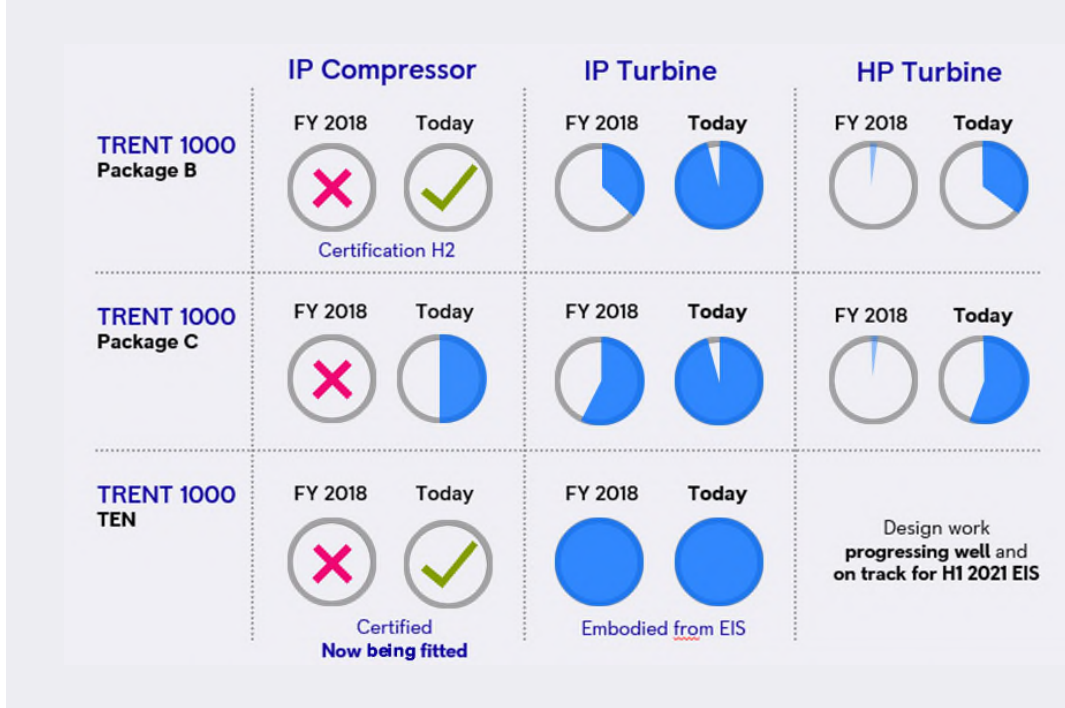


Trent 1000

In service cash cost expectations **unchanged since November update**



- Significant progress, achieved fixes for 8 out of 9 issues
- Expect certification for HPT component H1 2021
- Net exceptional charge of £1.36bn in 2019 financial results - peak year for cash costs



Continue to expect certification for HPT component H1 2021

Fitted to in-service fleet



Corporate structure

Restructuring efforts gained momentum in 2019 and achieved run-rate savings of £269m

Transformation driven by:

- Simplifying our organisational structure
- Streamlining processes
- Investing in digitalisation & automation
- Enabling our people



Product Development

- Product change process: reduced complexity
- End-to-end digital design: 15% reduction in engineering hours



Operations

- Plant productivity improvement
- Lead-time reduction
 - 10 day build time on Trent 1000



Services

- Additional MRO capacity
- Growth in on wing & near wing capability
 - 17% increase in activity from prior year



Decarbonisation

Pursuing the Rolls-Royce sustainability strategy.

Significant steps towards ambition to be a **leader in low carbon technologies**

Electrical capabilities



Reducing - fuel consumption, emissions and noise

- Acquisition of Siemens' eAircraft
- Majority stake in Qinous
- Launch and development of ACCEL programme

Low carbon energy



Lowering - environmental impacts

- Hybrid-propulsion systems for applications, i.e. trains & yachts
- Signed customer contracts & framework agreements for hybrid solutions for both markets
- 2019 last year in which Power Systems sold only fossil fuel-based power solutions



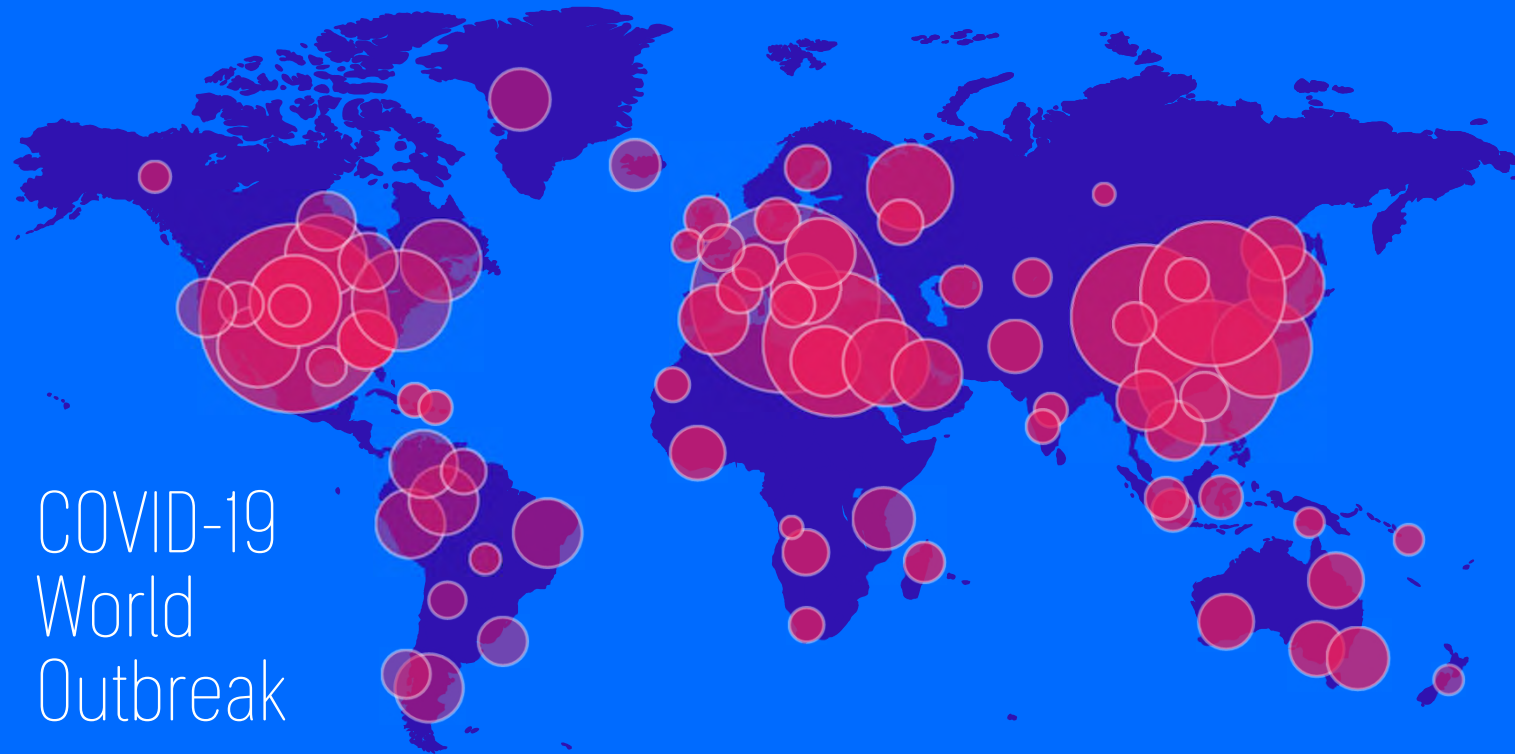
Micro-grids: cleaner, decentralised energy

- Set up of microgrid facility in Friedrichshafen, Germany
 - Coupled with solar will deliver 30% of the site's energy demand



Worldwide impact and scale of impact

COVID-19
World
Outbreak



- March - started to see flight restrictions being implemented
- April - airlines grounding large proportions of their fleets
- Anticipating a significant net cash outflow during Q2
- Too early to guide for FY 2020



Impact on Group: Civil, Power Systems and Defence

Civil Aerospace

- EFH compared to prior year
 - April ~90% reduction
 - January to April ~40% reduction
- Weaker airline demand impacting production rates, 2020 expected OE deliveries reduced to ~250
- Fewer MRO shop visits expected in 2020 compared to prior year

Defence

- Continues to perform robustly
- Some operational challenges due to impact of social distancing & elevated absence levels
- Closely monitoring supply chain & taking actions to mitigate impact on productivity

Power Systems

- Deterioration in demand in some industrial end markets: oil & gas and mining
- Anticipate increased demand in mission-critical backup power for data centres
- Financial performance likely to be materially lower than 2019
- Still expect positive contribution to Group profit and cash flows in 2020



Protecting our people and helping our communities

Our top priority: **safeguard the lives and livelihoods of our people and help our customers, partners and communities**



- Proactive measures to help keep our people safe and minimise operational disruption
- Supporting our communities:
 - VentilatorChallengeUK consortium
 - 3D printing to manufacture personal protective equipment (PPE)
 - STEM (Science Technology Engineering and Mathematics) activities
 - R2 Data Labs team collaboration on the Emergent Alliance



Self-help measures and liquidity

In this unprecedented period of uncertainty we have rapidly adapted our business to safeguard its future for all of our stakeholders

Took decision to draw fully on £2.5bn revolving credit facility; secured an additional revolving credit facility of £1.9bn

No longer recommend a final shareholder payment of 7.1 pence per share in respect of 2019

Number of specific and mitigation activities to immediately reduce cash expenditure

Cash flow savings of up to £1.0bn in 2020

The Civil Aerospace market may take several years to recover

We are actively pursuing changes to our business to better align to medium-term market conditions



On the other side COVID-19

- Societal good of flying: key driver of global recovery
- Diversity and synergies of our portfolio: seizing long-term potential of our markets
- Strength of our strategy: lower carbon, more sustainable power



Questions