CMD 23

HELEN McCABE

Chief Financial Officer

REFLECTIONS AND PRIORITIES

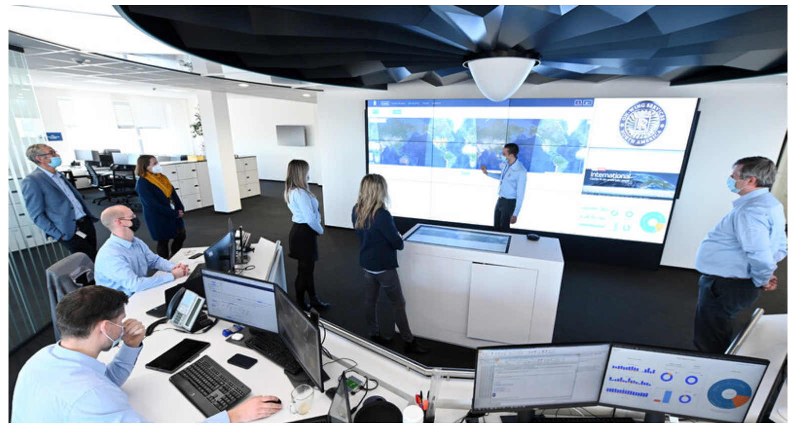
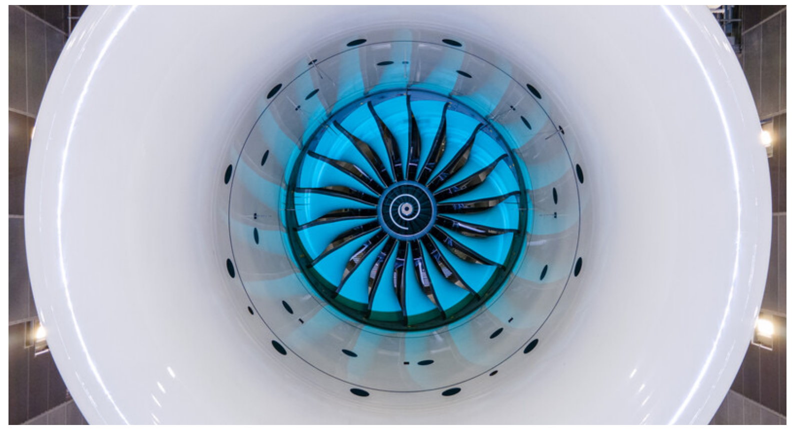
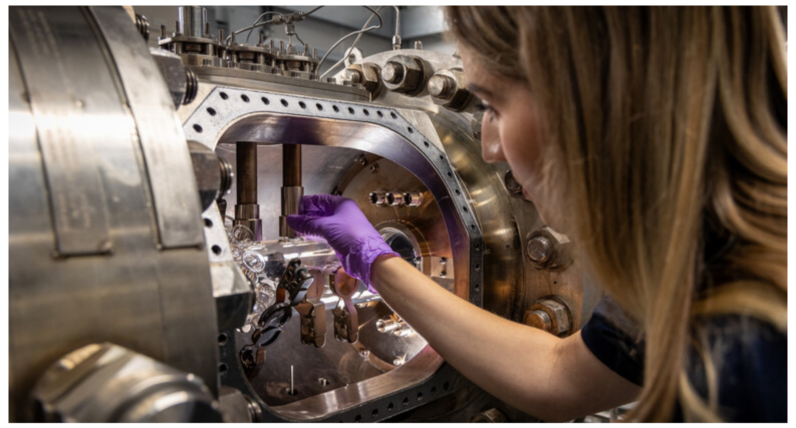
Unlocking Rolls-Royce's potential

INITIAL OBSERVATIONS

- Engineering excellence
- Great people
- Substantial progress in 2023
- But more to do…

FOCUS AND DELIVERY

- Integrated performance management
- Commercial and cost optimisation
- Working capital discipline
- Capital framework established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SUSTAINABLE AND GROWING FREE CASH FLOW

Driven by higher operating profit and stronger balance sheet

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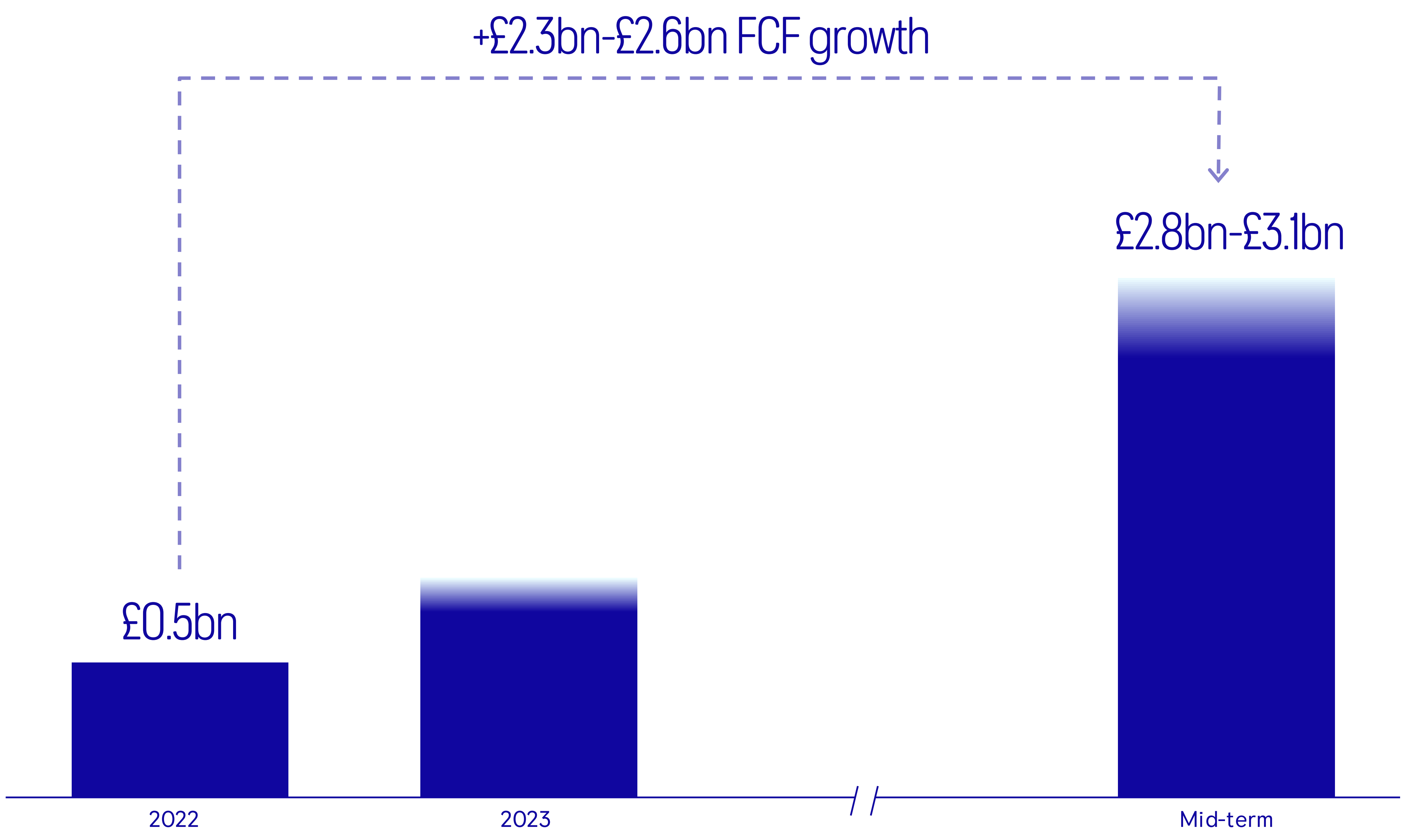
£2.8bn-£3.1bn mid-term Free Cash Flow (FCF)



Improvement in FCF to mid-term driven by

- Operating profit growth (£1.8bn-£2.1bn) with an operating margin of 13-15%
- Focused investments aligned to strategy
- Civil LTSA balance growth
- Disciplined working capital management
- Increased cash tax costs reflecting higher profit
- Lower financing costs and debt reduced
- Absence of over-hedge costs

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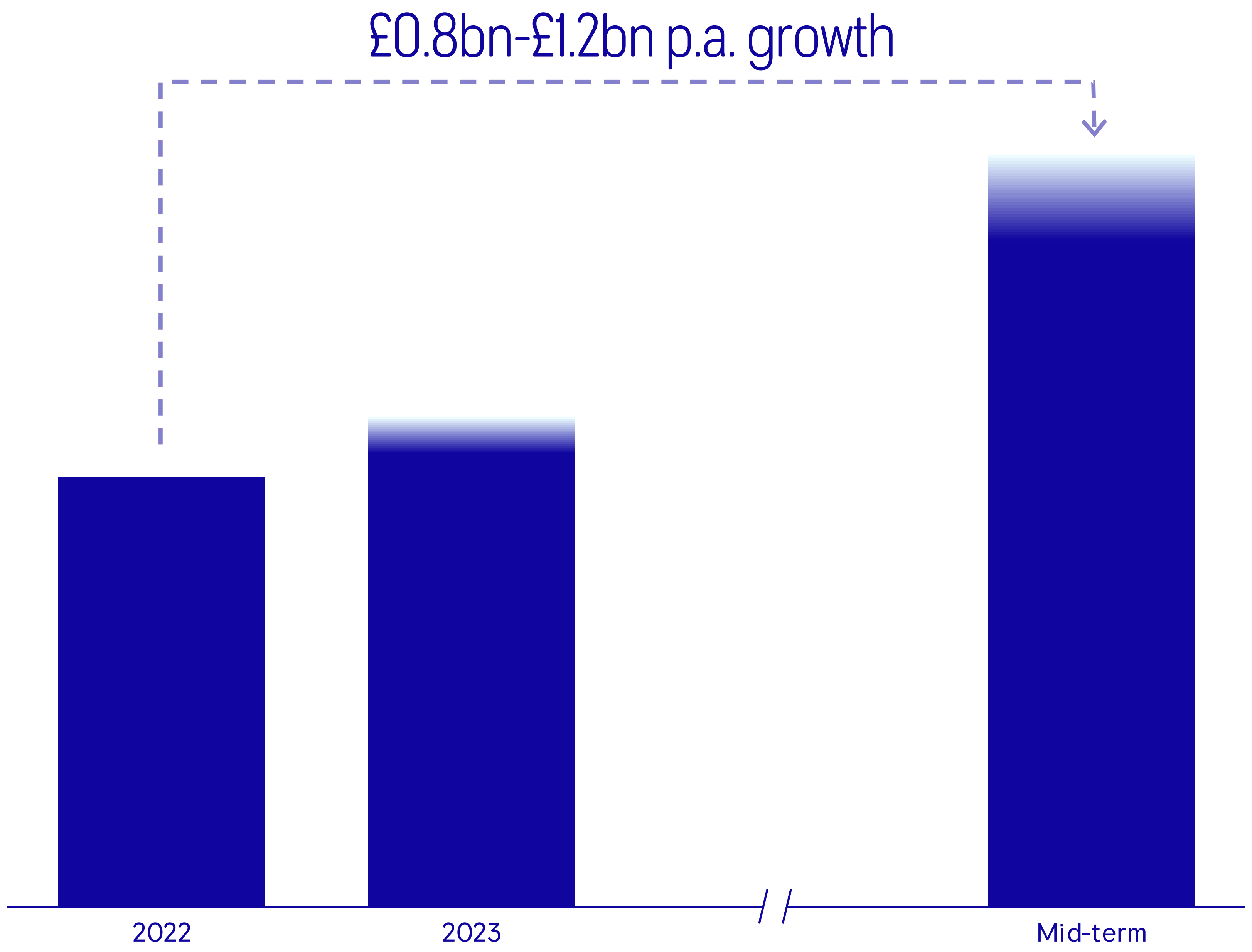
CIVIL LTSA BALANCE GROWTH

£0.8bn-£1.2bn per annum growth

Civil LTSA balance growth[1]



Growing cash receipts ahead of shop visits costs driven by

- Widebody EFH growth reaching 120-130% of 2019 levels
- Business Aviation growth
- Higher average EFH rate
- Time on wing improvements
- Legacy hedge book consumption drives improved FX rate

[1]Civil net LTSA liability less Risk and Revenue Sharing Partners (RRSP) prepayments for LTSA parts

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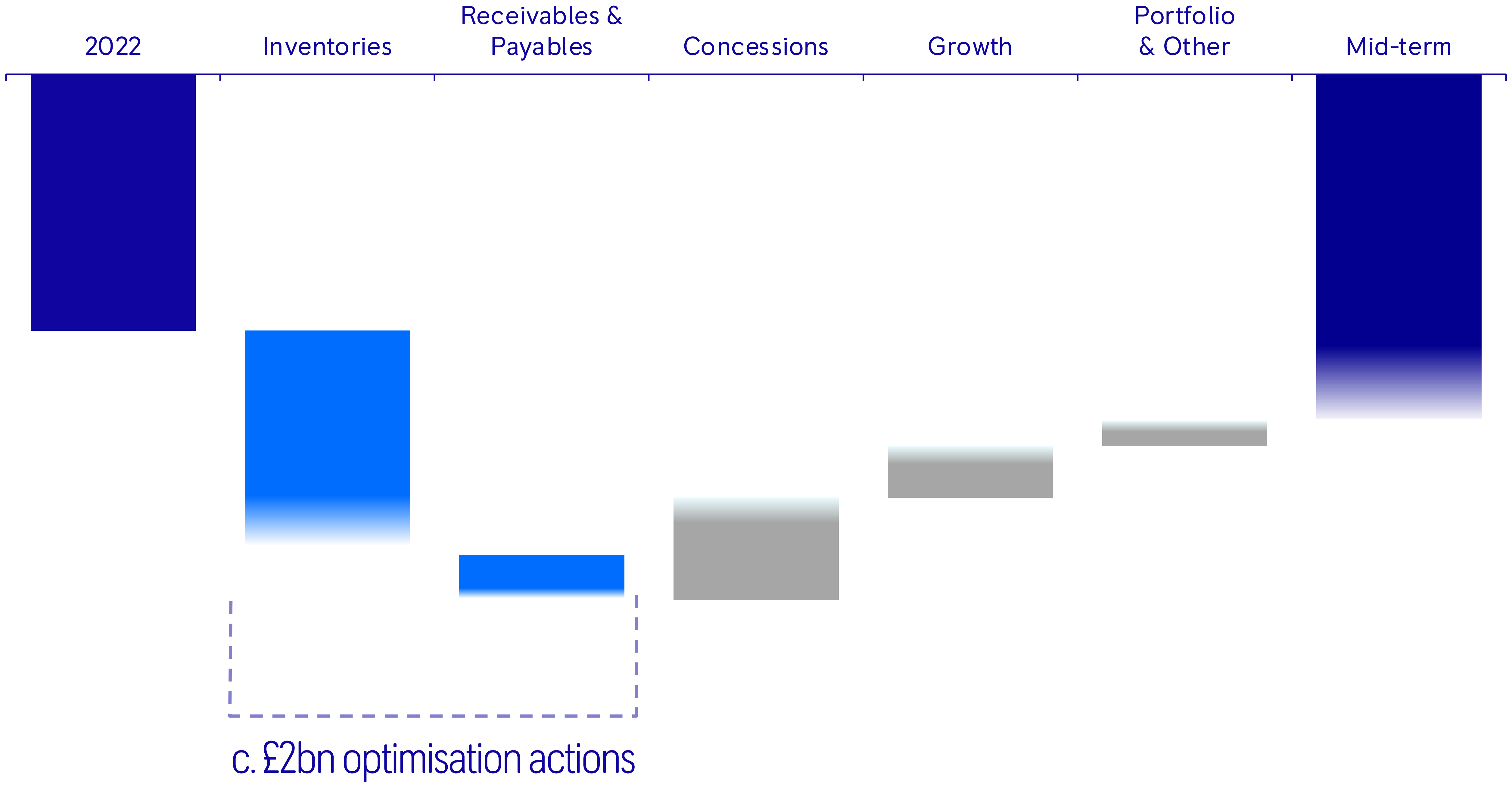
WORKING CAPITAL OPTIMISATION

c.£2bn of sustainable improvements more than offset the impact of headwinds

Net Working Capital[1] management



Disciplined working capital management

INVENTORIES

- Significant improvement in Days Inventories Outstanding
- Improved demand planning and supply chain management
- Optimised buffer stock

RECEIVABLES & PAYABLES

- Improvement in Days Sales Outstanding
- New behaviours and tools drive improved collections and billing
- Unbilled invoice backlog cleared

CONCESSIONS

- Legacy agreements outflows

GROWTH

- Modest working capital build to support business growth

1. Net Working Capital includes inventories, receivables, payables, and contract assets and liabilities but excludes the Civil Net LTSA creditor and associated Risk and Revenue Sharing Partners prepayments for LTSA parts

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CAPITAL FRAMEWORK

Driving shareholder value

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Strong balance sheet and investment grade credit profile

- Improved net debt/EBITDA
- Reduced gross debt
- Strong liquidity

Committed to growing shareholder returns

Once strong balance sheet and investment grade profile are assured

Disciplined investment

Rigorous capital allocation process

- Group-wide prioritisation
- Strategically aligned
- Clear and differentiated hurdle rates

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KEY MESSAGES

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Sustainable earnings and cash flow growth

Improved Return on Capital and TCC/GM

Strong balance sheet

Investment grade profile

Growing shareholder returns

Disciplined investments

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