

ROLLS-ROYCE HOLDINGS PLC ANNUAL GENERAL MEETING 2014



Rolls-Royce

Letter from the Chairman

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about the action you should take, you are recommended to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser duly authorised under the Financial Services and Markets Act 2000. If you have sold or

transferred all your ordinary shares in Rolls-Royce Holdings plc, you should pass this document and all other enclosures to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

To the holders of the Company's ordinary shares, American Depositary Receipts and the Special Share.

Dear Shareholder,

Notice of Annual General Meeting (AGM)

I have pleasure in enclosing notice of this year's AGM (the Notice). The 2014 AGM of Rolls-Royce Holdings plc (the Company) will be held at 11.00am on Thursday 1 May 2014 at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE. An explanation of the resolutions to be considered at this year's AGM appear on pages 7 to 9 of this Notice.

Resolutions 1 to 23

Resolutions 1 to 23 deal with: the strategic report, the directors' report and the audited financial statements for 2013 (Resolution 1); the approval of the directors' remuneration policy (Resolution 2); the approval of the directors' remuneration report (Resolution 3); the election and re-election of directors (Resolutions 4 to 16); the appointment of the Company's auditor and authority to agree the auditor's remuneration (Resolutions 17 and 18); the proposed allotment and issue of C Shares to shareholders (Resolution 19); the authorisation of political donations and expenditure (Resolution 20); the adoption of an updated Performance Share Plan (Resolution 21); approval of the rules of the Deferred Share Bonus Plan (Resolution 22); and an increase in the aggregate level of non-executive directors' fees (Resolution 23). All of these resolutions will be proposed as ordinary resolutions.

Resolutions 24 to 26

Resolutions 24 to 26 deal with: the directors' authority to allot new shares (Resolution 24); the authority to disapply pre-emption rights on the issue of a limited number of new shares in the Company (Resolution 25); and the authority for the Company to purchase its own ordinary shares (Resolution 26). All of these resolutions will be proposed as special resolutions.

Poll voting

The above resolutions will be put to the vote and decided by a poll. This reflects current best practice and ensures that shareholders who are not able to attend the AGM, but who have appointed proxies, have their votes fully taken into account. Any directors appointed as proxies will cast their votes as directed by shareholders. The poll results will be published via a Regulatory Information Service and on the Rolls-Royce website as soon as possible after the conclusion of the AGM.

Action to be taken

The AGM presents an opportunity for all shareholders to meet with and ask questions of their Board and we look forward to seeing you at the meeting. However, if you cannot come to the AGM you can still vote on the resolutions by completing the proxy form sent to you with this circular indicating how you wish your votes to be cast on each resolution. The proxy form must be completed strictly in accordance with the instructions printed on it and should be returned as soon as possible. In order for your votes to be counted, the proxy form must reach our Registrar – Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY **by no later than 11.00am (BST) on Tuesday 29 April 2014.**

Instead of posting the form, you can register the appointment of a proxy online at www.investorcentre.co.uk/eproxy. If you are a member of CREST, you should use the CREST electronic proxy appointment service. Further details are set out in the explanatory notes to the proxy form and in the notes to the Notice.

Recommendation

The Board considers that all the resolutions set out in the Notice are in the best interests of the Company and will promote the success of the Company for the benefit of its shareholders as a whole. Accordingly, the directors will be voting in favour of each resolution, in respect of their own beneficial holdings, and unanimously recommend that you do so as well.

Yours sincerely,

Ian Davis
Chairman

11 March 2014

NOTICE OF AGM

The 2014 AGM of Rolls-Royce Holdings plc will be held at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London, SW1P 3EE, United Kingdom at 11.00am (BST) on Thursday 1 May 2014 for the purpose of transacting the following business:

To consider and, if thought fit, to pass the proposed resolutions as set out below. Voting on these resolutions will be by way of a poll.

Ordinary resolutions

Where resolutions are passed as ordinary resolutions, in order for those resolutions to be passed, more than half of the votes cast must be cast in favour of the resolution.

Resolution 1 – Receipt of the strategic report, the directors' report and the audited financial statements

That the strategic report, the directors' report and the audited financial statements for the year ended 31 December 2013 be received.

Resolution 2 – Approval of the directors' remuneration policy

That the directors' remuneration policy, set out on pages 55 to 61 of the annual report, be approved to take effect from the conclusion of the AGM.

Resolution 3 – Approval of the directors' remuneration report

That the directors' remuneration report for the year ended 31 December 2013, set out on pages 62 to 69 of the annual report, be approved.

Resolution 4 – Election of director

That Lee Hsien Yang be elected as a director of the Company.

Resolution 5 – Election of director

That Warren East CBE be elected as a director of the Company.

Resolution 6 – Re-election of director

That Ian Davis be re-elected as a director of the Company.

Resolution 7 – Re-election of director

That John Rishton be re-elected as a director of the Company.

Resolution 8 – Re-election of director

That Dame Helen Alexander be re-elected as a director of the Company.

Resolution 9 – Re-election of director

That Lewis Booth CBE be re-elected as a director of the Company.

Resolution 10 – Re-election of director

That Sir Frank Chapman be re-elected as a director of the Company.

Resolution 11 – Re-election of director

That James Guyette be re-elected as a director of the Company.

Resolution 12 – Re-election of director

That John McAdam be re-elected as a director of the Company.

Resolution 13 – Re-election of director

That Mark Morris be re-elected as a director of the Company.

Resolution 14 – Re-election of director

That John Neill CBE be re-elected as a director of the Company.

Resolution 15 – Re-election of director

That Colin Smith CBE be re-elected as a director of the Company.

Resolution 16 – Re-election of director

That Jasmin Staiblin be re-elected as a director of the Company.

Resolution 17 – Appointment of the auditor

That KPMG LLP be appointed as the Company's auditor to hold office until the conclusion of the next general meeting at which financial statements are laid before the Company.

Resolution 18 – Auditor's remuneration

That the directors be authorised to agree the auditor's remuneration.

Resolution 19 – Payment to shareholders

That the directors be and are hereby authorised:

- a) on one or more occasions, to capitalise such sums as they may determine from time to time but not exceeding the aggregate nominal sum of £500 million standing to the credit of the Company's merger reserve, capital redemption reserve and/or such other reserves as the Company may legally use in paying up in full at par, up to 500 billion non-cumulative redeemable preference shares in the capital of the Company with a nominal value of 0.1 pence each (C Shares) from time to time having the rights and being subject to the restrictions contained in the Articles of the Company from time to time or any other terms and conditions approved by the directors from time to time;
- b) pursuant to Section 551 of the Companies Act 2006 (the Act), to exercise all powers of the Company to allot and issue C Shares credited as fully paid up to an aggregate nominal amount of £500 million to the holders of ordinary shares of 20 pence each in the capital of the Company on the register of members of the Company on any dates determined by the directors from time to time and on the basis of the number of C Shares for every ordinary share held as may be determined by the directors from time to time; and provided that the authority conferred by this resolution shall expire at the end of the 2015 AGM of the Company or 15 months after the date on which this resolution is passed (whichever is the earlier) and so that such authority shall be additional to, and without prejudice to, the unexercised portion of any other authorities and powers granted to the directors, and any resolution passed prior to the date of passing of this resolution; and
- c) to do all acts and things they may consider necessary or desirable to give effect to this resolution and to satisfy any entitlement to C Shares howsoever arising.

Resolution 20 – Political donations and expenditure

That the Company and any company which is or becomes a subsidiary of the Company during the period to which this resolution is effective be and is hereby authorised to:

- a) make donations to political parties and/or independent election candidates;
- b) make donations to political organisations other than political parties; and
- c) incur political expenditure, during the period commencing on the date of this resolution and ending on the date of the 2015 AGM or 15 months after the date on which this resolution is passed (whichever is the earlier),

provided that in each case any such donations and expenditure made by the Company or by any such subsidiary shall not exceed £25,000 per company and the aggregate of those made by the Company and any such subsidiary shall not exceed £50,000.

Resolution 21 – Performance Share Plan

That the Rolls-Royce plc Performance Share Plan (PSP), the main features of which are summarised in Appendix 2 to this Notice and the rules of which are produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification, be approved and that the directors be authorised to do all acts and things which they may consider necessary or expedient to carry the PSP into effect.

Resolution 22 – Deferred Share Bonus Plan

That the Rolls-Royce plc Deferred Share Bonus Plan, the main features of which are summarised in Appendix 3 to this Notice and the rules of which are produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification, be approved and that the directors be authorised to do all acts and things which they may consider necessary or expedient to carry the Deferred Share Bonus Plan into effect.

Resolution 23 – Remuneration of non-executive directors

That for the purposes of Article 136(a) of the Articles, the maximum aggregate amount of the ordinary remuneration of the directors shall be £1,400,000 per year; and such amount as the directors determine should be paid to the directors by way of ordinary remuneration in any year shall be divided among those directors who do not hold any executive office.

Special resolutions

Where resolutions are passed as special resolutions, in order for those resolutions to be passed, at least three-quarters of the votes cast must be cast in favour of the resolution.

Resolution 24 – Authority to allot new shares

That:

- a) the first Section 551 amount as defined in article 12 of the Articles shall be £125,353,891; and
- b) the second Section 551 amount as defined in article 12 of the Articles shall be £250,707,782; and
- c) the prescribed period as defined in article 12 of the Articles for which the authorities conferred by this resolution are given shall be a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the end of the 2015 AGM of the Company or 15 months after the date on which this resolution is passed (whichever is the earlier).

Resolution 25 – Disapplication of pre-emption rights

That, subject to the passing of Resolution 24, the Section 561 amount as defined in article 12 of the Articles shall be £18,803,084 and the prescribed period for which the authority conferred by this resolution is given shall be a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the end of the 2015 AGM of the Company or 15 months after the date on which this resolution is passed (whichever is the earlier).

Resolution 26 – Authority to purchase own shares

That the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Act) of its ordinary shares, subject to the following conditions:

- a) the maximum aggregate number of ordinary shares authorised to be purchased is 188,030,836;
- b) the minimum price (exclusive of expenses) which may be paid for an ordinary share is 20 pence (being the nominal value of an ordinary share);
- c) the maximum price (exclusive of expenses) which may be paid for each ordinary share is the higher of:
 - i) an amount equal to 105 per cent of the average of the middle market quotations for the ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased; and
 - ii) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System;
- d) this authority shall expire at the end of the 2015 AGM of the Company or 15 months from the date of this resolution (whichever is the earlier); and
- e) a contract to purchase shares under this authority may be made prior to the expiry of this authority, and concluded, in whole or in part, after the expiry of this authority.

By order of the Board

Nigel T Goldsworthy
Company Secretary

11 March 2014

NOTES TO THE NOTICE OF AGM

Issued share capital and total voting rights

As at 12 February 2014 (being the latest practicable date before the publication of this Notice) the issued share capital consisted of 1,880,308,365 ordinary shares of 20 pence each, 17,263,891,768 C Shares of 0.1 pence each and one Special Share of £1. At the AGM, voting on the resolutions set out in this Notice will be by way of a poll. Holders of ordinary shares will be entitled to one vote for each ordinary share held. The Special Shareholder (as defined in the Articles) is entitled to receive notice of and to attend and speak at any general meeting but has no right to vote at a general meeting. C Shares do not carry the right to receive notice of any general meeting of the Company nor to attend, speak or vote at any general meeting except one at which a resolution to wind up the Company is to be considered. Therefore, the total number of voting rights in the Company as at 12 February 2014 (being the latest practicable date prior to the publication of this Notice) was 1,880,308,365.

Entitlement to attend and vote

Pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, and Section 360B(2) of the Act, the Company specifies that only those shareholders registered in the register of members of the Company as at 6.00pm (BST) on Tuesday 29 April 2014 or, if the AGM is adjourned, registered in the register of members 48 hours before the time of any adjourned meeting(s), shall be entitled to attend or vote at the AGM in respect of the number of ordinary shares registered in their name at that time. Save in relation to any adjourned meeting(s), changes to entries on the register of members of the Company after 6.00pm (BST) on Tuesday 29 April 2014 shall be disregarded in determining the rights of any person to attend or vote at the AGM.

Voting at the AGM

Voting on all resolutions will be conducted by way of a poll rather than show of hands. On a poll, every member shall have one vote for every ordinary share held.

Vote withheld

A vote withheld option is provided to enable you to abstain on any particular resolution. It is not a vote in law, which means that the vote will not be counted in the calculation of the number of votes for or against the resolution.

Appointment of a proxy

Shareholders entitled to attend and vote at the AGM may appoint one or more proxies to attend, speak and vote at the AGM instead of them. Appointing a proxy will not preclude shareholders from attending and voting at the AGM if they later decide to do so.

You should have received a proxy form with this Notice. You can only appoint a proxy using the procedures set out in these notes and the explanatory notes to the proxy form.

A proxy need not be a shareholder of the Company but must attend the AGM to represent you. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of ordinary shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or, if the proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).

You may indicate how you wish your proxy to vote by ticking the relevant boxes on the enclosed proxy form. If no voting indication is given, your proxy may vote or abstain from voting at his or her discretion in respect of the proposal and in relation to any other matter which is put before the AGM.

Proxy form

If you require a replacement, or an additional, proxy form, please contact the Registrar's helpline on +44(0)870 703 0162.

Appointment of a proxy using the paper form

The enclosed proxy form should be completed, signed and sent or delivered to the Registrar in the reply paid envelope provided, to be received no later than 11.00am (BST) on Tuesday 29 April 2014 or not less than 48 hours before any adjourned meeting at which the person named in the proxy form proposes to vote.

In the case of a shareholder which is a company, a proxy form must be executed under its common seal or signed on its behalf by a duly authorised person or in any other manner authorised by its constitution.

Where this proxy form is signed under a power of attorney or other authority, such power or authority (or a notarially certified copy thereof) should be enclosed with the proxy form.

Electronic appointment of a proxy

As an alternative to completing the proxy form, you can register your proxy appointment at www.investorcentre.co.uk/eproxy. You will be asked to enter the Control Number, the Shareholder Reference Number (SRN) and Personal Identification Number (PIN) as printed on the proxy form and agree to certain terms and conditions. For an electronic proxy appointment to be valid, it must be received by the Registrar no later than 11.00am (BST) on Tuesday 29 April 2014 or not less than 48 hours before any adjourned meeting at which the person named in the proxy form proposes to vote.

Multiple proxies

You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different ordinary shares. You may not appoint more than one proxy to exercise rights attached to any one ordinary share. To appoint more than one proxy, (an) additional proxy form(s) may be obtained by contacting the Registrar's helpline on +44 (0)870 703 0162 or you may copy the enclosed proxy form. Please enter in the box next to the proxy holder's name, the number of ordinary shares in relation to which they are authorised to act as your proxy.

Appointment of proxy by joint shareholders

In the case of joint registered holders, the signature of one holder will be accepted and the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand on the Company's register of members in respect of the relevant joint holding.

Changing proxy instructions

You must submit a new proxy appointment in order to change your proxy instructions. You can either use the hard-copy proxy form appointment method or the electronic appointment method set out above. Please note that the cut-off time of 11.00am (BST) on Tuesday 29 April 2014 for receipt of proxy appointments (or not less than 48 hours before any adjourned meeting) also applies in relation to the receipt of amended proxy appointments.

An amended proxy appointment received after the relevant cut-off time will be disregarded. For the avoidance of doubt, any indication of how you wish your proxy to vote contained in your proxy appointment constitutes part of such appointment and, as such, the relevant cut-off time applicable to the receipt of amended proxy appointments also applies to any amendment of any voting instructions given to your proxy by way of your proxy appointment.

Where you have appointed a proxy using the paper proxy form and would like to change the instructions using another paper proxy form, please contact the Registrar. You can speak to a member of the Registrar's Rolls-Royce team by calling +44 (0)870 703 0162 between 8.30am and 5.30pm Monday to Friday or you can write to them at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE.

If you have voted online you can amend your vote by resubmitting your voting instructions electronically, as described above, via www.investorcentre.co.uk/eproxy. If you submit more than one valid proxy appointment, the last appointment received, before the latest time for the receipt of proxies (as above), will take precedence.

Termination of proxy appointment

In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:

- by sending a signed hard-copy notice clearly stating your intention to revoke your proxy appointment to the Registrar – Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE. In the case of a shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by a duly authorised person or in any other manner specified in its constitution. Any power of attorney or any other authority under which the revocation notice is signed (or a notarially certified copy of such power or authority) must be included with the revocation notice; or
- by calling the Registrar's helpline on +44 (0)870 703 0162.

In either case, the revocation notice must be received by the Registrar at least three hours before the commencement of the AGM or adjourned meeting at which the vote is to be given.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the AGM and voting in person. If you have appointed a proxy and attend and vote at the AGM in person, your proxy appointment will be terminated automatically.

Nominated Persons

If your shares are held on your behalf by another person and you have been designated as nominated to receive communications from the Company in accordance with Section 146 of the Act (Nominated Person), you do not have a right to appoint a proxy. As a Nominated Person, you may have a right under an agreement with the registered shareholder (who nominated you) to be appointed (or to have someone else appointed) as a proxy for the AGM but you cannot yourself appoint a proxy. Alternatively, if you do not have such a right, or do not wish to exercise it, you may have the right under such an agreement to give instructions to the registered shareholder as to the exercise of voting rights.

Nominated Persons should also remember that their main point of contact in terms of their investment in the Company remains the registered shareholder (or the custodian or broker who administers the investment on their behalf).

Nominated Persons should continue to contact that shareholder, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.

Voting through the CREST electronic proxy appointment service

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by following the procedures described in the CREST manual (www.euroclear.com/CREST). CREST personal members or other CREST-sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instruction, as described in the CREST manual. All messages, relating to the appointment of a proxy or an instruction to a previously appointed proxy must be transmitted so as to be received by Computershare Investor Services PLC (Issuer agent ID number 3RA50) by 11.00am (BST) on Tuesday 29 April 2014.

It is the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

NOTES TO THE NOTICE OF AGM

Corporate representatives

The Companies (Shareholders' Rights) Regulations 2009 allow multiple representatives appointed by the same corporate member to vote in different ways on a poll (provided they do not do so in relation to the same shares).

American Depositary Receipt (ADR) holders

ADR holders, who do not hold their investment directly, should contact the registered shareholder or custodian or broker, or whoever administers the investment on their behalf in relation to any rights under agreements with them to be appointed as a proxy and to attend, speak and vote at the meeting.

Registered holders should contact the depositary:
 BNY Mellon Shareowner Services
 PO Box 30170
 College Station
 TX 77842-3170
 Phone: +1 888 269 2377 or +1 888 BNY ADRS (toll free within the US)
 Phone outside the US: +1 201 680 6825
 Email: shrrelations@cpushareownerservices.com
 Website: www.adrbnymellon.com

Documents available for inspection

Shareholders may inspect the following documents at the Company's registered office during normal business hours and from 10.00am (BST) on the date and at the place of the AGM until it closes:

- executive directors' service contracts;
- letters of appointment for the Chairman and the non-executive directors;
- directors' deeds of indemnity;
- rules of the Rolls-Royce plc Performance Share Plan; and
- rules of the Rolls-Royce plc Deferred Share Bonus Plan.

Business at the AGM

Under Section 319A of the Act, the Company must answer any question asked by a shareholder attending the meeting and which relates to the business being dealt with at the meeting unless such answer would interfere unduly with the business of the meeting or involve the disclosure of confidential information or if the answer has already been published on the Company's website or if it is not in the interests of the Company or the good order of the meeting that the question be answered.

Under Section 338A of the Act, shareholders may request the Company to include in the business to be dealt with at annual general meetings any matter (other than a proposed resolution) which may be properly included in the business, provided that it is not defamatory, frivolous or vexatious.

The Company will include such matter if sufficient requests have been received in accordance with Section 338A(3) of the Act. This requires a minimum of 100 shareholders who have a right to vote at the AGM and hold shares in the Company on which there has been paid up an average sum, per member, of at least £100 or shareholders representing at least five per cent of the total voting rights to make the request which must be submitted in the manner detailed in Section 338A of the Act.

Information available on our website

The following information is available on the Company's website at www.rolls-royce.com:

- the matters set out in this Notice;
- the total voting rights and number of shares of each class in respect of which shareholders are entitled to exercise voting rights at the AGM;
- shareholders' rights to include business to be dealt with at the AGM; and
- shareholders' statements, resolutions and matters of business received by the Company after the date of this Notice.

Publication of audit concerns on our website

Under Section 527 of the Act, shareholders have a right to request publication of any concerns that they propose to raise at the AGM relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be submitted to the meeting or any circumstances connected with an auditor of the Company ceasing to hold office since the last AGM.

The Company will publish the statement on its website if sufficient requests have been received in accordance with Section 527(2) of the Act. This requires members representing at least five per cent of the total voting rights of all the members who have a right to vote at the AGM or at least 100 members who have a right to vote at the AGM and hold shares in the Company on which there has been paid up an average sum, per member, of at least £100, to make the request which must be submitted in the manner detailed in Section 527 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with such request.

Where a statement is published, the Company will forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required, under Section 527 of the Act, to publish on its website.

Communication

Except as provided above, shareholders who have general queries about the AGM should use the following means of communication (no other methods of communication will be accepted):

- by calling the Registrar's helpline on +44 (0)870 703 0162; or
- by writing to the Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE.

You may not use any electronic address provided either in this Notice or in any related documents (including the Chairman's letter and proxy form) to communicate with the Company for any purposes other than those expressly stated.

Explanation of resolutions

Resolutions 1 to 23 will be proposed as ordinary resolutions. For these resolutions to be passed, more than half of shareholders' votes cast must be in favour.

Resolution 1 – Receipt of the strategic report, the directors' report and the audited financial statements

The directors will present the strategic report, the directors' report and the audited financial statements for the year ended 31 December 2013 to the AGM.

Resolution 2 – Approval of the directors' remuneration policy

All companies must put their remuneration policy to a shareholder resolution at the AGM held in the first financial year to commence on or after 1 October 2013. After that, whenever companies want to introduce a new remuneration policy or make changes to an existing policy they will need to put the remuneration policy to shareholders for approval. Once the remuneration policy has been approved, the Company will only be able to make payments that are in line with the policy. The Company is then required to seek shareholder approval of remuneration policy every three years, or earlier if it is proposed that it is changed during that period.

Resolution 3 – Approval of the directors' remuneration report

The directors' remuneration report is set out on pages 62 to 69 of the annual report. It gives details of the directors' remuneration for the year ended 31 December 2013. The Company's auditor, KPMG Audit Plc, has audited those parts of the report required by the Act. The auditor's report is on pages 130 to 135 of the annual report.

No individual director's remuneration is dependent on the resolution on the remuneration report being passed as it is an 'advisory' resolution. However, if the Company fails the annual advisory resolution in a year in which the remuneration policy was not also put to a shareholder resolution, this will trigger the need for the Company to put its remuneration policy to a shareholder resolution the following year. Where a substantial minority of shareholders vote against the directors' remuneration report, the Company must respond and say how it will address shareholder concerns.

Resolutions 4 to 16 – Election and re-election of directors

The Articles and the UK Corporate Governance Code ("the Code") require that all the directors put themselves forward for election or annual re-election. Lee Hsien Yang and Warren East, who have been appointed since the 2013 AGM, will put themselves forward for election for the first time at the AGM. The remaining directors will retire and put themselves forward for re-election at the AGM with the exception of Iain Conn who will retire as the Senior Independent Director and a non-executive director at the conclusion of the meeting.

The Chairman confirms that each of the directors proposed for re-election continues to make an effective and valuable contribution and demonstrates commitment to their responsibilities. This is supported by the annual performance evaluation that was undertaken recently.

Biographies of all of the directors proposed for election or re-election are included in the annual report on pages 36 and 37.

In accordance with the Code the Board has reviewed the independence of its non-executive directors and has determined that they remain fully independent of management. The Code states that whilst the Chairman should, on appointment, meet the Code's independence criteria, thereafter the test of independence is not appropriate in relation to that post. Ian Davis met the Code's independence criteria upon his appointment as Chairman on 2 May 2013.

Resolutions 17 and 18 – Appointment of the auditor and authority to agree the auditor's remuneration

The Company is required to appoint an auditor at each general meeting at which accounts are laid, to hold office until the end of the next such meeting. KPMG has notified the Company of its intention to instigate an orderly wind down of the business of its registered firm, KPMG Audit Plc and has proposed that an alternative entity, KPMG LLP, be appointed as the Company's auditor in the future. Accordingly, KPMG has notified the Company that KPMG Audit Plc is not seeking reappointment and has provided a statutory statement of circumstances upon ceasing to hold office pursuant to Section 519 of the Act. In accordance with Section 520 of the Act, a copy of this statement is attached as Appendix 1 to this Notice. Resolution 17, which is recommended by the audit committee, proposes the appointment of KPMG LLP as auditor of the Company and Resolution 18 gives authority to the directors to determine the auditor's remuneration. Details of the remuneration paid to the auditor in 2013 are shown on page 97 of the annual report.

Resolution 19 – Payment to shareholders

The Company issues redeemable C Shares of 0.1 pence each as a method of making payments to shareholders rather than paying a cash dividend. C Shares are not listed on the London Stock Exchange.

The Company proposes to make a bonus issue in respect of the 31 December 2013 financial year of 134 C Shares with an aggregate nominal value of 13.4 pence for each ordinary share. The C Shares will be allotted on 1 July 2014 to shareholders on the register on 25 April 2014 and the C Share ex-entitlement date is 23 April 2014. Together with the interim issue on 2 January 2014 of 86 C Shares for each ordinary share with a nominal value of 8.6 pence, this is the equivalent of a total annual payment to ordinary shareholders of 22.0 pence for each ordinary share.

NOTES TO THE NOTICE OF AGM

As with previous payments, shareholders can continue to redeem their C Shares and either receive the cash or, alternatively, reinvest the cash in additional ordinary shares using the C Share Reinvestment Plan (CRIP). Shareholders wishing to redeem their C Shares, or else redeem and participate in the CRIP, must ensure that their instructions are lodged with the Registrar, Computershare Investor Services PLC, no later than 5pm on Monday 2 June 2014. Redemption of C Shares will take place on 3 July 2014.

Further details of C Shares are contained in the Shareholder Guide, which can be obtained from the Registrar, or can be downloaded from the Investors' section of the Company's website – www.rolls-royce.com.

Resolution 20 – Political donations and expenditure

It is not the policy of the Company to make donations to political parties and the Company has no intention of using this authority for that purpose. However, it is possible that certain routine activities undertaken by the Rolls-Royce group of companies (the Group) may unintentionally fall within the broad scope of the provisions controlling political donations and expenditure contained in the Act. Any expenditure that is regulated under the Act must first be approved by shareholders and will be disclosed in next year's annual report. No such expenditure was incurred in the 2013 financial year.

This resolution, if passed, will provide the directors with authority to make donations and incur expenditure which might otherwise fall within the terms of the Act, up to a maximum amount of £25,000 for any subsidiary company and a maximum amount in aggregate of £50,000 for the Group. The authority will be valid until the conclusion of the 2015 AGM of the Company, when the Board intends to seek renewal of this authority or 15 months after the date on which the resolution is passed (whichever is the earlier).

For the purposes of this resolution, the terms 'political donation', 'political parties', 'independent election candidates', 'political organisation' and 'political expenditure' have the meanings given by Part 14 of the Act.

Resolution 21 – Performance Share Plan

The Rolls-Royce Group plc Performance Share Plan was approved by shareholders in 2004 and will expire on 4 May 2014, ten years after its adoption date. The remuneration committee has reviewed the Company's long-term incentive arrangements and concluded that it had been highly effective in motivating senior managers of the Group. They consider that the focus of the performance measures on profit growth, cash generation and total shareholder return remain valid and are likely to be the key performance measures for the Company for some years to come.

The remuneration committee is therefore proposing to adopt an updated plan to be known as the Rolls-Royce plc Performance Share Plan (PSP) to enable the grant of share awards. The main features of the PSP are summarised in Appendix 2. The PSP has been designed taking account of best practice which has evolved since the original plan was adopted and now includes malus and clawback provisions to better align the awards with the interests of shareholders. The Board confirms that all of the Company's share plans will continue to operate strictly within the ABI's dilution limits.

Resolution 22 – Deferred Share Bonus Plan

The Rolls-Royce plc Deferred Share Plan was approved by the Board in 2003. The remuneration committee has reviewed the Company's incentive arrangements and concluded that it had been highly effective in retaining senior managers of the group. However, it was not subject to shareholders' approval as it did not involve the allotment of new shares to satisfy awards.

Following the remuneration committee's recommendation, the Board proposes that, to allow flexibility in the Company's cash planning, shareholders be asked to adopt a new plan to be known as the Rolls-Royce plc Deferred Share Bonus Plan which will enable the grant of share awards out of new issue shares. The main features of the Deferred Share Bonus Plan are summarised in Appendix 3. The Plan has been designed taking account of best practice which has evolved since the original plan was adopted. The Board confirms that all of the Company's share plans will continue to operate strictly within the ABI's dilution limits.

Resolution 23 – Remuneration of non-executive directors

The Articles require the Company to establish, with shareholder approval, a maximum ceiling on the total aggregate annual remuneration payable to its non-executive directors and non-executive Chairman. This resolution therefore has no relevance to the executive directors. The resolution proposes that the maximum ceiling should be £1,400,000. Since 2008 a ceiling of £950,000 has been applied. The Board takes account of independent market surveys in determining the fees payable to the Chairman and the non-executive directors.

Resolutions 24 to 26 will be proposed as special resolutions.

For these resolutions to be passed, 75 per cent or more of shareholders' votes cast must be in favour.

Resolution 24 – Authority to allot new shares

The directors of a company may only allot shares (or grant rights to subscribe for, or convert any security into, shares) if authorised to do so. Article 9(a) of the Articles authorises the directors to allot shares up to a maximum nominal amount specified each year. This is called the "first section 551 amount" in the Articles.

Resolution 24(a) enables the directors to allot new shares up to a nominal value of £125,353,891 representing approximately one third of the total issued ordinary share capital of the Company as at 12 February 2014 being the latest practicable date prior to publication of this Notice. This is similar to resolutions passed by shareholders in previous years and is in line with guidance issued by the Association of British Insurers (ABI).

Article 9(b) of the Articles authorises the directors to allot further shares in the case of a rights issue, in line with revised guidance issued by the ABI in November 2009. This is called the “second section 551 amount” in the Articles.

Resolution 24(b) enables the directors to allot new shares up to a nominal value of £250,707,782 representing approximately two thirds of the total issued ordinary share capital of the Company as at 12 February 2014 being the latest practicable date before publication of this Notice.

As at 12 February 2014, being the latest practicable date before the publication of this Notice, the Company did not hold any shares in treasury.

The directors have no present intention of exercising this authority. However, your directors believe that this additional authority will allow the Company to retain the maximum possible flexibility (consistent with evolving market practice) to respond to circumstances or opportunities as they arise.

The authorities sought under Resolution 24 will be valid until the conclusion of the 2015 AGM of the Company or 15 months after the date on which the resolution is passed (whichever is the earlier).

Resolution 25 – Disapplication of pre-emption rights

Section 561(1) of the Act requires that the directors, when they decide to allot new ordinary shares (or grant rights to subscribe for, or convert any security into, shares), must first offer them to shareholders in proportion to the number of shares held by them. This is called a ‘pre-emption right’.

It is proposed that the directors be authorised to allot for cash without first offering them to existing shareholders. This amount is equal to five per cent of the Company’s issued ordinary share capital as at 12 February 2014 (being the latest practicable date prior to publication of this Notice). This limit is in line with the recommendations of the ABI.

In line with best practice, the Company has not issued more than 7.5 per cent of its issued share capital on a non-pro rata basis over the last three years and the Board confirms its intention to follow best practice set out in the Pre-emption Group’s Statement of Principles which provides that usage of this authority in excess of 7.5 per cent of the Company’s ordinary share capital for cash other than to existing shareholders in any rolling three-year period would not take place without prior consultation with shareholders. This authority will be valid until the conclusion of the 2015 AGM of the Company or 15 months from the date of this resolution, whichever is the earlier.

Resolution 26 – Authority to purchase own shares

Resolution 26 gives the Company authority to buy back its own ordinary shares in the market as permitted by the Act. The directors believe that, in common with many other listed companies, the Company should obtain from shareholders a general authority to make market purchases of its own ordinary shares on the London Stock Exchange. This resolution specifies the maximum number of shares which may be acquired (up to ten per cent of the Company’s issued ordinary share capital as at 12 February 2014 being the latest practicable date prior to publication of this Notice) and the minimum and maximum prices at which they may be bought.

On 12 February 2014 (being the latest practicable date prior to the publication of this Notice), there were options over ordinary shares in the capital of the Company representing 0.85 per cent of the Company’s issued ordinary share capital. If the authority to purchase the Company’s ordinary shares was exercised in full and those shares were subsequently cancelled, these options would represent 0.95 per cent of the Company’s issued and voting ordinary share capital.

It is expected that the Company will hold any shares purchased under this authority as treasury shares. However, before any repurchase, the Company will advise shareholders through a Regulatory Information Service if any shares repurchased are to be cancelled. Whilst held as treasury shares, the shares will not receive any dividend or dividend equivalent (apart from any issue of bonus shares) and will have no voting rights. They may be used by the Company to satisfy incentive schemes (including option schemes), may be resold or may be cancelled. The transfer of treasury shares by the Company into any incentive scheme (including any option schemes) will be treated by the Company as if the shares had been issued to that incentive scheme when calculating the aggregated commitments of all the Company’s incentive schemes in any rolling ten-year period. For this purpose the treasury shares will be included in the calculation of the Company’s issued share capital.

This authority will be exercised only if the directors believe that to do so would result in an increase in earnings per ordinary share and would be in the best interests of shareholders generally. The directors have no present intention of exercising the authority to purchase the Company’s ordinary shares but will keep the matter under review.

This authority will be valid until the conclusion of the 2015 AGM of the Company or 15 months from the date of this resolution, whichever is the earlier.

APPENDIX 1



KPMG Audit Plc
15 Canada Square
Canary Wharf
London E14 5GL
United Kingdom

Private & confidential
Rolls-Royce Holdings plc
65 Buckingham Gate
London
SW1E 6AT

Our ref **ma/113564**

Contact **Jimmy Daboo**
020 7311 8350

11 March 2014

Dear Sirs

Statement to Rolls-Royce Holdings plc (no. 07524813) on ceasing to hold office as auditors pursuant to section 519 of the Companies Act 2006

The circumstances connected with our ceasing to hold office are that our company, KPMG Audit Plc, has instigated an orderly wind down of business. KPMG LLP, an intermediate parent, will immediately be seeking appointment as statutory auditor.

We request that any correspondence in relation to this statement be sent to our registered office 15 Canada Square, London, E14 5GL marked for the attention of the Audit Regulation Department.

Yours faithfully

KPMG Audit Plc

KPMG Audit Plc, a UK public limited company, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity.

Registered in England No 3110745
Registered office: 15 Canada Square, London, E14 5GL

APPENDIX 2

Main features of The Rolls-Royce plc Performance Share Plan (the PSP)

1. Administration of the PSP

The PSP will be administered by the Remuneration Committee of the Board (the **Committee**). All of the members of the Committee are non-executive directors and are not eligible to participate in the PSP.

2. Eligibility

Participants in the PSP (**Participants**) will be selected by the Committee. Participants will be limited to employees and executive directors of the Company and its subsidiaries (the **Group**).

3. Awards

Awards will normally take the forms of:

- (i) a conditional award, which is a deferred right to receive ordinary shares in the Company (**Shares**); or
- (ii) an HMRC approved share option linked to a conditional award.

Linked awards may not be granted to executive directors. Awards may, if the Committee so decides, be granted in the form of a restricted award, which is an immediate transfer to the participant of the Shares but on terms that they may be forfeited or as an option to acquire Shares for no cost.

The Committee may decide to grant awards with a holding period following the vesting date under which the Participant is not entitled to dispose of the Shares subject to the Award. The Committee may specify different periods in relation to different Awards or parts of an Award.

Awards may be satisfied by the issue of new Shares, the transfer of Shares held in treasury or the purchase of Shares in the market. Awards may be granted either by the Company or by the trustees of an employee benefit trust.

The PSP contains provisions under which the Committee may decide to grant Awards to employees of companies which are not members of the Group but in which the Company or any Subsidiary has an equity investment of at least 25%.

Awards will be personal to the participant and may not be transferred. No payment will be required for the grant of an award.

4. Timing

Awards may be granted in the six weeks following the date on which the PSP is approved by shareholders. Thereafter, awards may be granted in the six weeks following the announcement of the Company's results for any period, when or shortly after an individual is recruited or promoted and at other times if the Committee considers that exceptional circumstances exist.

5. Individual limit

The value of Shares over which an award may be granted to an individual in a year may not exceed the percentage of the individual's pay which is equivalent to the percentage limit on awards that can be made to the Chief Executive Officer of the Company under the Company's approved remuneration policy. Under the remuneration policy to be proposed at the Annual General Meeting that is 180% of salary.

6. PSP limits

The PSP will be subject to the following limits:

- (i) on any date, the aggregate nominal amount of Shares that may be allocated under the PSP may not, when added to the nominal amount of Shares allocated in the previous 10 years under all employee share plans of the Group, exceed 10% of the then equity share capital of the Company; and
- (ii) on any date, the aggregate nominal amount of Shares that may be allocated under the PSP and any other employee share plan established for the benefit for selected employees of the Group may not, when added to the nominal amount of Shares allocated in the previous 10 years under all such plans, exceed 5% of the then equity share capital of the Company.

For these purposes, Shares will be treated as allocated when rights to acquire or obtain them are granted and otherwise when they are issued or transferred. Rights which lapse, by reason of non-exercise or otherwise, cease to count. No account will be taken of (a) Shares which are acquired by purchase in the market (rather than by subscription or from treasury) and (b) Shares which employees purchase at market value using their own funds.

No further awards may be granted under the PSP after 1 May 2024.

7. Performance targets

Each award will be subject to one or more performance targets which will determine whether and to what extent the participant will receive Shares. Performance targets will normally be measured over a period of not less than three years. The performance targets will be measured on one occasion only, there will be no re-testing.

The performance targets to be applied are set out in the rules of the PSP, subject to such amendments or alterations as the Committee decides. Those performance measures reflect those described in the Company's proposed directors' remuneration policy and involve an earnings per share condition under which the increase in earnings per share over a three year period must exceed the growth in the retail price index or an appropriate index of consumer prices for the same period. The aggregate cash flow per Share over the performance period will determine the number of Shares which vest; achieving a base target resulting in 30% of the Shares vesting and achieving a maximum target causing 100% of the Shares to vest. The number of Shares which may vest is determined on a straight-line basis between the 30% and 100% level. The vested Shares may be increased by up to 25% if the Company's total shareholder return (TSR) is ranked above the median of the FTSE100 and, for executive committee members, by up to 50% if ranked at or above the upper quartile of that group. Intermediate TSR ranking will increase the number of Shares released on a straight-line basis.

The Committee may change a performance target from time to time if events happen as a result of which the Committee considers it fair and reasonable to make the change or to take account of changes in the law or in the Company's capital or to obtain or keep favourable tax, exchange control or regulatory treatment for participants or any member of the Group. Any change to an existing performance target must not have the effect, in the opinion of the Committee, of making the target materially easier or materially more difficult to achieve.

APPENDIX 2

8. Vesting of awards

Awards will normally only vest in accordance with the performance targets following the end of the performance period or, if later, three years after the date of grant.

Unless the Committee decides otherwise, Awards made will not be increased to reflect any dividends (or C Shares issued in place of dividends) prior to the date on which Shares are issued or transferred to the Participant.

In the case of conditional awards, the Shares will be released automatically upon vesting whilst Shares subject to restricted awards will cease to be subject to forfeiture on vesting. In the case of options, the award will become exercisable on vesting and may be exercised during such period as the Committee may have specified at the time of grant. HMRC approved options will be exercisable only for a short period following vesting.

9. Malus and clawback

At any time before the vesting date of an Award the Committee may decide that an Award may be adjusted on such basis as the Committee considers to be fair, reasonable and proportionate where in the opinion of the Committee either the individual has committed a serious breach of the Company's global code of conduct or has been guilty of serious misconduct or where there has been a material misstatement in the published results of Rolls-Royce Holdings plc or a serious financial irregularity in relation to any member of the Group as a result of which a performance target and/or any other condition imposed on an award is in the opinion of the Committee no longer an appropriate measure in respect of an award or there is an event which has caused material reputational damage to the Group or a material failure in the Company's risk management policies.

In addition, the Company may at any time within three years of the vesting date of an Award decide that the Participant shall be subject to clawback of an amount up to the value of the award (less tax paid by the individual) and otherwise on such basis as the Committee considers to be fair, reasonable and proportionate where in the opinion of the Committee the individual has been guilty of a serious breach of the Company's global code of conduct or guilty of serious misconduct.

10. Termination of employment

A participant ceasing to be employed within the Group for any reason will be entitled to retain any awards which have vested.

Unvested awards will lapse if a participant ceases to be employed within the Group, unless for a permitted reason. A permitted reason is death, injury, ill-health, disability, redundancy, retirement, the sale of the company or business in which the participant works and such other reason as the Committee may decide.

Where a participant leaves for a permitted reason, the Committee may decide that the Participant may retain an award so that it vests on the normal timetable. In this case the award will be reduced on a time-apportioned basis by reference to the proportion of the performance period or the period since the date of grant (as the Committee may decide) during which the participant was in employment. The award will then vest to the extent the performance targets are achieved, measured over the normal performance period, unless the Committee decides to measure the targets over a shorter period.

In the case of death or terminal illness, the Committee may decide to release the award early, in whole or in part, and the performance targets will be waived.

11. Change of control etc

Special rules apply in the event of a change of control, including a change of control resulting from a restructuring, a scheme of arrangement pursuant to Part 26 of the Companies Act 2006 or a takeover or a voluntary winding up of the Company.

Awards will vest to the extent the performance targets are achieved up to the date of the relevant event (or such other convenient date as the Committee may select) and then reducing them on a time-apportioned basis by reference to the proportion of the performance period or the period since grant prior to the date of the relevant event.

In the event of a change of control, participants may surrender their awards in return for substitute awards over shares in the acquiring company or another company. If, immediately following the change of control, not less than 75% of the shareholders of the acquiring company are the same as the shareholders of the Company before the change of control and the participants are offered or granted substitute awards, the Committee may decide that unvested awards will not vest.

12. Listing

The Company will apply for any new Shares issued under the PSP to be admitted to the Official List and for permission to trade in those Shares. Shares issued under the PSP will rank equally in all respects with existing ordinary shares except for any rights attaching to the Shares by reference to a record date prior to the date of allotment.

13. Variation of Capital

In the event of any variation in the share capital of the Company or in such other circumstances as the Committee considers appropriate, awards (other than any in the form of restricted Shares) may be adjusted in such manner as the Committee considers appropriate.

14. Benefits non-pensionable

Benefits under the PSP will not form part of a participant's remuneration for pension purposes.

15. Amendments

The Committee may amend the PSP, or the terms of awards, to take account of changes to any applicable legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Group including, if appropriate, setting up separate sub-plans.

Except as described above or for amendments designed to ease the administration of the PSP or to correct clerical errors, no amendment which is to the advantage of existing or future participants may be made, without the prior approval of the Company in general meeting, to those provisions dealing with eligibility, individual or plan limits, the terms of awards, the adjustment of awards or the power of amendment.

16. Employee trust

Awards may be satisfied by the transfer of Shares to participants by the trustee of an employee benefit trust. The trust may acquire Shares by market purchase or by subscription at a price not less than the par value. The funds for the acquisition of the shares will be provided by a combination of loans and/or contributions by the Company and/or other Group companies. Alternatively funds may be obtained from third party sources and guaranteed by the Company and/or other group companies.

APPENDIX 3

Main features of The Rolls-Royce plc Deferred Share Bonus Plan (the DBP)

1. Administration of the DBP

The DBP will be administered by the Remuneration Committee of the Board (the **Committee**). All of the members of the Committee are non-executive directors and are not eligible to participate in the DBP.

2. Eligibility

The purpose of the DBP is to facilitate the deferral of part of employees annual bonus into shares. The decision whether to require such bonus deferral in any year, and the portion of any notional annual bonus which will be deferred, will be made by the Committee. Participants will be limited to employees and executive directors of the Company and its subsidiaries (the **Group**) at or above a grade set by the Committee.

3. Awards

Awards will normally take the form of a conditional share award, which is a right to receive ordinary shares in the Company (**Shares**) at the end of a deferral period, which will normally be two years.

Awards may be satisfied by the issue of new Shares, the transfer of Shares held in treasury or the purchase of Shares in the market. Awards may also be satisfied in cash.

Awards will be personal to the participant and may not be transferred. No payment will be required for the grant of an award.

4. Timing

Awards may be granted in the six weeks following the date on which Rolls-Royce plc declares its bonus payments for any year and at other times if the Committee considers that exceptional circumstances exist.

5. Individual limit

Awards may not be granted with a value exceeding 40% of a participant's notional bonus for a year.

6. DBP limits

The DBP will be subject to the following limits:

- (i) on any date, the aggregate nominal amount of Shares that may be allocated under the DBP may not, when added to the nominal amount of Shares allocated in the previous 10 years under all employee share plans of the Group, exceed 10% of the then equity share capital of the Company; and
- (ii) on any date, the aggregate nominal amount of Shares that may be allocated under the DBP and any other employee share plan established for the benefit for selected employees of the Group may not, when added to the nominal amount of Shares allocated in the previous 10 years under all such plans, exceed 5% of the then equity share capital of the Company.

For these purposes, Shares will be treated as allocated when rights to acquire or obtain them are granted and otherwise when they are issued or transferred. Rights which lapse, by reason of non-exercise or otherwise, cease to count. No account will be taken of (a) Shares which are acquired by purchase in the market (rather than by subscription or from treasury) and (b) Shares which an employee purchases at market value using his own funds.

No further awards may be granted under the DBP after 1 May 2024.

7. Vesting of awards

Awards will normally only vest at the end of the two year deferral period.

Each award will, to the extent that it vests, be adjusted to reflect the dividends (or C Shares in the Company) paid or issued during the deferral period.

The Shares will be released automatically upon vesting.

8. Malus and clawback

At any time before the vesting date of an Award the Committee may decide that an Award may be adjusted on such basis as the Committee considers to be fair, reasonable and proportionate where in the opinion of the Committee either the individual has committed a serious breach of the Company's global code of conduct or has been guilty of serious misconduct or where there has been a material misstatement in the published results of Rolls-Royce Holdings plc or a serious financial irregularity in relation to any member of the Group as a result of which a performance target and/or any other condition imposed on an award is in the opinion of the Committee no longer an appropriate measure in respect of an award or there is an event which has caused material reputational damage to the Group or a material failure in the Company's risk management policies.

In addition, the Company may at any time within three years of the grant of an Award decide that the Participant shall be subject to clawback of an amount up to the value of the award (less tax paid by the individual) and otherwise on such basis as the Committee considers to be fair, reasonable and proportionate where in the opinion of the Committee the individual has been guilty of a serious breach of the Company's global code of conduct or guilty of serious misconduct.

9. Termination of employment

Unvested awards will lapse if a participant ceases to be employed within the Group, unless for a permitted reason. A permitted reason is death, injury, ill-health, disability, redundancy, retirement, the sale of the company or business in which the participant works and such other reason as the Committee may decide. If a participant leaves for a permitted reason then the Shares will be released immediately.

10. Change of control etc

Awards will generally vest immediately in the event of a change of control, including a change of control resulting from a restructuring, a scheme of arrangement pursuant to Part 26 of the Companies Act 2006 or a takeover or a voluntary winding up of the Company.

If, immediately following the change of control, not less than 75% of the shareholders of the acquiring company are the same as the shareholders of the Company before the change of control and the participants are offered or granted substitute awards, the Committee may decide that unvested awards will not vest but will be automatically exchanged.

APPENDIX 3

11. Listing

The Company will apply for any new Shares issued under the DBP to be admitted to the Official List and for permission to trade in those Shares. Shares issued under the DBP will rank equally in all respects with existing ordinary shares except for any rights attaching to the Shares by reference to a record date prior to the date of allotment.

12. Variation of Capital

In the event of any variation in the share capital of the Company or in such other circumstances as the Committee considers appropriate, awards may be adjusted in such manner as the Committee considers appropriate.

13. Benefits non-pensionable

Benefits under the DBP will not form part of a participant's remuneration for pension purposes.

14. Amendments

The Committee may amend the DBP, or the terms of awards, to take account of changes to any applicable legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Group including, if appropriate, setting up separate sub-plans.

Except as described above or for amendments designed to ease the administration of the DBP or to correct clerical errors, no amendment which is to the advantage of existing or future participants may be made, without the prior approval of the Company in general meeting, to those provisions dealing with eligibility, individual or DBP limits, the terms of awards, the adjustment of awards or the power of amendment.

15. Employee trust

Awards may be satisfied by the transfer of Shares to participants by the trustee of an employee benefit trust.

The trust may acquire Shares by market purchase or by subscription at a price not less than the par value. The funds for the acquisition of the Shares will be provided by a combination of loans and/or contributions by the Company and/or other Group companies. Alternatively funds may be obtained from third party sources and guaranteed by the Company and/or other group companies.

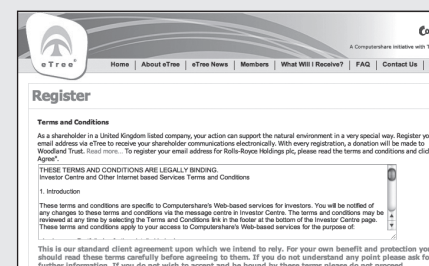
WHY NOT GO ONLINE?

Record your vote

Instead of completing the paper proxy form, you can record the appointment of your proxy online. You will be asked to enter the Control Number, Shareholder Reference Number (SRN) and Personal Identification Number (PIN) as printed on the paper proxy form and you will be given a receipt electronically to confirm your vote has been recorded.

For every shareholder registering to receive e-communications using the eTree™ website, we will donate £1 to the Woodland Trust, the UK's leading woodland conservation charity in support for their Tree for All programme.

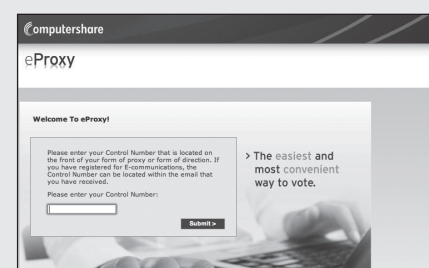
www.etreuk.com/rolls-royce



Register your email address with us

If you are able to accept delivery of our annual report and Notice from our website www.rolls-royce.com instead of receiving them in the post, you will not only reduce our printing and distribution costs but will also be helping the environment.

www.investorcentre.co.uk



Administer your shareholding

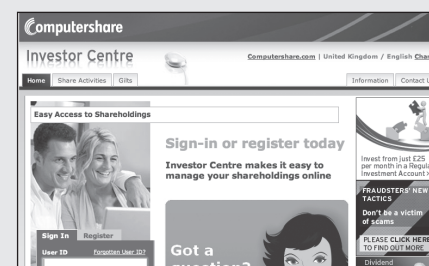
At our Registrar's website you can:

- set up instructions to have shareholder payments made direct to your bank account;
- deal in Rolls-Royce shares;
- view your account balance, values and history;
- change your address; and
- view payment history and access tax information.

You will need to quote the Shareholder Reference Number (SRN) as printed on the enclosed proxy form to register for this service.

You can, instead, speak to a member of the Registrar's Rolls-Royce team by calling +44 (0)870 703 0162 between 8.30 am and 5.30 pm Monday to Friday or you can write to them at Computershare Investor Services PLC, The Pavilions, Bridgewater Road, Bristol BS13 8AE.

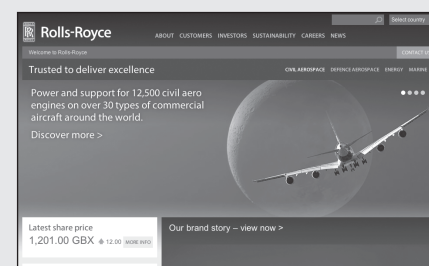
www.investorcentre.co.uk



Visit our website

Our website contains a wealth of information about our Group. It has an investors' section specifically designed to meet the needs of our shareholders and you can register for our news service which will enable you to receive all of our press releases direct to your email address or to your mobile phone.

www.rolls-royce.com





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