



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 Group 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 holders of ordinary shares

March 3, 2009

Dear Shareholder,

Notice of Annual General Meeting

The 2009 Annual General Meeting of Rolls-Royce Group plc (the Company) will be held at 11.00am on Thursday April 30, 2009 at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE. The Notice of Annual General Meeting of the Company is set out in this document.

I am writing to you to give details of the items of business to be transacted at the meeting.

Resolutions 1 to 11

Resolutions 1 to 11 deal with: the Directors' report and the audited financial statements for 2008 (resolution 1); the approval of the Directors' remuneration report (resolution 2); the election and re-election of directors (resolutions 3 to 8); the reappointment of the Company's auditors and authority to agree their remuneration (resolution 9); the proposed allotment and issue of C Shares to shareholders (resolution 10); and political donations and expenditure (resolution 11). All of these resolutions will be proposed as Ordinary Resolutions.

Resolutions 12 to 14

Resolutions 12 to 14 deal with: the directors' authority to allot new shares (resolution 12); the authority to disapply pre-emption rights on the issue of a limited number of new shares in the Company (resolution 13); and the authority for the Company to purchase its own ordinary shares (resolution 14). All of these resolutions will be proposed as Special Resolutions.

Poll voting

In line with the approach adopted in recent years, all the above resolutions will be put to the vote and decided by a poll. This reflects best practice and will ensure that shareholders who are not able to attend the Annual General Meeting, 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 notified to the UK Listing Authority and published on the Group's website as soon as possible after the conclusion of the Annual General Meeting.

Recommendation

Your directors consider that the resolutions to be proposed at the Annual General Meeting as set out in this document are in the best interests, and will promote the success of the Company for the benefit of its shareholders as a whole. Accordingly, your directors recommend that you give them your support by voting in favour of the resolutions set out on page 2 of the Notice of Annual General Meeting, as your directors intend to do in respect of their own beneficial shareholdings.

Action to be taken

Shareholders will find enclosed a blue-headed proxy form. If you are not intending to attend the Annual General Meeting in person, please complete and return this form indicating how you wish your votes to be cast on each of the resolutions.

To be effective, the proxy form must be completed in accordance with the instructions printed thereon and set out in the notes to the Notice of Annual General Meeting and should be returned as soon as possible but, in any event, so as to reach the Company's Registrar – Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY – **by no later than 11.00am on Tuesday April 28, 2009.**

Alternatively, you may register the appointment of a proxy electronically by accessing the Investors' section on the Group's website at www.rolls-royce.com or, if you are a member of CREST, by using 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 of Annual General Meeting.

Yours sincerely

Simon Robertson
Chairman

The 2009 Annual General Meeting of **Rolls-Royce Group plc** (the Company) will be held at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London, SW1P 3EE at 11.00am on Thursday April 30, 2009 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

Resolution 1 – Receipt of the Directors' report and the audited financial statements

That the Directors' report and the audited financial statements for the year ended December 31, 2008 be received.

Resolution 2 – Approval of the Directors' remuneration report

That the Directors' remuneration report for the year ended December 31, 2008 be approved.

Resolution 3 – Election of director

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

Resolution 4 – Re-election of director

That Peter Byrom be re-elected as a director of the Company.

Resolution 5 – Re-election of director

That Iain Conn be re-elected as a director of the Company.

Resolution 6 – Re-election of director

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

Resolution 9 – Reappointment of the auditors and authority to agree auditors' remuneration

That KPMG Audit Plc be reappointed as the Company's auditors to hold office until the next general meeting at which financial statements are laid before the Company and that the directors be authorised to agree the auditors' remuneration.

Resolution 10 – Proposed allotment and issue of C Shares

That the directors be and are 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 £350 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 350 billion non-cumulative redeemable preference shares 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 Association of the Company or any other terms and conditions approved by the directors from time to time;
- b) pursuant to Section 80 of the Companies Act 1985 (as amended) to exercise all powers of the Company to allot and distribute C Shares credited as fully paid up to an aggregate nominal amount of £350 million to the holders of ordinary shares of 20 pence each on the register of members 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 next Annual General Meeting of the Company and so that such authority shall be additional to and without prejudice to the unexercised portion of any authorities and powers granted to the directors pursuant to resolution 12 below, and any resolution passed prior to the date of passing of this resolution;
- 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 11 – 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 Company's next Annual General Meeting, 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. 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 Companies Act 2006.

SPECIAL RESOLUTIONS

Resolution 12 – Authority to allot new shares

That the Section 80 amount as defined in Article 10(d) of the Company's Articles of Association shall be £124,899,130.

Resolution 13 – Disapplication of pre-emption rights

That the Section 89 amount as defined in Article 10(d) of the Company's Articles of Association shall be £18,734,869.

Resolution 14 – Authority to purchase own shares

That the Company be and is generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of its ordinary shares of 20 pence each in the capital of the Company, subject to the following conditions:

- a) the maximum aggregate number of ordinary shares authorised to be purchased is 185,137,887;
- 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 all London Stock Exchange Trading Systems;
- d) this authority shall expire at the close of the Annual General Meeting of the Company held in 2010 or 18 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

Tim Rayner General Counsel and Company Secretary
March 3, 2009

Issued share capital and total voting rights

As at February 11, 2009, the issued share capital consisted of 1,851,378,877 ordinary shares of 20 pence each, 4,421,615,360 C Shares of 0.1 pence each and one Special Share of £1. At the Annual General Meeting, 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 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 February 11, 2009 was 1,851,378,877.

Entitlement to attend and vote

Pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, the Company specifies that only those shareholders registered in the register of members of the Company as at 6.00pm (BST) on Tuesday April 28, 2009 or, in the event that the Annual General Meeting 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 Annual General Meeting 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 April 28, 2009 shall be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.

Proxies

Shareholders entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend, speak and vote at the Annual General Meeting instead of them. Appointing a proxy will not preclude shareholders from attending and voting at the Annual General Meeting 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 Annual General Meeting 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 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).

Please 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 will vote or abstain from voting at his or her discretion. Your proxy will vote or abstain from voting as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.

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 votes for or against the resolution.

Multiple proxies

You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one 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 shares in relation to which they are authorised to act as your proxy.

Appointment of proxy using hard-copy form

A blue-headed proxy form is enclosed. To be valid this 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 April 28, 2009 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.

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.

Electronic appointment of proxies

As an alternative to completing the hard-copy proxy form, you may complete and lodge the proxy form electronically via the internet by accessing the Investors' section on the Group's website at www.rolls-royce.com. To do so, you will need your PIN and Shareholder Reference Number (SRN), which are shown on the proxy form. For an electronic proxy appointment to be valid, it must be received by the Registrar no later than 11.00am (BST) on Tuesday April 28, 2009.

Changing proxy instructions

To change your proxy instructions, you must submit a new proxy appointment using either the hard-copy proxy form appointment method or the electronic appointment method set out above. Note that the cut-off time of 11.00am (BST) on Tuesday April 28, 2009 for receipt of proxy appointments also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy 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 to 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.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies 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 shareholder 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 Annual General Meeting 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 Annual General Meeting and voting in person. If you have appointed a proxy and attend and vote at the Annual General Meeting in person, your proxy appointment will be terminated automatically.

Nominated persons

The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 (Nominated Persons). If you are a Nominated Person you may have a right under an agreement with the registered shareholder who has nominated you to have information rights (the Relevant Shareholder) to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. 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 Relevant 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 Relevant 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. 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 UK & Ireland Limited's specifications and must contain the information required for such instruction, as described in the CREST manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Computershare Investor Services PLC (Issuer agent ID number 3RA50) by 11.00am (BST) on Tuesday, April, 28 2009. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST Personal Member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) 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 and, where applicable, their CREST sponsors 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.

Corporate representatives

The Companies Act 2006 allows a corporate shareholder to appoint more than one corporate representative and all of those representatives can attend and speak at the meeting. However, there remains uncertainty as to whether multiple corporate representatives can use their powers to vote in different ways. These changes do not affect the ability of corporate shareholders to appoint multiple proxies with different voting instructions and therefore corporate shareholders may prefer to appoint proxies instead.

In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that:

- if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman, and the Chairman will vote (or withhold a vote), as corporate representative in accordance with those directions; and
- if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described above.

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, The Bank of New York Mellon. Callers from the US should dial (toll free): 1-888-BNY-ADRS (1-888-269-2377). Callers from outside the US should dial: +1-610-382-7836.

Documents available for inspection

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

- executive directors' service contracts;
- letters of appointment for the Chairman and the non-executive directors;
- directors' deeds of indemnity; and
- Memorandum and Articles of Association of the Company.

Communication

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

- by calling the shareholder helpline on +44 (0)870 703 0162; or
- by post 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 of Annual General Meeting; or
- 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 11 will be proposed as Ordinary Resolutions. For these resolutions to be passed, more than 50 per cent of shareholders' votes cast must be in favour.

Resolution 1 – Receipt of the Directors' report and the audited financial statements

The directors will present the Directors' report and the audited financial statements for 2008 to the Annual General Meeting.

Resolution 2 – Approval of the Directors' remuneration report

The Directors' Remuneration Report Regulations 2002 (the Regulations) require the Board to present its remuneration report to shareholders. A summary version of the Directors' remuneration report is also included in the Annual review and summary financial statement.

The Directors' remuneration report is on pages 70 to 79 of the Annual report and a summarised version is on pages 17 to 19 of the Annual review and summary financial statement. It explains the Company's policy on remuneration and gives details of the directors' remuneration for the year ended December 31, 2008. The Company's auditors, KPMG Audit Plc, have audited those parts of the Directors' remuneration report as required by the Regulations. Their report is on page 145 of the Annual report and on page 12 of the Annual review and summary financial statement.

The Board believes that its policy on executive remuneration plays a vital part in helping to achieve the Company's objectives by providing the directors with effective incentives for strong performance.

Resolution 3 – Election of John Neill CBE

The Company's Articles of Association require any director appointed by the Board to retire and seek election at the first Annual General Meeting following his or her appointment. Accordingly, John Neill CBE who was appointed as a director by the Board with effect from November 13, 2008 is proposed for election.

Resolution 4 to 8 – Re-election of Peter Byrom, Iain Conn, James Guyette, John Rishton and Simon Robertson

In line with the policy adopted by the Company in 2005 requiring directors who have served more than nine years on the Board to seek annual re-election, Peter Byrom is proposed for re-election. Additionally, under the Company's Articles of Association, one third of the directors must retire by rotation each year, with each director also being subject to re-election at intervals of not more than three years. Accordingly Iain Conn, James Guyette, John Rishton and Simon Robertson are also proposed for re-election.

Biographies of all of the directors proposed for election and re-election are in Appendix 1.

In line with the Combined Code on Corporate Governance issued by the Financial Reporting Council, the Board has reviewed the independence of its non-executive directors and has determined that they remain fully independent of management although the Combined Code does not regard the Chairman as being independent in view of his unique role in corporate governance. In particular, the Board has reviewed the independence of Peter Byrom who has served on the Board for more than nine years. The Board has concluded that Peter Byrom remains independent, as explained on page 67 of the Annual report and page 14 of the Annual review and summary financial statement.

Resolution 9 – Reappointment of the auditors and authority to agree the auditors' remuneration

This resolution proposes the reappointment of KPMG Audit Plc as the Company's auditors and follows the standard practice of giving authority to the directors to determine the auditors' remuneration.

Resolution 10 – Proposed allotment and issue of C Shares

At the Company's Annual General Meeting in 2008, shareholders approved the issue of C Shares as a method of making payments to shareholders rather than paying a cash dividend.

The Company proposes to make a bonus issue of 85.8 C Shares for every ordinary share held, to holders of ordinary shares on the register on April 24, 2009 rather than paying a final cash dividend for 2008.

Shareholders can redeem their C Shares for cash or reinvest the proceeds in additional ordinary shares using the C Share Reinvestment Plan (the CRIP). Further details of C Shares are contained in the booklet 'Your guide to C Shares', a copy of which can be obtained from the Registrar, or in the Investors' section on the Group's website www.rolls-royce.com. C Shares are not listed on the London Stock Exchange.

Resolution 10 allows for the allotment and issue of C Shares up to the limit specified. It is additional to the general authority to issue shares provided by resolution 12 and expires at the conclusion of the Company's next Annual General Meeting.

Shareholders will not have to make any payments for C Shares and no charge will be made should they elect to redeem their C Shares for cash. Shareholders who wish to reinvest redemption proceeds in the purchase of further ordinary shares will be able to participate in the CRIP operated by the Registrar. A copy of the terms and conditions applying to the CRIP are available on request from the Registrar.

Resolution 11 – Political donations and expenditure

It is not the policy of the Company to make donations to political parties. 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 Companies Act 2006. Any expenditure that is regulated under this Act must first be approved by shareholders and will be disclosed in next year's Annual report. This resolution, if passed, will provide the directors with authority to make donations and incur expenditure which might otherwise be caught by the terms of that Act, up to a maximum amount of £25,000 for each subsidiary company and a maximum amount of £50,000 for the entire Group, until the Annual General Meeting to be held in 2010 (when the directors intend to renew this authority).

Resolutions 12 to 14 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 12 – Authority to allot new shares

The directors of a company may only allot unissued shares if authorised to do so. The Company's Articles of Association authorise the directors to allot shares in accordance with the terms of Articles 10(a) to 10(d). However, it is necessary to specify each year the maximum nominal amount of shares which the directors are authorised to allot. This is called the Section 80 amount.

Resolution 12 enables the directors to allot new shares up to a nominal value of £124,899,130 (referred to in the resolution as the Section 80 amount), comprising approximately 33 per cent of the total issued share capital of the Company as at February 11, 2009.

This limit accords with the recommendations of the Association of British Insurers. The directors have no present intention of exercising the authority to allot new shares but will keep the matter under review.

The authority will be valid until the conclusion of the next Annual General Meeting in 2010 or 18 months from the date of this resolution, whichever is the earlier.

Resolution 13 – Disapplication of pre-emption rights

Company law requires that the directors, when they decide to issue new shares, must first offer them to shareholders in proportion to the number of shares held by them. This is called a 'pre-emption right'. Resolution 13 sets the maximum nominal amount of new shares which the directors are authorised to allot for cash without first offering them to existing shareholders (referred to in the resolution as the Section 89 amount).

The Section 89 amount is equal to five per cent of the Company's issued share capital as at February 11, 2009. This limit accords with the recommendations of the Association of British Insurers.

Resolution 14 – Authority to purchase own shares

Resolution 14 gives the Company authority to buy back its own ordinary shares in the market as permitted by the Companies Act 1985.

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 February 11, 2009) and the minimum and maximum prices at which they may be bought. On February 11, 2009, there were options over ordinary shares in the capital of the Company representing 1.30 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 1.44 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, prior to 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.

The 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.

The authority will be valid until the conclusion of the next Annual General Meeting in 2010 or 18 months from the date of this resolution, whichever is the earlier.

Biographies of directors proposed for election and re-election:

John Neill CBE

Non-executive director, member of the audit and nominations committees

Appointed to the Board in November 2008, he is the Chief Executive of the Unipart group of companies. He is a member of the Council and Board of Business in the Community and is a non-executive director of Charter plc. He is Vice President of the Society of Motor Manufacturers and Traders, BEN, the automotive industry charity and The Institute of the Motor Industry. Age 61.

Peter J Byrom BSc, FCA

Non-executive director, a member of the remuneration, ethics and nominations committees

Appointed to the Board in 1997, he is Chairman of Domino Printing Sciences plc and a non-executive director of AMEC plc. He is a Fellow of the Royal Aeronautical Society. He was a director of NM Rothschild & Sons Limited from 1977 to 1996. Age 64.

Iain C Conn

Non-executive director, Senior Independent Director, a member of the audit and nominations committees

Appointed to the Board in 2005, he is an executive director of BP p.l.c. having held a range of executive positions within the BP Group worldwide. He is Chairman of the Advisory Board of The Imperial College Business School. Age 46.

James M Guyette BSc

President and Chief Executive Officer of Rolls-Royce North America Inc.

Appointed to the Board in 1998 having joined Rolls-Royce in 1997, he is a director of the PrivateBank and Trust Company of Chicago, Illinois and of priceline.com Inc. Until 1995 he was Executive Vice President, Marketing and Planning of United Airlines. Age 63.

John Rishton

Non-executive director, Chairman of the audit committee and a member of the ethics and nominations committees

Appointed to the Board in March 2007, he is Chief Executive Officer of Royal Ahold. He began his career in 1979 at Ford Motor Company and held a variety of positions both in the UK and in Europe. In 1994 he joined British Airways Plc where he was Chief Financial Officer from 2001 to 2005. He is a former non-executive director of Allied Domecq. Age 51.

Simon Robertson

Non-executive Chairman, Chairman of the nominations committee

Appointed to the Board in 2004, he is the founder member of Simon Robertson Associates LLP and a non-executive director of HSBC Holdings plc, Berry Bros & Rudd Ltd, and The Economist Newspaper Limited. He is a director of The Royal Opera House Covent Garden Limited and a trustee of The Eden Project and the Royal Opera House Endowment Fund. He is the former president of Goldman Sachs Europe Limited. Age 67.



Rolls-Royce Group plc

Registered office:
65 Buckingham Gate
London SW1E 6AT

Telephone 020 7222 9020
Website www.rolls-royce.com

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