

# Rolls-Royce Holdings plc

## Annual General Meeting 2013



# 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 Special Share.

Dear Shareholder,

#### Notice of Annual General Meeting (AGM)

I have pleasure in enclosing notice of this year's AGM (the Notice). The 2013 AGM of Rolls-Royce Holdings plc (the Company) will be held at 11.00am (BST) on Thursday 2 May 2013 at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE. This letter sets out details of the items of business to be transacted at the meeting.

#### Resolutions 1 to 18

Resolutions 1 to 18 deal with: the directors' report and the audited financial statements for 2012 (Resolution 1); the approval of the directors' remuneration report (Resolution 2); the election and re-election of directors (Resolutions 3 to 14); the reappointment of the Company's auditor and authority to agree its remuneration (Resolutions 15 and 16); the proposed allotment and issue of C Shares to shareholders (Resolution 17); and political donations and expenditure (Resolution 18). All of these resolutions will be proposed as ordinary resolutions.

#### Resolutions 19 to 22

Resolutions 19 to 22 deal with: the directors' authority to allot new shares (Resolution 19); the authority to disapply pre-emption rights on the issue of a limited number of new shares in the Company (Resolution 20); the authority for the Company to purchase its own ordinary shares (Resolution 21); and adoption of new Articles of Association (Resolution 22). All of these resolutions will be proposed as special resolutions.

Explanatory notes on the business to be considered at this year's AGM appear on pages 6 to 8 of this Notice.

#### 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 published on the Group's 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 Notice 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, Bridgewater Road, Bristol BS99 6ZY, United Kingdom **by no later than 11.00 am (BST) on Tuesday 30 April 2013.**

Instead of posting the form, you can register the appointment of a proxy online at [www.investorcentre.co.uk/eproxy](http://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 this Notice.

#### Recommendation

The Board considers that all the resolutions set out in this 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

**Sir Simon Robertson**  
Chairman

12 March 2013



## Notice of AGM

The 2013 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 2 May 2013 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 directors' report and the audited financial statements

That the directors' report and the audited financial statements for the year ended 31 December 2012 be received.

#### Resolution 2 – Approval of the directors' remuneration report

That the directors' remuneration report for the year ended 31 December 2012 be approved.

#### Resolution 3 – Election of director

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

#### Resolution 4 – Election of director

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

#### Resolution 5 – Re-election of director

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

#### Resolution 6 – Re-election of director

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

#### Resolution 7 – Re-election of director

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

#### Resolution 8 – Re-election of director

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

#### Resolution 9 – Re-election of director

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

#### Resolution 10 – Re-election of director

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

#### Resolution 11 – Re-election of director

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

#### Resolution 12 – Re-election of director

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

#### Resolution 13 – Re-election of director

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

#### Resolution 14 – Re-election of director

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

#### Resolution 15 – Reappointment of the auditor

That KPMG Audit Plc be reappointed 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 16 – Authority to agree the auditor's remuneration

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

#### Resolution 17 – 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 Association (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 2014 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 18 – 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 2014 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. 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.

## Notice of AGM

### 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 19 – Authority to allot new shares

That:

- a) the first Section 551 amount as defined in article 12 of the Articles shall be £124,821,118; and
- b) the second Section 551 amount as defined in article 12 of the Articles shall be £249,642,235; 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 2014 AGM of the Company or 15 months after the date on which this resolution is passed (whichever is the earlier).

#### Resolution 20 – Disapplication of pre-emption rights

That, subject to the passing of Resolution 19, the Section 561 amount as defined in article 12 of the Articles shall be £18,723,167 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 2014 AGM of the Company or 15 months after the date on which this resolution is passed (whichever is the earlier).

#### Resolution 21 – 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 187,231,677;
- 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 an ordinary 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 2014 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.

#### Resolution 22 – Adoption of new Articles of Association

That with immediate effect, the amended Articles of Association of the Company produced to the meeting and initialled by the Chairman for the purpose of identification (the New Articles) be approved and adopted as the Articles of Association of the Company, in substitution for the existing Articles of Association (the Existing Articles).

By order of the Board

**Nigel Goldsworthy**  
Company Secretary

12 March 2013

## Notes to the Notice of AGM

### Issued share capital and total voting rights

As at 13 February 2013 (being the latest practicable date prior to the publication of this Notice) the issued share capital consisted of 1,872,316,766 ordinary shares of 20 pence each, 13,652,157,295 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 13 February 2013 (being the latest practicable date prior to the publication of this Notice) was 1,872,316,766.

### 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 30 April 2013 or, in the event that 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 30 April 2013 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 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 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 30 April 2013 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](http://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 30 April 2013.

### 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 paper 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 30 April 2013 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, at [www.investorcentre.co.uk/eproxy](http://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 paper 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 24 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](http://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 30 April 2013.



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.

#### 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

PO Box 358516

Pittsburgh PA 15252-8516

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@bnymellon.com](mailto:shrrelations@bnymellon.com)

Website: [www.adrbnymellon.com](http://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; and
- the New Articles and the Existing Articles.

#### Business at the AGM

Under Section 319A of the Act, shareholders have the right to ask questions at the AGM relating to the business of the meeting and for these to be answered, 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 Group'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.

Under Section 338 of the Act, shareholders may request the Company to give, to members of the Company entitled to receive notice of the AGM, notice of a resolution to be moved at the AGM, provided that it is not defamatory, frivolous or vexatious, and would not, if passed, be ineffective.

The Company will give notice of such a resolution if sufficient requests have been received in accordance with Section 338(3) of the Act. This requires a minimum of 100 shareholders who have a right to vote on the resolution 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 of all the shareholders who have a right to vote on the resolution at the AGM (excluding any voting rights attached to any shares in the Company held as treasury shares). The requests must be submitted in the manner detailed in Section 338 of the Act.

#### Information available on our website

The following information is available on the Group's website at [www.rolls-royce.com](http://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 12 March 2013.

#### 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 18 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 directors' report and the audited financial statements

The directors will present the directors' report and the audited financial statements for the year ended 31 December 2012 to the AGM.

#### Resolution 2 – Approval of the directors' remuneration report

Companies listed on the premium segment of the Official List of the Financial Services Authority are required to give shareholders the opportunity to cast an advisory vote on the directors' remuneration report. The directors' remuneration report is on pages 57 to 67 of the annual report. It explains the Company's policy on remuneration and gives details of the directors' remuneration for the year ended 31 December 2012. The Company's auditor, KPMG Audit Plc, has audited those parts of the directors' remuneration report required by the Act. The auditor's report is on page 129 of the annual report.

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.

#### Resolutions 3 to 14 – Election and re-election of directors

The Company's Articles require that all the directors at the date of the Notice put themselves forward for election or re-election. Jasmin Staiblin, who was appointed after the last AGM and Ian Davis who was appointed on 1 March 2013 will put themselves forward for election for the first time at the AGM in 2013. All directors will retire and put themselves forward for re-election at the AGM in 2013 with the exception of Sir Simon Robertson, Peter Byrom, and Ian Strachan who will retire from the Board at the conclusion of the AGM.

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 and re-election are included in the annual report on pages 40 to 41 with the exception of Ian Davis who was appointed after the publication of the annual report. His biography is included in appendix 1 of this Notice.

In accordance with the UK Corporate Governance Code ('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 does not consider the test of independence to be appropriate to the chairman of a company.

#### Resolutions 15 and 16 – Reappointment of the auditor and authority to agree the auditor's remuneration

These resolutions propose the reappointment of KPMG Audit Plc as the Company's auditor and follow the standard practice of giving authority to the directors to agree the auditor's remuneration. Details of the remuneration paid to the auditor in 2012 are shown on page 94 of the annual report.



### Resolution 17 – Payment to shareholders

The Company issues redeemable C Shares 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 final bonus issue of 119 C Shares in respect of the 31 December 2012 financial year with a total nominal value of 11.9 pence for each ordinary share. The C Shares will be allotted on 1 July 2013 to shareholders on the register on 26 April 2013 and the final day of trading with entitlement to C Shares is 23 April 2013. Together with the interim issue on 2 January 2013 of 76 C Shares for each ordinary share with a total nominal value of 7.6 pence, this is the equivalent of a total annual payment to ordinary shareholders of 19.5 pence for each ordinary share.

As with previous payments, shareholders can continue to redeem their C Shares for cash or reinvest the proceeds 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 3 June 2013. Redemption will take place on 3 July 2013.

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 Group's website at [www.rolls-royce.com](http://www.rolls-royce.com).

### Resolution 18 – 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 2012 financial year.

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 the Act, up to a maximum amount of £25,000 for each subsidiary company and a maximum amount in aggregate of £50,000 for the Group. The authority will be valid until the conclusion of the 2014 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).

### Resolutions 19 to 22 will be proposed as special resolutions.

For these resolutions to be passed, at least three-quarters of the votes cast must be cast in favour of the resolution.

### Resolution 19 – 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 19(a) enables the directors to allot new shares up to a nominal value of £124,821,118 representing approximately one third of the total issued ordinary share capital of the Company as at 13 February 2013 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 19(b) enables the directors to allot new shares up to a nominal value of £249,642,235 representing approximately two thirds of the total issued ordinary share capital of the Company as at 13 February 2013 being the latest practicable date prior to publication of this Notice.

As at 13 February 2013, being the latest practicable date prior to the publication of this Notice, the Company does 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 and opportunities as they arise.

The authorities sought under Resolution 19 will be valid until the conclusion of the 2014 AGM of the Company or 15 months after the date on which the resolution is passed (whichever is the earlier).

### Resolution 20 – 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'.

As in previous years, Resolution 20 sets the maximum nominal amount of new shares which the directors are 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 13 February 2013 (being the latest practicable date prior to publication of this Notice). This limit accords 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 issued share capital in a rolling three-year period would not take place without prior consultation with shareholders.

This authority will be valid until the conclusion of the 2014 AGM of the Company or 15 months from the date of this resolution, whichever is the earlier.

#### **Resolution 21 – Authority to purchase own shares**

Resolution 21 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 13 February 2013 being the latest practicable date prior to publication of this Notice) and the minimum and maximum prices at which they may be bought.

On 13 February 2013 (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 0.01 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 0.01 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.

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 2014 AGM of the Company or 15 months from the date of this resolution, whichever is the earlier.

#### **Resolution 22 – Adoption of new Articles of Association**

This resolution seeks shareholders' approval to adopt the New Articles. The principal change is to Article 111. This Article allows either the Chairman or the Chief Executive to be a citizen of the European Union or the United States provided the other is a British citizen. The Board believe that in a global business, it is essential to have a wider pool of talent to draw upon for such key positions.

This amendment follows discussions with the Department of Business, Innovation & Skills, on behalf of HM Government, which is the holder of the Special Share. It ensures that the previous changes made to Article 111 in 2010 have their intended effect and does so without detriment to the Company.

In addition, should the circumstance arise in which one post suddenly became vacant, for example due to an unforeseen resignation without prior notice, this could have the consequence of the only remaining officer being a non-UK citizen. Article 111 has been amended to add a provision to ensure that in such a circumstance the Board shall procure the appointment of a replacement in compliance with the nationality requirements of this Article as soon as reasonably practicable.

A copy of the New Articles including all proposed changes is available for inspection on the Group's website at [www.rolls-royce.com](http://www.rolls-royce.com) or at the Company's registered office and will be available for at least 15 minutes prior to and during the AGM.

#### **APPENDIX 1**

Biography of director proposed for election:



#### **Ian Davis (62)**

##### **Non-executive director, appointed 1 March 2013**

**Skills and experience:** Ian Davis spent his early career at Bowater, moving to McKinsey & Company in 1979. He was managing partner of McKinsey's practice in the UK and Ireland from 1996 to 2003. In 2003, he was appointed as chairman and worldwide managing director of McKinsey, serving in this capacity until 2009. During his career with McKinsey, Ian served as a consultant to a range of global organisations across the private, public and not-for-profit sectors. He retired as senior partner of McKinsey & Company on 30 July 2010.

**External appointments:** Ian serves as a non-executive director on the boards of Johnson & Johnson Inc, BP p.l.c. and as a non-executive member of the Cabinet Office Board. He is also senior adviser to Apax Partners LLP.

# Why not go online?

## REGISTER YOUR EMAIL ADDRESS

If you are able to accept delivery of our annual report and Notice from our website [www.rolls-royce.com](http://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.

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

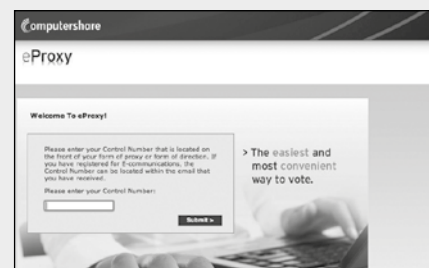
## [WWW.ETREEUK.COM/ROLLS-ROYCE](http://WWW.ETREEUK.COM/ROLLS-ROYCE)



## RECORD YOUR VOTE

As an alternative to 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 enclosed proxy form and you will be given a receipt electronically to confirm your vote has been recorded.

## [WWW.INVESTORCENTRE.CO.UK/EPROXY](http://WWW.INVESTORCENTRE.CO.UK/EPROXY)



## ADMINISTER YOUR SHAREHOLDING

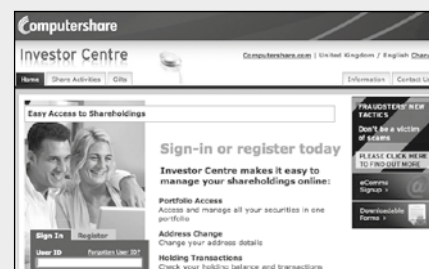
At our Registrar's website you can:

- 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 8.30am and 5.30pm Monday to Friday or you can write to them at Computershare Investor Services PLC, The Pavilions, Bridgewater Road, Bristol BS13 8AE.

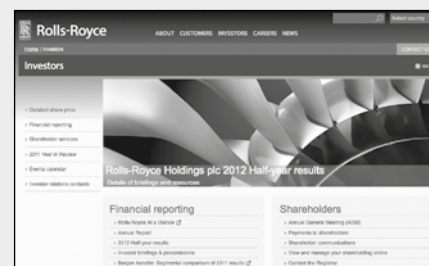
## [WWW.INVESTORCENTRE.CO.UK](http://WWW.INVESTORCENTRE.CO.UK)



## 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](http://WWW.ROLLS-ROYCE.COM)





© Rolls-Royce plc 2013

Rolls-Royce Holdings plc  
Registered office:  
65 Buckingham Gate  
London  
SW1E 6AT

T +44 (0)20 7222 9020  
[www.rolls-royce.com](http://www.rolls-royce.com)

Company number 7524813