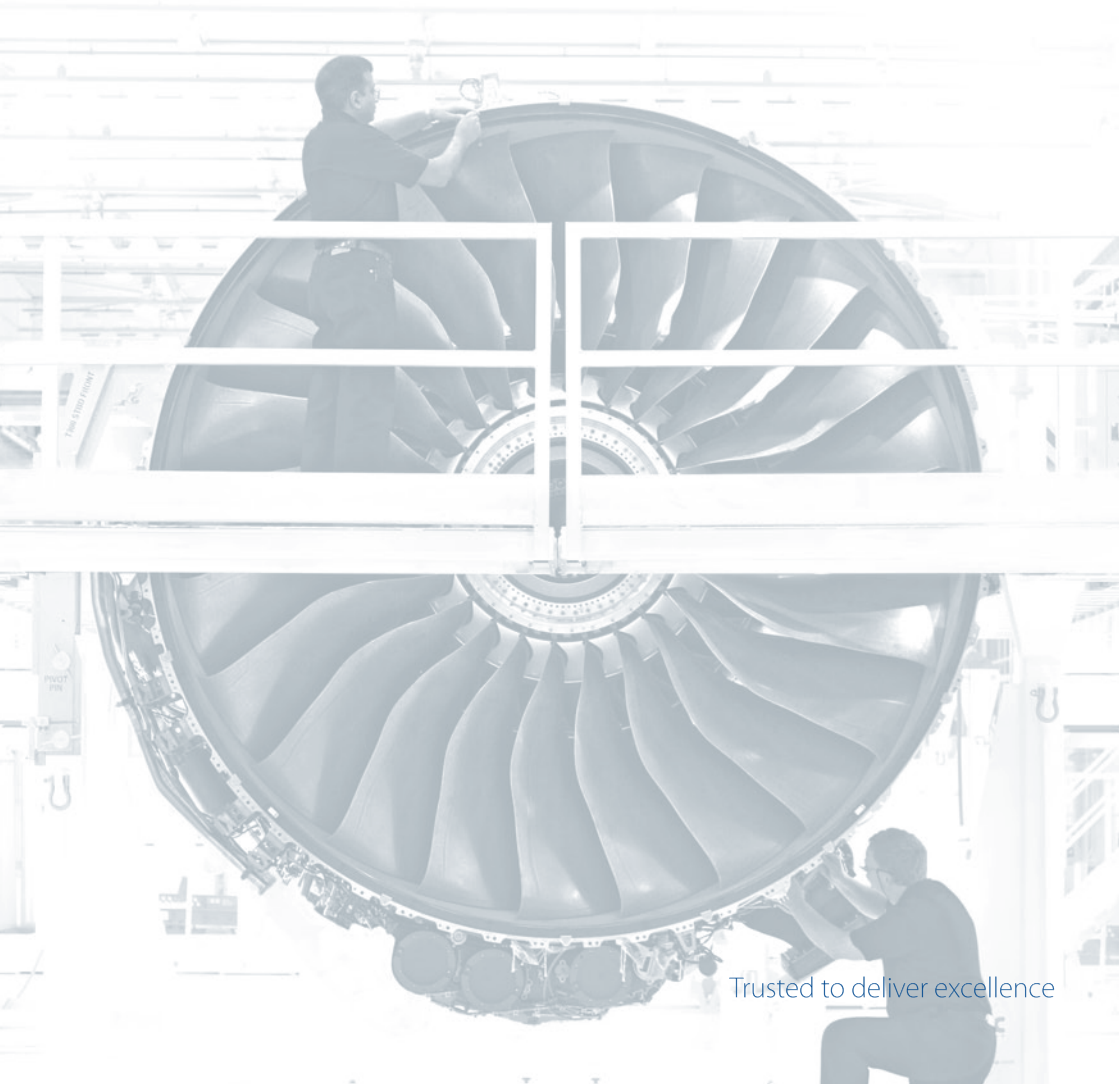




Rolls-Royce

Rolls-Royce Group plc

# SCHEME OF ARRANGEMENT SHAREHOLDER GUIDE



Trusted to deliver excellence

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It is proposed that, on May 23, 2011, Rolls-Royce Group plc will be replaced by Rolls-Royce Holdings plc as the holding company of the Rolls-Royce group of companies. This will be effected by a scheme of arrangement (Scheme).

You will receive one new ordinary share in Rolls-Royce Holdings plc in exchange for each existing ordinary share you hold in Rolls-Royce Group plc.

New share certificates will be issued and existing certificates will become invalid. However, the number of shares you hold and the way in which you receive payments will be unchanged. The value of your shareholding should be unaffected.

This booklet tells you more about the Scheme, full details of which can be found in the Scheme circular.

This document provides a summary only of recommended proposals contained in the circular to shareholders of Rolls-Royce Group plc for the introduction of a new holding company, Rolls-Royce Holdings plc, by means of a Scheme of Arrangement under Part 26 of the Companies Act 2006. You should not rely solely on this summary but should read the whole of the Scheme circular and any other documents incorporated by reference. If you are in any doubt as to the contents of this document or what action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser who, if you are taking advice in the United Kingdom, is authorised pursuant to FSMA or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.

# INTRODUCTION

## BY THE CHAIRMAN

March 22, 2011

**Dear Shareholder,**

### New group holding company

On February 10, 2011, we announced our intention to put in place a new holding company for the Rolls-Royce group of companies (Group) being Rolls-Royce Holdings plc. It is intended that this new corporate structure will be implemented by means of a scheme of arrangement under Part 26 involving the cancellation of most of the capital of Rolls-Royce Group plc (Scheme). Upon the Scheme taking effect, it is proposed that the capital of Rolls-Royce Holdings plc be reduced to create distributable reserves.

The Board believes that these proposals, which will create distributable and merger reserves, are the most effective way to provide flexibility to the capital structure of the Group. A benefit of the creation of these reserves is that they will allow for the continued issue and redemption of C Shares by the Group. Shareholders will be familiar with the benefits to the Group of payments being made to them in the form of redeemable C Shares rather than cash dividends, to help the recovery of the Group's £182 million of historic advance corporation tax. These proposals will not affect the commercial operations of Rolls-Royce in any way.

If the Scheme is implemented, you will receive one new ordinary share in Rolls-Royce Holdings plc in exchange for each Rolls-Royce Group plc ordinary share you hold as at the Scheme record date (expected to be 6.00pm on May 20, 2011). This means that the value of your shareholding should be the same as it was before the Scheme was implemented subject, of course, to normal market fluctuations.

The Scheme is conditional upon a number of matters, including approval by shareholders at a meeting to be convened by the High Court (Court Meeting), which will be held immediately after the Annual General Meeting (AGM) on May 6, 2011. The notices convening the Court Meeting and the AGM can be found in the Scheme circular which either accompanies this booklet or, if you have opted to receive communications online, are available for you to download from [www.rolls-royce.com](http://www.rolls-royce.com).

If approved, the Scheme is expected to become effective on May 23, 2011. The Board unanimously recommends that you vote in favour of the Scheme. In order that the Court can be satisfied that the votes cast fairly represent the views of our shareholders, it is important that as many votes as possible are cast at the Court Meeting. Separate Forms of proxy for use at the Court Meeting and the AGM are enclosed and you can find instructions on how to complete them on page 6.

Yours sincerely

**Sir Simon Robertson**  
Chairman

# FREQUENTLY ASKED QUESTIONS

## 1

### WHAT IS BEING PROPOSED?

It is proposed that a new, non-trading, holding company be put in place for the Group, being Rolls-Royce Holdings plc, which is incorporated in England and Wales. Rolls-Royce plc and its operating subsidiaries will continue as the principal trading entities and Rolls-Royce Group plc will become an intermediate non-trading, holding company.



Rolls-Royce Holdings plc will own all of the shares in Rolls-Royce Group plc and you will be issued with shares in Rolls-Royce Holdings plc, represented by a new share certificate. The new ordinary shares in Rolls-Royce Holdings plc will be listed on the London Stock Exchange.

A copy of the Scheme documentation is available in the Investors' section of the Group's website at [www.rolls-royce.com](http://www.rolls-royce.com) and is enclosed with this guide for those shareholders that have elected to receive hard copy documentation.

## 2

### WHY IS ROLLS-ROYCE PROPOSING THE SCHEME?

The Scheme and subsequent reduction of capital are the most effective way to provide flexibility to the capital structure of the Group and to create distributable and merger reserves, which will allow for the continued issue and redemption of C Shares by the Group. This will help the recovery of the Group's £182 million of historic advance corporation tax.

## 3

### WHY IS ROLLS-ROYCE USING A SCHEME?

The Scheme is a formal procedure under the Companies Act 2006 which is commonly used to carry out corporate reorganisations. The Scheme requires the approval of our shareholders and the Court. If approved, all shareholders will be bound by the Scheme regardless of whether, or how, they voted.

## 4

### **DO I HAVE TO PAY ANYTHING UNDER THE SCHEME?**

No. All Rolls-Royce Holdings ordinary shares arising as a result of the Scheme are being issued to Rolls-Royce Group Shareholders in consideration for the cancellation of their existing Rolls-Royce Group ordinary shares. No payment is required.

## 5

### **WILL THERE BE ANY CHANGE TO THE VALUE OF MY SHAREHOLDING?**

Subject to normal market fluctuations, there is no reason to believe that the market price of each Rolls-Royce Holdings plc ordinary share following the Scheme will be different to the market price each Rolls-Royce Group plc ordinary share would have been, had Rolls-Royce Holdings plc not been introduced as a new holding company of the Group.

## 6

### **DO I NEED TO VOTE?**

It is important that as many shareholders as possible cast their votes (whether in person or by proxy). This applies to the AGM and the Court Meeting.

If you do not wish, or are unable, to attend the AGM and/or the Court Meeting you may appoint someone (known as a proxy) to act on your behalf and vote at those meetings.

## 7

### **HOW DO I APPOINT A PROXY?**

You may appoint your proxy by completing the white Form of proxy (in relation to the AGM) and the blue Form of proxy (in relation to the Court Meeting) and returning them in accordance with the instructions set out on the relevant Form of proxy. Please see the diagram on page 6 for assistance.

## 8

### **HOW CAN I VOTE?**

You can vote in person at the meetings or you can complete, sign and return the Forms of proxy. You can also vote online by going to [www.eproxyappointment.com](http://www.eproxyappointment.com).

## 9

### **WHAT DO I DO WITH MY OLD SHARE CERTIFICATES?**

When the Scheme becomes effective, your holding of Rolls-Royce Group plc ordinary shares will be replaced by an equivalent holding of Rolls-Royce Holdings plc ordinary shares. Your Rolls-Royce Group plc ordinary share certificates will cease to be valid on completion of the Scheme. Upon receipt of the new Rolls-Royce Holdings plc share certificate, you should destroy your Rolls-Royce Group plc share certificates. See page 7 for further details.

### 10

#### **WHEN WILL I RECEIVE MY NEW ROLLS-ROYCE HOLDINGS PLC SHARE CERTIFICATE?**

It is expected that share certificates for Rolls-Royce Holdings plc ordinary shares will be despatched to you on or around May 31, 2011. These are important documents and should be retained in a safe place. If you have not received your new share certificate by June 13, 2011, please contact our registrar, Computershare Investor Services PLC (Registrar).

### 11

#### **HOW DOES THE SCHEME AFFECT C SHARES AND PAYMENTS TO SHAREHOLDERS?**

The way in which you receive shareholder payments will be unchanged. The new holding company is expected to continue to make payments to shareholders in the form of C Shares, twice yearly in January and July.

### 12

#### **WHAT HAPPENS TO THE C SHARES I HOLD IN ROLLS-ROYCE GROUP PLC?**

All C Shares in the capital of Rolls-Royce Group plc will be redeemed compulsorily on April 6, 2011 ahead of the implementation of the Scheme. Cash payments in respect of the redemption of the C Shares are expected to be made no later than April 15, 2011.

### 13

#### **WHAT ARE C SHARES?**

C Shares are redeemable shares of 0.1 pence each with limited voting rights that can, during defined periods, be redeemed for cash. It is intended that Rolls-Royce Holdings plc will issue C Shares in the same way that Rolls-Royce Group plc has done and, as for C Shares previously issued by Rolls-Royce Group plc, you will be able to opt to:

- redeem C Shares for cash;
- redeem C Shares for cash and reinvest the proceeds in ordinary shares through the C Share Reinvestment Plan (CRIP); or
- keep the C Shares.

### 14

#### **WHAT HAPPENS TO MY CURRENT C SHARE PAYMENT INSTRUCTION?**

Your current C Share Payment Instruction will be carried forward to Rolls-Royce Holdings plc.

If you currently have a Payment Instruction in place to redeem C Shares for cash this will be carried forward so that any C Shares issued to you in future by Rolls-Royce Holdings plc will be redeemed for cash.

If you currently have a Payment Instruction in place to participate in the CRIP this will be carried forward, along with any cash residual you may have accrued under the plan.

You are able to change your Payment Instruction at any time by completing and returning a new Payment Instruction form.

## 15

### HOW DO I MAKE A C SHARE PAYMENT INSTRUCTION?

The Payment Instruction form and copies of the CRIP terms and conditions, are available on the Investors' section of the Group's website, [www.rolls-royce.com](http://www.rolls-royce.com), or from our Registrar online at [www.computershare.com](http://www.computershare.com) or by phone by dialling +44 (0)870 703 0162.

You can request either to redeem your C Shares for cash or to redeem and reinvest that cash in new ordinary shares using the CRIP. These instructions will apply to all future issues of C Shares until you revoke them or put in place a new Payment Instruction.

Your Payment Instruction form must be received by the Registrar no later than 5.00pm on June 6, 2011 to be in time for the next scheduled C Share issue. If you do not currently have a Payment Instruction in place and you do not take any action you will receive a C Share certificate twice yearly.

## 16

### WHERE CAN I FIND MORE INFORMATION ON C SHARES?

For further information on C Shares, please visit the Investors' section of the Group's website at [www.rolls-royce.com](http://www.rolls-royce.com).

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### WHAT IF I STILL HAVE QUESTIONS?

If you have read this guide and the Scheme documents and have any questions please call the Rolls-Royce shareholder helpline between 8.30am and 5.30pm (London time) Monday to Friday (except UK public holidays) on 0870 703 0162 (from within the UK) or +44 870 703 0162 (from outside the UK).

Calls will be charged at 7 pence per minute from a BT landline. Calls to the Rolls-Royce shareholder helpline from outside the UK will be charged at international rates. Other telephone provider costs may vary. Please note that calls may be monitored or recorded.

For legal reasons this helpline will only be able to provide practical information and will not provide advice on the merits of the Scheme or give any financial, legal or taxation advice. For financial, legal or taxation advice, you will need to consult an independent financial or legal adviser.

# HOW TO COMPLETE THE FORMS OF PROXY

The Forms of proxy for the AGM and Court Meeting should be returned in the enclosed reply paid envelope to arrive no later than Wednesday May 4, 2011.

## AGM

## COURT MEETING

## ADMISSION CARD

The image displays three forms from the Rollis-Royce Group plc Annual General Meeting 2011. The first form is the 'Form of proxy (continued)' for the AGM, featuring a table with columns for 'Resolution', 'For', 'Against', and 'Abstain'. The second form is the 'Form of proxy (continued)' for the Court Meeting, with sections for 'FOR' and 'AGAINST' the election of directors. The third form is the 'Admission card' for the AGM, which includes a map of the venue, the Grosvenor Conference Centre, and instructions for attendees.

Place a cross 'X' in one of the voting boxes against each resolution and sign and date the form at the bottom of the page.

Sign in either the 'For' or the 'Against' box and insert the date at the bottom of the page.

Detach this form and bring it with you if you are attending the meetings.

OR you can vote online at:

[www.eproxyappointment.com](http://www.eproxyappointment.com)

You will be asked to enter your Shareholder Reference Number (SRN), Control Number and Personal Identification Number (PIN) as printed on each Form of proxy.

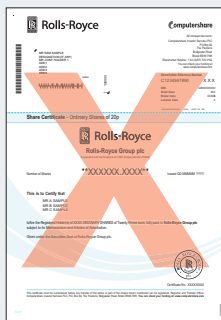


# VALID ROLLS-ROYCE SHARE CERTIFICATES

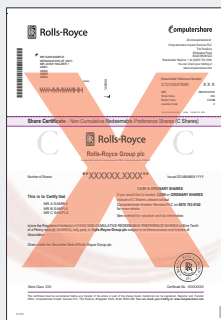
## OLD

### Rolls-Royce Group plc

All existing Rolls-Royce Group plc share certificates will become invalid on the date the Scheme becomes effective, which we expect to be on May 23, 2011.



Ordinary share certificate  
Valid until: May 23, 2011



C Share certificate  
Valid until: April 6, 2011

## NEW

### Rolls-Royce Holdings plc

Your new Rolls-Royce Holdings plc share certificates are important documents and should be retained in a safe place for your records.



Ordinary share certificate  
Valid from: May 24, 2011\*



C Share certificate  
Valid from: July 1, 2011

\*It is expected that share certificates for Rolls-Royce Holdings plc ordinary shares will be despatched to you on or around May 31, 2011.

# EXPECTED TIMETABLE OF EVENTS

## 2011

FEBRUARY 10	Announcement of the Scheme
MARCH 22	Scheme documents and Annual report mailing commences
MARCH 23	Email broadcast to shareholders who have registered their email address
APRIL 6	All remaining Rolls-Royce Group plc C Share certificates redeemed
APRIL 15	C Share redemption payments despatched
APRIL 20	Ex entitlement to July 2011 C Share issue
APRIL 26	Record date for entitlement to July 2011 C Share issue
MAY 4	Last date to lodge vote by proxy for AGM (11.00am) and Court Meeting (11.30am)
MAY 6	AGM followed by Court Meeting at QEII Conference Centre, London
MAY 20	Scheme record date (close of business)
MAY 23	Scheme becomes effective, trading commences in Rolls-Royce Holdings plc and CREST accounts credited
MAY 23	<b>*Certificates in the name of Rolls-Royce Group plc become invalid*</b>
MAY 24	Capital reduction of Rolls-Royce Holdings plc
MAY 31	<b>*New Rolls-Royce Holdings plc ordinary share certificates despatched*</b>
JUNE 6	Last date to lodge a Payment Instruction form to redeem C Shares for cash or redeem C Shares and participate in the CRIP to purchase additional ordinary shares in connection with the July 2011 C Share issue.†
JULY 1	July 2011 C Shares issued and entered into the C Shareholder register of Rolls-Royce Holdings plc
JULY 5	Redemption of July 2011 C Shares and payments despatched
JULY 12	CRIP purchase completed and the resulting Rolls-Royce Holdings plc ordinary share certificates despatched

† If you do not have a Payment Instruction in place or wish to amend your Payment Instruction, please contact the shareholder helpline on +44 (0)870 703 0162.

References to time above are to London time.

FURTHER

INFORMATION

For further information in connection with the Scheme, or if you have any general queries in relation to managing your shareholding, please visit the Investors' section of the Group's website at [www.rolls-royce.com](http://www.rolls-royce.com). Alternatively, please contact our Registrar:

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol  
BS13 3FA

Telephone: 0870 703 0162  
(or +44 870 703 0162 from outside of the UK)



Rolls-Royce

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