

CONFORMED COPY

DEED OF GUARANTEE

3 AUGUST 2011

**given by
ROLLS-ROYCE GROUP PLC**

and

ROLLS-ROYCE HOLDINGS PLC

**in favour of
BNY MELLON CORPORATE TRUSTEE SERVICES LIMITED**

**relating to a
Euro Medium Term Note Programme**

ALLEN & OVERY

Allen & Overy LLP

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DEED OF GUARANTEE dated 3 August 2011

GIVEN BY:

- (1) **ROLLS-ROYCE GROUP PLC**, a company incorporated in England with company number 4706930 whose registered office is 65 Buckingham Gate, London SW1E 6AT, United Kingdom (**Rolls-Royce**); and
- (2) **ROLLS-ROYCE HOLDINGS PLC**, a company incorporated in England with company number 7524813 whose registered office is 65 Buckingham Gate, London SW1E 6AT, United Kingdom (the **Rolls-Royce Holdings**),

IN FAVOUR OF:

- (3) **BNY MELLON CORPORATE TRUSTEE SERVICES LIMITED (formerly JPMorgan Chase Bank)** as trustee on behalf of the Noteholders under the Programme (as defined below) (the **Trustee**).

WHEREAS:

- (A) Pursuant to a deed of guarantee given in favour of the Trustee dated 30 July 2003 (the **2003 Deed of Guarantee**), Rolls-Royce guaranteed the payment by the Issuer of principal and interest in respect of notes issued under the Programme and all other amounts payable by the Issuer under the Trust Deed (as defined below). Rolls-Royce, Rolls-Royce Holdings and the Trustee have agreed that, with effect from the date hereof, Rolls-Royce Holdings shall guarantee the payment by the Issuer of principal and interest in respect of notes issued under the Programme on or after the date hereof (**New Notes**) and all other amounts payable by the Issuer under the Trust Deed in respect of such **New Notes**, on the terms of this Deed of Guarantee, and Rolls-Royce shall have no liability in respect thereof.
- (B) This does not affect Rolls-Royce's guarantee of payments by the Issuer of principal and interest in respect of notes issued under the Programme prior to the date hereof (**Existing Notes**) and all amounts payable by the Issuer under the Trust Deed in respect of such **Existing Notes** which shall continue to have the benefit of the 2003 Deed of Guarantee.

THIS DEED WITNESSES that:

1. DEFINED TERMS

1.1 Incorporation

Except as provided herein, all words and expressions defined in the Trust Deed shall, where the context so requires or admits, have the same meaning in this Deed of Guarantee.

1.2 Definitions

Group means Rolls-Royce Holdings and its Subsidiaries.

Issuer means Rolls-Royce plc, a company incorporated in England with company number 1003142 whose registered office is 65 Buckingham Gate, London SW1E 6AT.

Programme means the Euro Medium Term Note Programme of the Issuer.

Subsidiaries means any company which is for the time being a subsidiary (within the meaning of Section 1159 of the Companies Act 2006).

Trust Deed means the Trust Deed dated 9 June 2000 between the Issuer and the Trustee and the Schedules and any trust deed supplemental thereto and the Schedules (if any) thereto and the Existing Notes, the New Notes, the Receipts, the Coupons, the Talons, the Conditions and, unless the context otherwise requires, the Final Terms all as from time to time modified in accordance with the provisions therein contained.

2. **GUARANTEE**

Rolls-Royce Holdings irrevocably and unconditionally:

- (a) as principal obligor guarantees to the Trustee for itself and on behalf of the holders of the New Notes (the **New Noteholders**) and the holders of Coupons appertaining to any New Notes (the **New Couponholders**) prompt performance by the Issuer of all its obligations under the New Notes and the Trust Deed in respect of such New Notes;
- (b) undertakes with the Trustee for itself and on behalf of the New Noteholders and the New Couponholders that whenever the Issuer does not pay any amount when due under or in connection with the New Notes and the Trust Deed in respect of such New Notes, Rolls-Royce Holdings shall forthwith on demand by the Trustee pay that amount to or to the order of the Trustee in the manner provided in the Trust Deed as if Rolls-Royce Holdings instead of the Issuer were expressed to be the principal obligor; and
- (c) agrees to indemnify the Trustee, each New Noteholder and each New Couponholder on demand against any loss or liability suffered by it if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal,

provided that, such guarantee, undertaking and indemnity of Rolls-Royce Holdings shall not apply in respect of any obligations of the Issuer arising under the Existing Notes or under the Trust Deed in respect of such Existing Notes, as each of such obligations shall continue to be guaranteed by Rolls-Royce pursuant to the 2003 Deed of Guarantee and Clause 17 hereof.

3. **TAXATION**

Any payments under this Deed of Guarantee will be made in accordance with and subject to Condition 7 of the New Notes.

4. **CONTINUING GUARANTEE**

This Deed of Guarantee is a continuing guarantee and will extend to the ultimate balance of all sums payable by the Issuer under the New Notes and the Trust Deed in respect of such New Notes, regardless of any intermediate payment or discharge in whole or in part.

5. **REINSTATEMENT**

- (a) Where any discharge (whether in respect of the obligations of the Issuer or any security for those obligations or otherwise) is made in whole or in part or any arrangement is made on the faith of any payment, security or other disposition which is avoided or must be restored on insolvency, liquidation or otherwise without limitation, the liability of Rolls-Royce Holdings under this Deed of Guarantee shall continue as if the discharge or arrangement had not occurred.

- (b) The Trustee may in its sole discretion or shall, if directed by an Extraordinary Resolution of the New Noteholders, concede or compromise any claim that any payment, security or other disposition is liable to avoidance or restoration.

6. WAIVER OF DEFENCES

The obligations of Rolls-Royce Holdings under this Deed of Guarantee will not be affected by any act, omission, matter or thing which, but for this provision, would reduce, release or prejudice any of its obligations under this Deed of Guarantee or prejudice or diminish those obligations in whole or in part, including (whether or not known to it or the Trustee or any New Noteholder):

- (a) any time or waiver granted to, or composition with the Issuer or other person;
- (b) the release of the Issuer or Rolls-Royce Holdings or any other person under the terms of any composition or arrangement with any creditor of any member of the Group;
- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of the Issuer or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (d) any incapacity or lack of powers, authority or legal personality of or dissolution or change in the members or status of the Issuer or any other person;
- (e) any variation (however fundamental) or replacement of the Trust Deed in respect of any New Notes or the Conditions or any other document or security so that references to that the Trust Deed in respect of any New Notes or the Conditions in this Deed of Guarantee shall include each variation or replacement;
- (f) any unenforceability, illegality or invalidity of any obligation of any person under the Trust Deed in respect of any New Notes or the Conditions or any other document or security, to the intent that Rolls-Royce Holdings' obligations under this Deed of Guarantee shall remain in full force and its guarantee be construed accordingly, as if there were no unenforceability, illegality or invalidity; and
- (g) any postponement, discharge, reduction, non-provability or other similar circumstance affecting any obligation of Rolls-Royce Holdings or the Issuer under the Trust Deed in respect of any New Notes or the Conditions resulting from any insolvency, liquidation or dissolution proceedings or from any law, regulation or order so that each such obligation shall, for the purposes of Rolls-Royce Holdings' obligations under this Deed of Guarantee, be construed as if there were no such circumstance.

7. IMMEDIATE RECOURSE

Rolls-Royce Holdings waives any right it may have of first requiring the Trustee or any New Noteholder to proceed against or enforce any other rights or security or claim payment from any person before claiming from Rolls-Royce Holdings under this Deed of Guarantee.

8. APPROPRIATIONS

Until all amounts which may be or become payable by the Issuer under or in connection with the New Notes and the Trust Deed in respect of such New Notes have been irrevocably paid in full, the Trustee may:

- (a) refrain from applying or enforcing any other moneys, security or rights held or received by the Trustee in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and Rolls-Royce Holdings shall be entitled to the benefit of the same; and
- (b) hold in an interest-bearing suspense account any moneys received from Rolls-Royce Holdings or on account of any liability of Rolls-Royce Holdings under this Deed of Guarantee.

9. NON-COMPETITION

Until all amounts which may be or become payable by the Issuer or Rolls-Royce Holdings under or in connection with the New Notes and the Trust Deed in respect of such New Notes have been paid in full, Rolls-Royce Holdings shall, after a claim has been made or by virtue of any payment or performance by it under this Deed of Guarantee:

- (a) be subrogated to any rights, security or moneys held, received or receivable by any New Noteholder or the Trustee;
- (b) not be entitled to any right of contribution or indemnity in respect of any payment made or moneys received on account of the liability of Rolls-Royce Holdings under this Deed of Guarantee;
- (c) not claim, rank, prove or vote as a creditor of the Issuer or its estate in competition with the Trustee or any New Noteholder; and
- (d) not receive, claim or have the benefit of any payment, distribution or security from or on account of the Issuer, or exercise any right of set-off as against the Issuer,

unless the Trustee otherwise agrees. Rolls-Royce Holdings shall hold on trust for and forthwith pay or transfer to the Trustee for and on behalf of the New Noteholders any payment or distribution or benefit of security received by it contrary to this Clause 9.

10. ADDITIONAL SECURITY

This Deed of Guarantee is in addition to and is not in any way prejudiced by any other security, guarantee or indemnity now or hereafter held by the Trustee or any New Noteholder.

11. COSTS

All costs, charges, liabilities and expenses properly incurred and payments made by the Trustee in the lawful exercise of its powers under this Deed of Guarantee shall be payable by Rolls-Royce Holdings on demand. Such costs, charges, liabilities and expenses shall carry interest at the rate and on the terms set out in the Trust Deed.

12. ENFORCEMENT

Only the Trustee may enforce the provisions of this Deed of Guarantee and no New Noteholder or New Couponholder shall be entitled to proceed directly against Rolls-Royce Holdings to enforce performance of any of the provisions of this Deed of Guarantee unless the Trustee, having become bound to take proceedings in accordance with the relevant provisions of the Trust Deed and/or the New Notes, fails to do so within a reasonable period and such failure shall be continuing.

13. CURRENCY INDEMNITY

If, under any applicable Law, whether as a result of a judgment against Rolls-Royce Holdings or the liquidation of Rolls-Royce Holdings or for any other reason, any payment under or in connection with this Deed of Guarantee is made or is recovered in a currency other than sterling then, to the extent that the payment to the Trustee (as a result of the conversion of such payment into sterling at the rate of exchange on the date of payment, or in the case of a liquidation, the latest date for the determination of the liabilities permitted by the applicable Law) falls short of the amount due and unpaid in respect of a New Note or any Coupon appertaining to such New Note or (if different) under the terms of the Trust Deed, Rolls-Royce Holdings shall, as a separate and independent obligation, fully indemnify the Trustee in respect of such shortfall. For the purposes of this Clause 13, Law includes any law, judicial order or treaty or any regulation, rule or official directive.

14. APPLICATION OF MONEYS RECEIVED BY THE TRUSTEE

All moneys received by the Trustee in respect of amounts payable under this Deed of Guarantee shall, despite any appropriation of all or part of them by Rolls-Royce Holdings, be held by the Trustee on trust to apply them (subject to Clause 8 hereof and Clause 12 of the Trust Deed) in accordance with the provisions of Clause 10 of the Trust Deed, with any balance remaining after such application by or on behalf of the Trustee being paid to Rolls-Royce Holdings in place of the Issuer.

15. AMENDMENTS

15.1 Subject to Clause 15.2, any provision of this Deed of Guarantee may be amended or waived with the agreement of Rolls-Royce Holdings and the Trustee. The Trustee may effect, on behalf of the New Noteholders and New Couponholders, any amendment which it has agreed with Rolls-Royce Holdings.

15.2 An amendment or waiver which relates to:

- (a) the amounts guaranteed under this Deed of Guarantee; or
- (b) the term of this Deed of Guarantee,

may not be effected without the sanction of an Extraordinary Resolution of the New Noteholders.

16. REMOVAL OF ROLLS-ROYCE HOLDINGS

16.1 Rolls-Royce Holdings may cease, at the request of the Issuer or Rolls-Royce Holdings, and if the Trustee shall agree (such agreement not to be unreasonably withheld having regard to the interests of the New Noteholders), if no Event of Default is continuing, to be a guarantor under this Deed of Guarantee by entering into a deed supplemental to this Deed of Guarantee at the cost of the Issuer in such form as the Trustee may reasonably require which shall discharge Rolls-Royce Holdings' obligations as the guarantor under this Deed of Guarantee.

16.2 Rolls-Royce Holdings undertakes promptly to notify the New Noteholders in accordance with the Conditions of any such cessation.

17. CONTINUING OBLIGATIONS

It is hereby agreed that Rolls-Royce shall continue to act as guarantor in respect of the Existing Notes and the Trust Deed in respect of such Existing Notes pursuant to the 2003 Deed of Guarantee and in connection therewith Rolls-Royce hereby confirms and undertakes to the Trustee that:

- (i) the provisions of the 2003 Deed of Guarantee, save as expressly amended by this Deed of Guarantee, continue in full force and effect and that it shall remain bound by and fully liable in respect of such provisions with respect to the Existing Notes and the Trust Deed in respect of such Existing Notes; and
- (ii) the guarantee given by it in favour of the Trustee pursuant to the 2003 Deed of Guarantee and the Trust Deed shall continue in full force and effect and shall continue to guarantee all obligations of the Issuer in respect of the Existing Notes and the Trust Deed in respect of such Existing Notes, notwithstanding any of the amendments implemented by this Deed of Guarantee.

18. NOTICE AND COMMUNICATIONS

18.1 Any demand or notice under this Deed of Guarantee to be given, made or served for any purposes shall be in writing signed by any officer of the Trustee, Rolls-Royce or Rolls-Royce Holdings, as the case may be, and may be served on or by pre-paid post (first class if inland, first class airmail if overseas) or facsimile transmission or delivering it by hand as follows:

to Rolls-Royce: 65 Buckingham Gate
 London SW1E 6AT

 Attention: Alan Semple, Corporate Treasury
 Facsimile No.: 01332 245602

to Rolls-Royce Holdings: 65 Buckingham Gate
 London SW1E 6AT

 Attention: Alan Semple, Corporate Treasury
 Facsimile No.: 01332 245602

to the Trustee: One Canada Square
 London E14 5AL

 Attention: Trustee Administration Manager
 Facsimile No.: 020 7964 4637

18.2 Any such demand or notice shall be deemed to have been received, in the case of inland post three days after dispatch, in the case of overseas post seven days after dispatch and in the case of facsimile 24 hours after dispatch, provided that in the case of a notice or demand given by facsimile transmission such notice or demand shall forthwith be confirmed by post. The failure of the addressee to receive such confirmation shall not invalidate the relevant notice or demand given by facsimile transmission.

19. LANGUAGE

All notices, demands or communications under or in connection with this Deed of Guarantee shall be in English.

20. LAW AND JURISDICTION

This Deed of Guarantee and any non-contractual obligations arising out of or in connection with this Deed of Guarantee shall be governed by and shall be construed in accordance with English law and the English Courts shall have exclusive jurisdiction.

EXECUTED as a **DEED** by Rolls-Royce Group plc, Rolls-Royce Holdings plc and BNY Mellon Corporate Trustee Services Limited and delivered on the date given on page 1.

EXECUTED as a DEED by ROLLS-ROYCE GROUP PLC acting by its duly authorised attorney

Attorney

Signature: DARREN KAMEN
Name:

Witness

Signature: XIAOKE WEI
Name: XIAOKE WEI
Address: MOOR LANE, DERBY

EXECUTED as a DEED by ROLLS-ROYCE HOLDINGS PLC acting by its duly authorised attorney

Attorney

Signature: DARREN KAMEN
Name:

Witness

Signature: XIAOKE WEI
Name: XIAOKE WEI
Address: MOOR LANE, DERBY

EXECUTED as a DEED by BNY MELLON CORPORATE TRUSTEE SERVICES LIMITED acting by two of its lawful Attorneys:

Attorney TREVOR BLEWER

Attorney MELISSA LAIDLEY

In the presence of:

Witness name: FRANCOISE RIVIERE
Signature: FRANCOISE RIVIERE
Address: ONE CANADA SQUARE, LONDON E14 5AL