

NOTICE OF GENERAL MEETING OF ROLLS-ROYCE HOLDINGS PLC



Dear Shareholder

We find ourselves in unprecedented times. Our priorities since the start of the COVID-19 outbreak have been to ensure the wellbeing of all our employees, to engage with all our stakeholders and to take steps to strengthen the operational and financial resilience of our business. This communication sets out some changes the Board has approved in order to support the Group at this challenging time.

General Meeting

Set out in this document is the business of the Company's General Meeting that will be held at 11.30am on Thursday 7 May 2020 or immediately after the conclusion of the Annual General Meeting (AGM) being held at 11.00am. The single resolution recommends an increase of our borrowing limits and we are taking the opportunity to refresh the related language that is currently set out in our Articles of Association.

Your Board believes that the resolution being proposed at this General Meeting is in the best interests of the Company and its shareholders as a whole. The Directors will be voting in favour of this resolution and unanimously recommend that you do so as well.

Annual General Meeting (AGM)

On 26 March 2020, we made available to you the notice of our Annual General Meeting scheduled for 11.00am on Thursday 7 May 2020. A copy of the AGM notice can be found on our website, www.rolls-royce.com.

As you are aware, the Company issues redeemable C Shares of 0.1 pence each as a method of making payments to shareholders rather than paying a cash dividend. Given the rising level of uncertainty as to how the Covid-19 situation will develop, your Board has decided not to recommend or make the final payment to shareholders (in the form of C Shares or otherwise) in respect of the financial year ended 31 December 2019 referred to on page 4 of the AGM notice. Your Board believes that, in light of the uncertain macro-economic outlook, this is an appropriate and precautionary measure to take at this point as the Group seeks to ensure a prudent level of liquidity in the event of a prolonged reduction in trading activity.

The Directors continue to unanimously recommend that shareholders vote in favour of Resolution 19 in the AGM notice so that the Company remains able to make payments to shareholders by issuing C Shares (should it resolve to do so) until the authority conferred by Resolution 19 expires at the end of the Company's AGM in 2021 or 30 June 2021, whichever is sooner.

Alternative arrangements due to Covid-19

Since we published our AGM notice, the situation regarding Covid-19 has deteriorated and the UK Government has put in place compulsory 'Stay at Home Measures' prohibiting, among other things, public gatherings of more than two people. The Stay at Home Measures were passed into law in England and Wales on 26 March 2020, with immediate effect. For this reason, you are not permitted to attend either the Annual General Meeting or the General Meeting to be held on Thursday 7 May 2020. Anyone seeking to attend either meeting will be refused entry.

This is disappointing for us all as engagement with our shareholders is welcomed by the Board and we are, therefore, continuing with our arrangements to ensure that you are able to listen to the meetings at the very least. Details of these arrangements will be made available ahead of the meetings on our website, www.rolls-royce.com, or alternatively by contacting our Registrar whose details can be found on page 8 of the AGM notice. Please note that these arrangements will not provide for you to be counted as being present at the meetings and, therefore, you will not be able to vote, speak or ask questions at either meeting. In advance of the meetings, therefore, please:

1. register your vote online by visiting www.investorcentre.co.uk/eproxy and follow the instructions; or
2. lodge your vote by completing and returning the enclosed proxy form to our Registrar (Computershare Investor Services PLC) in the reply-paid envelope enclosed with the notices of meeting. Please appoint the Chairman of the Meeting as your proxy for both meetings. If you have already appointed someone other than the Chairman of the Meeting as your proxy for the Annual General Meeting, we strongly encourage you to submit a new proxy form appointing the Chairman of the Meeting instead (as the original proxy will not be permitted to attend the Annual General Meeting unless they are one of the two 'qualifying persons' required to form the quorum for the meeting).

Votes cast online or by post will be counted in the votes for the meetings and must be submitted as follows:

- For the Annual General Meeting: by 11.00am on Tuesday 5 May 2020
- For the General Meeting: by 11.30am on Tuesday 5 May 2020

If you wish to submit any questions in relation to the business of the meetings, please send these to the Company Secretary by email to: governanceteam@rolls-royce.com. Questions in respect of both meetings must be submitted by 11.00am on Tuesday 5 May 2020. We hope that we will be able to answer your questions at the meetings but in any event, the questions and answers will be made available on our website after the meetings.

Yours sincerely

Sir Ian Davis
Chairman
9 April 2020

General Meeting (GM) of Rolls-Royce Holdings plc (the Company) – 7 May 2020 at 11.30am or immediately after the conclusion of the Annual General Meeting (AGM) being held at 11.00am.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about the action that you should take, you should consult an independent financial adviser. If you have recently sold or transferred your shareholding in Rolls-Royce Holdings plc ('the Company') you should forward this document to your bank, stockbroker or other agent through whom the sale or transfer was made for transmission to the purchaser or transferee.

Alternative arrangements due to Covid-19

As a result of the Covid-19 situation, shareholders are not permitted to attend the General Meeting and anyone seeking to attend the General Meeting will be refused entry. However, shareholders will be able to access the meeting remotely and details of how to do this will be made available ahead of the meeting on our website, www.rolls-royce.com, or alternatively by contacting our Registrar. Their details can be found on page 4 of this Notice of Meeting. Please be aware that remote connectivity cannot be guaranteed but we will do all that we can to ensure this is possible. Shareholders accessing the meeting remotely will not be counted as being present and, therefore, will not be able to vote, speak or ask questions at the meeting. Shareholders are encouraged to do the following in advance of the meeting:

1. register your vote online by visiting www.investorcentre.co.uk/eproxy and following the instructions; or
2. lodge your vote by completing and returning the enclosed proxy form to our Registrar (Computershare Investor Services PLC) in the reply-paid envelope enclosed. Please appoint the Chairman of the Meeting as your proxy for the meeting.

Votes cast either online or by post will be counted in the votes for the meeting. The Registrar must receive your vote by 11.30am on Tuesday 5 May 2020.

3. Submit any questions to the Company Secretary by email to: governanceteam@rolls-royce.com. Please submit your question(s) by 11.00am on Tuesday 5 May 2020.

We hope that we will be able to answer your questions at the meeting but in any event, the questions and answers will be made available on our website after the meeting.

Business of the General Meeting

This General Meeting will be held at Kings Place, 90 York Way, London N1 9AG at 11.30am on Thursday 7 May 2020 to consider and, if thought fit, to pass the resolution set out below.

Special Resolution

Change to the Company's borrowing powers

To resolve that the Company's Articles of Association (Articles) be and are amended by:

- replacing Article 130 with the following new Article 130:

"Notwithstanding Article 129 above, the Board shall restrict the borrowings of the Company and exercise all voting rights and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (so far as regards subsidiary undertakings as by such exercise they can secure) that the aggregate amount for the time being remaining outstanding of all money borrowed by the Group (which expression in these Articles means the Company and its subsidiary undertakings for the time being) and for the time being owing to persons other than the Company and its wholly-owned subsidiary undertakings shall not, without the sanction of the Company in general meeting, exceed an amount of twelve billion pounds (£12,000,000,000).";

- deleting Article 131(a)(vi);

- inserting a new Article 131(g)(iii) as follows:

"sums classified as lease liabilities for the purposes of International Financial Reporting Standard 16 Leases";

- deleting Article 132; and

- the consequential renumbering of subsequent Articles and the updating of all cross references.

By order of the Board

Pamela Coles
Company Secretary
9 April 2020

Rolls-Royce Holdings plc
Registered office:
Kings Place
90 York Way
London N1 9FX

www.rolls-royce.com
Registered in England and Wales No: 7524813

Explanation of Resolution

This resolution is a special resolution – for this resolution to be passed, 75% or more of votes cast must be in favour.

The amendment to Article 130 will increase the Directors' powers to incur borrowings as set out in Article 130 from £6bn to £12bn. The Board considers it commercially prudent and timely to refresh the borrowing limit and believes that the adoption of the higher limit is in the best commercial interests of the Group.

Until 31 December 2018, leases of aircraft and engines, plant and equipment and land and buildings were classified as either finance or operating leases under IAS 17. Only Finance Leases were included as a liability on the balance sheet (Finance Leases at 31 December 2018 were £229m). On adoption of IFRS 16 at 1 January 2019, the distinction between finance and operating leases was removed and replaced with a single categorisation of Lease Liabilities. The Group, therefore, recognised additional lease liabilities on its balance sheet in relation to leases which had previously been classified as operating leases. This resulted in total Lease Liabilities under IFRS 16 on 1 January 2019 of £2,477m, an increase of £2,248m.

Given this change in accounting standard, the Group wishes to update the borrowing powers to specifically exclude IFRS 16 Lease Liabilities from the definition of borrowed moneys in Article 131. Lease Liabilities largely relate to leases previously categorised as operating leases which were not previously included in the definition of borrowings.

A 'blackline' copy of Articles 129 to 133, marked up to show all the proposed changes, is attached at Appendix A to this Notice of Meeting.

Important notes

Issued share capital and total voting rights

As at 1 April 2020*, the issued share capital of the Company consisted of 1,930,995,313 ordinary shares of 20 pence each, 28,993,228,557 C Shares of 0.1 pence each and one Special Share of £1. At the General Meeting, voting on the resolution 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 (except in the case of this General Meeting on account of the Stay at Home Measures, described above) to attend and speak, 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 1 April 2020* was 1,930,995,313.

* 1 April 2020 being the latest practicable date prior to the publication of this Notice.

Entitlement to attend and vote

As a result of the Covid-19 situation, shareholders are not permitted to attend the General Meeting and anyone seeking to attend the General Meeting will be refused entry. However, shareholders will be able to access the meeting remotely and details of how to do this will be made available ahead of the meeting on our website, www.rolls-royce.com, or alternatively by contacting our Registrar. Shareholders accessing the meeting remotely will not be counted as being present and, therefore, will not be able to vote, speak or ask questions at the meeting.

To be entitled to vote online or by post, shareholders must be registered on the Company's register of members as at 6.00pm on Tuesday 5 May 2020 (or, in the event of an adjournment, on the register of members 48 hours before the time of any adjourned meeting). Changes to the register of members made after the deadline will be disregarded in determining the rights of any person to attend or vote at the General Meeting.

Voting

Voting on all resolutions will be conducted by way of a poll and not by a show of hands. On a poll, every member shall have one vote for every ordinary share held. Given the ongoing Covid-19 situation, shareholders should appoint the Chairman of the Meeting as proxy for the General Meeting. The results of the poll will be announced to the London Stock Exchange once the results have been verified and will also be published at www.rolls-royce.com.

Votes withheld

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

Nominated persons

The main point of contact for Nominated Persons remains the registered shareholder (or the custodian or broker who administers the investment on their behalf). Any person who has been nominated under section 146 of the Companies Act 2006 (the Act) to enjoy Information Rights (a 'Nominated Person') may, under an agreement with the registered shareholder by whom they were nominated, have a right to be appointed (or to have someone else appointed), as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, the Nominated Person may, under any such agreement, have a right to give instructions to the shareholders as to the exercise of voting rights, 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.

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

Registered holders should contact the depositary:

J.P. Morgan Chase Bank N.A.
PO Box 64504
St Paul, MN 55164-0504
USA

Email: jpmorgan.adr@eq-us.com

Phone: +1 800 990 1135 (from outside the USA +1 651 453 2128)

If you are a broker or institutional investor, please contact:

J.P. Morgan Depositary Receipts
383 Madison Ave, Floor 11
New York, NY 10179
+1 866 576 2377

Email: adr@jpmorgan.com

ADR holders who do not hold their investment directly should contact the registered shareholder, 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 to vote at the General Meeting.

Documents available for inspection

The following documents, that would normally be available for inspection ahead of a General Meeting, are available on our website:

- Executive Directors' service contracts;
- Non-Executive Directors' letters of appointment;
- deeds of indemnity granted to each Director; and
- a copy of the Articles.

Business at the General Meeting

Under section 319A of the Act, shareholders have the right to ask questions at the General Meeting relating to the business of the meeting and for these to be answered, unless the answer: would interfere unduly with the business of the meeting; would involve the disclosure of confidential information; has already been published on the Company's website; or it is not in the interests of the Company or the good order of the meeting that the question be answered.

If you wish to submit any questions in relation to the business of the General Meeting, please send these to the Company Secretary by email to: governanceteam@rolls-royce.com. Questions must be submitted by 11.00am on Tuesday 5 May 2020.

Information available on our website

A copy of this Notice, and other information required by section 311A of the Act, can be found at www.rolls-royce.com.

Communication

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

- by calling the Registrar's helpline on +44 (0)370 703 0162 between 8.30am and 5.30pm Monday to Friday;
- by writing to the Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, United Kingdom; or
- by emailing webqueries@computershare.co.uk

BORROWING POWERS**Power to borrow**

129. Subject as hereinafter provided and to the provisions of the Act, the board may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital, and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Borrowing limit

130. Notwithstanding Article 129 above, the Board shall restrict the borrowings of the Company and exercise all voting rights and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (so far as regards subsidiary undertakings as by such exercise they can secure) that the aggregate amount for the time being remaining outstanding of all money borrowed by the Group (which expression in these Articles means the Company and its subsidiary undertakings for the time being) and for the time being owing to persons other than the Company and its wholly-owned subsidiary undertakings shall not, without the sanction of the Company in general meeting, exceed an amount of ~~six~~ twelve billion pounds (£126,000,000,000).

131. For the purposes of the foregoing limit the following provisions shall apply:

- (a) there shall be deemed, subject as hereinafter provided, to have been borrowed and to be outstanding as borrowed moneys of the relevant member of the Group (but only to the extent that the same would not otherwise fall to be taken into account):
- (i) the principal amount of all debentures of any member of the Group which are not for the time being beneficially owned within the Group;
 - (ii) the outstanding amount of acceptances (not being acceptances of trade bills in respect of the purchase or sale of goods in the ordinary course of trading) by any bank or accepting house under any acceptance credit opened on behalf of and in favour of any member of the Group;
 - (iii) the nominal amount of any issued and paid up share capital (other than equity share capital) of any subsidiary undertaking of the Company not for the time being beneficially owned by any member of the Group;
 - (iv) the nominal amount of any other issued and paid up share capital and the principal amount of any other debentures or other borrowed moneys (not being shares or debentures which, or borrowed moneys the indebtedness in respect of which, are for the time being beneficially owned within the Group) the redemption or repayment whereof is an obligation of or is guaranteed or wholly or (to the extent the same is partly secured) partly secured by any member of the Group provided that any amount which falls to be treated as borrowed money under this sub-paragraph (iv) and which has been incurred in connection with the sale of any product of any member of the Group or of any other entity in which any member of the Group has an interest shall be reduced by a sum equal to the aggregate of (A) the estimated realisable value of any security available to any member of the Group or other such entity (otherwise than from any other member of the Group) in respect of such amount and (B) the amount of any insurance cover available to any such member or other such entity in respect of such amount. For this purpose the board may act in reliance on a bona fide estimate of the estimated realisable value of any such security or the amount of any such insurance cover but if a certificate by the auditors as to such value or such amount is requested such certificate shall be conclusive evidence of the same;

~~(v)~~—any fixed or minimum premium payable on final redemption or repayment of any debentures, share capital or other borrowed moneys falling to be taken into account;

~~(vi)(v)~~ ~~any fixed amount in respect of any Finance Lease (as hereinafter defined) payable by the Company or any of its subsidiary undertakings which would be shown at the material time as an obligation in a balance sheet prepared in accordance with the accounting principles used in the preparation of the latest available audited consolidated balance sheet of the Company; for this purpose **Finance Lease** means a contract between a lessor and a member of the Group as lessee or sub-lessee where substantially all the risks and rewards of the ownership of the asset leased or sub-leased are to be borne by the lessee or sub-lessee;~~

- (b) moneys borrowed by any member of the Group for the purposes of repaying or redeeming (with or without premium) in whole or in part any other borrowed moneys falling to be taken into account and intended to be applied for such purpose within six months after the borrowing thereof shall not during such period, except to the extent so applied, themselves fall to be taken into account;
- (c) any amounts borrowed by any member of the Group from bankers or others for the purpose of financing any contract up to an amount not exceeding those moneys receivable under such contract which are guaranteed or insured by the Export Credits Guarantee Department or other institution or body carrying on a similar business shall be deemed not to be borrowed moneys;
- (d) moneys borrowed (which shall be deemed to include share capital to which Article 130(a)(iii) applies) by a partly owned subsidiary undertaking and not owing to another member of the Group shall be taken into account subject to the exclusion of a proportion thereof equal to the minority proportion of the borrower and moneys borrowed (including such share capital as aforesaid) by a member of the Group from and owing to a partly owned subsidiary undertaking shall be taken into account to the extent of a proportion thereof equal to the minority proportion of the lender; for these purposes **minority proportion** shall mean the proportion of the issued equity share capital of the partly owned subsidiary undertaking which is not attributable to the Company or any subsidiary undertaking of the Company;
- (e) moneys borrowed by any member of the Group at the time it becomes a subsidiary undertaking of the Company and for a period of six months thereafter and moneys borrowed remaining secured on any asset acquired by a member of the Group at the time of such acquisition and for a period of six months thereafter shall be deemed not to be borrowed moneys;
- (f) there shall be credited against the amount of any moneys borrowed any amounts beneficially owned by the Company or any of its subsidiary undertakings which are deposited with any bank or other person (whether on current account or otherwise) not being the Company or one of its subsidiary undertakings and which are repayable to the Company or any of its subsidiary undertakings on demand or within three months of any demand, subject, in the case of money deposited by a partly owned subsidiary undertaking, to the exclusion of a proportion thereof equal to the minority proportion (as defined in paragraph (d) above);
- (g) for the avoidance of doubt it is hereby expressly provided that for the purposes of the foregoing limit the following sums shall be deemed not to be borrowed moneys of the Group:

(i) sums advanced or paid to any member of the Group (or their agent or nominee) by customers of any member of the Group as prepayments or progress payments or payments on account or by way of deposit or security in respect of products or services or any guarantees or indemnities given by any member of the Group in relation thereto;

(ii) sums which otherwise would fall to be treated as borrowed moneys of any member of the Group which were treated with the concurrence of the auditors and in accordance with any current International Financial Reporting Standard or other accountancy principle or practice generally accepted for the time being in the United Kingdom in the latest audited balance sheet of the relevant member of the Group on which such consolidation was based as otherwise than borrowed moneys of that member of the Group;

~~(ii)~~(iii) sums classified as lease liabilities for the purposes of International Financial Reporting Standard 16 Leases;

(h) when the aggregate amount of moneys borrowed at any material time is being ascertained:

(i) any such moneys borrowed by any member of the Group denominated or repayable in a currency other than sterling shall be translated for the purposes of calculating the sterling equivalent:

(A) with the exception of Excepted Foreign Currency Borrowings (as hereinafter defined), at the rate of exchange prevailing at the material time in London provided that all of such moneys borrowed shall be translated (if thereby such sterling aggregate amount would be less) at the option of the Company at the rate of exchange prevailing in London at the date of the latest available audited consolidated balance sheet of the Company; for the purposes of this sub-paragraph the rate of exchange shall be taken as the middle market rate as at the close of business in London on the relevant day (or, if such day is not a business day) as supplied by such person or calculated on such basis as the auditors may determine or approve;

(B) in the case of any Excepted Foreign Currency Borrowings, at the rate of exchange which would be applicable to such moneys borrowed on their repayment to the extent that such rate of exchange is fixed under any Exchange Cover Scheme (as hereinafter defined) in connection with such moneys borrowed provided that where it is not possible to determine the rate of exchange applicable at the time of repayment of any such moneys borrowed they shall be translated into sterling under the terms of the applicable Exchange Cover Scheme on such basis as may be agreed with, or determined by the auditors, or, if this is agreed by the auditors not to be practicable, in accordance with the provisions of (A) above;

(ii) For the purposes of this paragraph 131(h):

(A) ***Excepted Foreign Currency Borrowings*** means moneys borrowed denominated or repayable in a currency other than sterling which have the benefit of an Exchange Cover Scheme and ***Exchange Cover Scheme*** means any exchange cover scheme, forward currency contract, currency option, back to back loan, swap or other arrangement taken out or entered into to reduce the risks associated with fluctuations in exchange rates;

- (B) where under the terms of any borrowing the amount of money which would be required to discharge the principal amount of moneys borrowed in full if it fell to be repaid (whether at the option of the company borrowing the same or by reason of default) at such material time is less than the amount which would otherwise be taken into account in respect of such moneys borrowed for the purposes of this Article, the amount of such moneys borrowed to be taken into account shall be such less amount.

~~132. If as a result of any change in legislation relating to or affecting taxation matters any fixed amount payable by the Company or any of its subsidiary undertakings in respect of any Finance Lease (as hereinbefore defined) shall increase and if in consequence the limit hereinbefore contained is exceeded, an amount of borrowed moneys equal to the excess may be disregarded until the expiration of six months after the date on which the board became aware that such a situation has arisen.~~

Persons dealing
with the
Company

~~133.~~132. No person dealing with the Company shall be concerned to see or enquire whether the restriction imposed by Article 130 is observed and no debt incurred or security given in excess of such limit shall be invalid or ineffectual unless the lender or the recipient of the security had at the time when the debt was incurred or security given express notice that the said limit had been or would thereby be exceeded.