

## Shareholders and share capital

### Share capital and voting rights

On December 31, 2011 there were 1,872,240,012 ordinary shares, 6,371,021,124 C Shares and one Special Share in issue. The ordinary shares are listed on the London Stock Exchange.

### The Annual General Meeting

This year's AGM will be held at 11.00am on Friday May 4, 2012 at the QEII Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE. The Notice of AGM and the Annual report will be available to view on the Group's website.

Shareholders unable to attend the AGM are invited to vote on the business of the meeting by completing a proxy form and returning it to the Registrar. If you have elected to receive electronic communications, you will be able to vote online.

### Payments to shareholders

At the AGM on May 4, 2012, the directors will recommend an issue of 106 C Shares with a total nominal value of 10.6 pence for each ordinary share.

The final issue of C Shares will be made on July 2, 2012. Together with the interim issue on January 3, 2012 of 69 C Shares for each ordinary share with a total nominal value of 6.9 pence, this is the equivalent of a total annual payment to ordinary shareholders of 17.5 pence for each ordinary share.

The payment to shareholders will, as before, be made in the form of redeemable C Shares which shareholders may either choose to retain or redeem for a cash equivalent. The Registrar, on behalf of the Company, operates a C Share Reinvestment Plan (CRIP) and can, on behalf of shareholders, purchase ordinary shares from the market rather than delivering a cash payment. 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 no later than 5pm on Friday June 1, 2012.

### Share class rights

The rights and obligations attaching to the different classes of shares are set out in the Company's Articles of Association.

### Ordinary shares

Holders of ordinary shares are entitled to receive the Company's Annual report. They are also entitled to attend and speak at general meetings of the Company, to appoint one or more proxies or, if they are corporations, corporate representatives, and to exercise voting rights. They 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, involve the disclosure of confidential information, if the answer has already been published on the Group's website or if it is not in the interests of the Group or the good order of the meeting that the question be answered. Holders of ordinary shares may receive a bonus issue of C Shares or a dividend and on liquidation may share in the assets of the Company.

### C Shares

The Company issues non-cumulative redeemable preference shares (C Shares) as an alternative to paying a cash dividend.

Shareholders can choose to:

- redeem all C Shares for cash;
- redeem all C Shares for cash and reinvest the proceeds in additional ordinary shares using the CRIP operated by the Registrar; or
- keep the C Shares.

Any C Shares retained attract a dividend of 75 per cent of LIBOR on the 0.1p nominal value of each share, paid on a twice-yearly basis, and have limited voting rights. The Company has the option to compulsorily redeem the C Shares, at any time, if the aggregate number of C Shares in issue is less than ten per cent of the aggregate number of all C Shares issued, or on the acquisition or capital restructuring of the Company.

On a return of capital on a winding-up, the holders of C Shares shall be entitled, in priority to any payment to the holders of ordinary shares, to the repayment of the nominal capital paid-up or credited as paid-up on the C Shares held by them, together with a sum equal to the outstanding preferential dividend which will have been accrued but not been paid until the date of return of capital.

The holders of C Shares are entitled to attend, speak and vote at a general meeting only if a resolution to wind up the Company is to be considered, in which case they may vote only on such resolution.

### Special Share

Certain rights attach to the special rights non-voting share (Special Share) issued to HM Government (Special Shareholder). Subject to the provisions of the Companies Act 2006, the Treasury Solicitor may redeem the Special Share at par at any time. The Special Share confers no rights to dividends but in the event of a winding-up it shall be repaid at its nominal value in priority to any other shares.

Certain Articles (in particular those relating to the foreign shareholding limit, disposals and the nationality of directors) that relate to the rights attached to the Special Share may only be altered with the consent of the Special Shareholder. The Special Shareholder is not entitled to vote at any general meeting or any other meeting of any class of shareholders.

The latest copy of the Articles of the Company can be found on the Group's website: [www.rolls-royce.com](http://www.rolls-royce.com).

### Restrictions on transfer of shares and limitations on holdings

There are no restrictions on transfer or limitations on the holding of the ordinary shares or C Shares other than under the Articles of Association (as described here), under restrictions imposed by law or regulation (for example, insider trading laws) or pursuant to the Company's share dealing code. The Articles of Association provide that the Company should be and remain under United Kingdom control. As such, an individual foreign shareholding limit is set at 15 per cent of the aggregate votes attaching to the share capital of all classes (taken as a whole) and capable of being cast on a poll and to all other shares that the directors determine are to be included in the calculation of such holding.

**Shareholder agreements and consent requirements**

There are no known arrangements under which financial rights carried by any of the shares in the Company are held by a person other than the holder of the shares and no known agreements between the holders of shares with restrictions on the transfer of shares or exercise of voting rights. No disposal may be made to a non-Group member which, alone or when aggregated with the same or a connected transaction, constitutes a disposal of the whole or a material part of either the nuclear business or the assets of the Group as a whole, without consent of the Special Shareholder.

**Authority to issue shares**

At a general meeting in 2011, authority was given to the directors to allot new ordinary shares up to a nominal value of £124,811,895, equivalent to one-third of the issued share capital of the Company. This is called the first section 551 amount. In addition, a special resolution was passed to effect a disapplication of pre-emption rights for a maximum of five per cent of the issued share capital of the Company. These authorities are valid until the AGM in 2012 and the directors propose to renew these authorities at that AGM.

In line with revised guidance issued by the Association of British Insurers in November 2009, it is proposed to seek a further authority, as last year, at the AGM in 2012 to allot up to two thirds of the total issued share capital, but only in the case of a rights issue. This is called the second section 551 amount. The Board believes 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.

Also at a general meeting in 2011, authority was given to the directors to allot new C Shares up to a nominal value of £350 million as an alternative to a cash dividend. Such authority expires at the conclusion of the AGM in 2012. The directors propose to renew an authority to allot new C Shares at the AGM in 2012 at an increased level of £400 million to provide headroom for potential future payments to shareholders.

**Authority to purchase own shares**

At a general meeting in 2011, the Company was authorised by shareholders to purchase up to 187,217,843 of its own ordinary shares representing ten per cent of its issued ordinary share capital. The Company did not make use of this authority during 2011.

The authority for the Company to purchase its own shares expires at the conclusion of the AGM in 2012 or 18 months from May 16, 2011, whichever is the earlier. A resolution to renew it will be proposed at that meeting.

**Voting rights***Deadlines for exercising voting rights*

Electronic and paper proxy appointments, and voting instructions, must be received by the Company's Registrar not less than 48 hours before a general meeting.

*Voting rights for employee share plan shares*

Shares are held in various employee benefit trusts for the purpose of satisfying awards made under the various employee share plans. For shares held in a nominee capacity or if plan/trust rules provide the participant with the right to vote in respect of specifically allocated shares, the trustee votes in line with the participants' instructions. For shares that are not held absolutely on behalf of specific individuals, the general policy of the trustees, in accordance with investor protection guidelines, is to abstain from voting in respect of those shares.

**Major shareholdings**

At February 8, 2012, the following companies had notified an interest in the issued ordinary share capital of the Company in accordance with the Financial Services Authority's Disclosure and Transparency Rules:

Company	Date notified	% of issued ordinary share capital
AXA S.A.	January 11, 2010	4.90
BlackRock Inc.	September 3, 2010	5.02
Invesco Limited	February 4, 2008	6.91
Legal & General Group plc	October 14, 2009	3.96