

THE COMPANIES ACT 1985

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**Rolls-Royce plc**

COMPANY LIMITED BY SHARES



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**SPECIAL RESOLUTION**

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At the ANNUAL GENERAL MEETING of ROLLS-ROYCE plc  
held on Thursday, 29 May 2003, the following  
Resolution was passed as a SPECIAL RESOLUTION:

**RESOLUTION**

That:

(A) the Scheme of Arrangement expected to be dated April 11, 2003 in its original form or with or subject to any modification, addition or condition approved or imposed by the Court (the Scheme) proposed to be made between the Company and the Scheme Shareholders (as defined in the Scheme) be approved and the directors of the Company be and are hereby authorised to take all such action as they may consider necessary or appropriate for carrying the Scheme into effect;

(B) for the purpose of giving effect to the Scheme:

- a) the issued share capital of the Company be reduced by cancelling and extinguishing the Scheme Shares (as defined in the Scheme);
- b) forthwith and contingently upon such reduction of capital taking effect:
  - i) the share capital of the Company be increased to its former amount by the creation of such number of ordinary shares of 20 pence each in the capital of the Company (New Ordinary Shares) as shall be of an aggregate nominal amount equal to the aggregate nominal amount of the Scheme Shares (as defined in the Scheme) cancelled pursuant to paragraph (a) of this Resolution 21(B); and
  - ii) the Company shall apply the credit arising in its books of account on such reduction of capital in paying up, in full at par, the New Ordinary Shares which shall be allotted and issued, credited as fully paid, to Rolls-Royce Group plc and/or its nominee or nominees; and
  - iii) the directors of the Company be and they are hereby generally and unconditionally authorised, for the purposes of Section 80 of the Companies Act 1985, to allot the New Ordinary Shares provided that (a) the maximum number of shares which may be allotted hereunder shall be 1,630,996,508, (b) this authority shall expire on December 31, 2003, and (c) this authority shall be in addition to any subsisting authority conferred on the directors of the Company pursuant to the said Section 80;

(C) the Articles of Association of the Company be amended by the adoption and inclusion of the following new Article as Article 143:

**'Scheme of Arrangement**

143(A) For the purpose of this Article 143, references to the Scheme are to the Scheme of Arrangement between the Company and the Scheme Shareholders expected to be dated April 11, 2003 under Section 425 of the Companies Act 1985 in its original form or with or subject to any modification, addition or condition approved or imposed by the Court. Terms defined in the Scheme shall have the same meanings in this Article.

143(B) If any Ordinary Shares in the Company are allotted and issued to any person (a new member) other than Rolls-Royce Group plc and/or its nominee or nominees after the time at which this Article becomes effective they will:

- i) if allotment and issue is prior to the confirmation by the Court of the reduction of capital provided for under the Scheme, be allotted and issued subject to the terms of the Scheme and shall be Scheme Shares for the purposes thereof and the new member, and any subsequent holder other than Rolls-Royce Group plc and/or its nominee or nominees, shall be bound by the terms of the Scheme; and
- ii) if allotment and issue is after the Scheme has become effective, be immediately transferred to Rolls-Royce Group plc and/or its nominee or nominees in consideration of and conditional on the issue or transfer to the new member of one New Share for each share in the Company so transferred. The New Shares issued pursuant to this Article 143(B)(ii) to the new member will be credited as fully paid and will rank equally in all respects with all New Shares in issue at the time and be subject to the Rolls-Royce Group plc Articles.

143(C) The number of New Shares to be issued or transferred to the new member under this Article 143 may be adjusted by the directors of the Company in such manner as the Company's auditors may determine on any reorganisation of or material alteration of the share capital of either the Company or of Rolls-Royce Group plc or any other return of value to holders of New Shares effected after the Effective Date, provided always that any fractions of a New Share shall be disregarded and shall be aggregated and sold for the benefit of Rolls-Royce Group plc.

143(D) In order to give effect to any such transfer required by this Article 143, the Company may appoint any person to execute and deliver a form of transfer on behalf of the new member in favour of Rolls-Royce Group plc and/or its nominee or nominees and to agree for and on behalf of the new member to become a member of Rolls-Royce Group plc. Pending the registration of Rolls-Royce Group plc as a holder of any share to be transferred pursuant to this Article 143, Rolls-Royce Group plc shall be empowered to appoint a person nominated by the directors of the Company to act as attorney on behalf of any holder of such share in accordance with such directions as Rolls-Royce Group plc may give in relation to any dealings with or disposal of such share (or any interest therein), exercising any rights attached thereto or receiving any distribution or other benefit accruing or payable in respect thereof and any holder of such share shall exercise all rights attached thereto in accordance with the directions of Rolls-Royce Group plc but not otherwise.

143(E) The undertaking by Rolls-Royce Group plc in connection with the Scheme to issue New Shares credited as fully paid to those members who shall have elected for scrip dividends in respect of any dividend declared at the Annual General Meeting of the Company convened for May 29, 2003 (or any adjournment thereof) in respect of the year ended December 31, 2002 shall absolve the Company from any obligation pursuant to Article 122 to allot shares by way of scrip dividend in respect of such dividend so declared provided that the Scheme is sanctioned by the Court and is brought into effect.;

(D) the rules of the Rolls-Royce 1999 Executive Share Option Plan, the Rolls-Royce plc Executive Share Option Scheme, the Rolls-Royce plc Sharesave Scheme 1997, the Rolls-Royce International Sharesave Plan 1999, the Rolls-Royce Long Term Incentive Plan, the Rolls-Royce plc Employee Stock Purchase Plan and the Rolls-Royce plc SharePurchase Plan be amended in the manner described in paragraphs 13 and 14 of Part 6 of the circular to shareholders expected to be dated April 11, 2003;

(E) the Rolls-Royce Group reduction of capital (as described in Part 1 of the document containing the explanatory statement sent out with the Scheme pursuant to the provisions of Section 426 of the Companies Act 1985) be approved.

**C E Blundell**  
Company Secretary