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ROLLS-ROYCE TAKES STAKE IN TIDAL POWER PROJECT

Rolls-Royce is continuing to invest in renewable energy sources by taking a 23.5 per cent equity stake in TGL, a privately-owned company developing free stream tidal power generation capability.

Rolls-Royce is researching key technologies to provide solutions to the environmental challenges in aerospace, marine and energy markets in order to bring innovative products to market. It sees considerable synergies between the technologies and skills in its existing marine and energy businesses, and will apply these to TGL's tidal power concept.

TGL, in which Rolls-Royce has already invested £1.5 million and technical resource, is developing 500kW and 1MW demonstrators to assess viability ahead of the development of commercial multi-unit systems for tidal power arrays.

Additional development funding has come from the UK government to support the 500kW development unit, and International Power is to be launch customer, selecting, procuring and developing sites for the initial production units.

Rolls-Royce Director - Engineering and Technology, Colin Smith, said: "*The TGL concept incorporates novel installation, deployment and recovery techniques, and we believe it could lead to a cheaper, and more reliable and maintainable tidal power system than is currently available.*"

"TGL's management team has experience in successfully developing tidal power demonstrators. Rolls-Royce is well placed to act as a product development partner because we have technology and experience, in some areas uniquely so, that is directly applicable to the TGL product concept."

Notes to editors:

1. Rolls-Royce, a world-leading provider of power systems and services for use on land, at sea and in the air, has established a strong position in global markets - civil aerospace, defence aerospace, marine and energy.
2. The Group has a broad customer base comprising more than 600 airlines, 4,000 corporate and utility aircraft and helicopter operators, 160 armed forces, more than 2,000 marine customers, including 70 navies, and energy customers in nearly 120 countries. It employs around 38,800 people worldwide people in offices, manufacturing and service facilities in 50 countries and has businesses headquartered in the UK, US, Canada, Germany, Scandinavia and China. This global presence allows the Group to access long-term international growth opportunities with its technology, presence, partnerships and people.
3. Rolls-Royce continues to invest in core technologies, products, people and capabilities with the objective of broadening and strengthening the product portfolio, improving efficiency

and enhancing the environmental performance of its products. These investments create high barriers to entry.

4. Each year, in collaboration with its partners, Rolls-Royce invests over £800 million on research and development, two thirds of which has the objective of further improving the environmental aspects of its products. The primary technology investment area is aimed at reducing noise and emissions
5. Sixty per cent of research and development investment and 40 per cent of new product development spending over the past five years has been outside the UK. Research and development is carried out in facilities in the UK, Germany, Italy, Singapore, Japan, the US and Scandinavia, with particularly strong relationships with the 29 universities where there are Rolls-Royce University Technology Centres.
6. Annual sales were £7.4 billion in 2007, of which 55 per cent came from services revenues. The firm and announced order book at the end of 2007 stood at £45.9 billion, of which aftermarket services represent 30 per cent, providing visibility of future levels of activity.

TGL

1. Founded in 2005, Tidal Generation Limited (TGL - www.tidalgeneration.co.uk) is developing a cost-effective technology for large-scale generation of electricity. Its fully-submerged technology is designed to operate in deep water (35 to 100m) with minimal impact on environment and shipping and no visual impact. The technology is being developed with the support of project partners Rolls-Royce plc, SLP Engineering Ltd, Garrad Hassan & Company Ltd and Edmund Nuttall plc.
2. The development programme has been supported by the South West Regional Development Agency, the Scottish Executive and the Technology Programme.
3. TGL, based in the SETsquared Centre in Bristol University, England, is also working closely with International Power Marine Developments, a subsidiary of International Power plc, to develop farms.

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