

5 September 2018

Background text

Rolls-Royce Power Systems moving full steam ahead

- Power Systems 2030 strategy "Pioneering Solutions for Marine and Infrastructure" as a driver for further growth and value enhancement
- Transformation from engine manufacturer to integrated solutions provider
- Strict customer orientation and digitalisation, future-oriented portfolio as well as strategic partnerships and cooperations are cornerstones of corporate development

With its Power Systems 2030 strategy "Pioneering Solutions for Marine and Infrastructure", Rolls-Royce Power Systems is setting itself on a clear course for the future: The traditional company with its core brands MTU and MTU Onsite Energy is transforming itself from a classic engine manufacturer to a provider of leading-edge, integrated solutions for customers in the marine and infrastructure sectors.

Rolls-Royce Power Systems will be following a clear agenda as it moves into the future – with three main lines of development: The company will consistently drive forward its customer orientation and digitalisation, expand strategic partnerships and cooperations and systematically exploit its growth opportunities in future technologies, i.e. in clean drive systems and energy solutions as well as in electrification.

Digitalisation is an important driver for consistent customer orientation

"Our markets are undergoing massive change. It will no longer be just a powerful engine that will count for our customers in the future," says Andreas Schell, CEO of Rolls-Royce Power Systems AG. "Rather, they expect continuous availability of power and reliable, optimal processes – around the clock."

Rolls-Royce Power Systems will therefore no longer base its range of services on individual products but even more consistently than before on customers and their needs. Service is therefore no longer an add-on, but an integral part of solutions. Digitalisation is both the driver and accelerator of this development and an essential cornerstone of the Power Systems 2030 strategy. With its help, the company is opening up new service offerings as well as new innovative hardware and sources of value creation.

To keep drive power permanently available, experts are available to customers 24/7, 365 days a year in different time zones – in three Customer Care Centres (CCCs) worldwide in Singapore, Novi and Friedrichshafen. For optimal customer service, the three centres work hand in hand with the Digital Solutions team founded in summer 2017.

Digital Solutions is driving digital change at Rolls-Royce Power Systems. By the end of 2018, the cross-divisional team will grow from 40 to 80 employees. Digital Solutions not only ensures that all engines and systems are networked, but also develops new digital products and services for optimum customer benefit. The first two digital tools MTU Go! Act and MTU Go! Manage are already being tested on some ships, and the first power plants and trains are also connected: With the help of data loggers, MTU experts are networked directly with the systems and customers, so they know when and where service is required, can perform remote engine maintenance and continuously optimise operation. Customers can also use MTU Go! Manage to gain access to engine data. In addition, Digital Solutions will use Big Data and analytics to expand digital value creation for Rolls-Royce Power Systems and develop innovative business ideas and models for completely new customer groups and markets.

For Rolls-Royce Power Systems, digitalisation is not only a question of technology, but also of attitude and thinking. For this reason, the company will establish the "digital mindset" throughout the Group – as a new core element of its DNA, according to the formula: technological expertise plus digital know-how.

Strategic partnerships and cooperations complement core competencies

Another important cornerstone of the Power Systems 2030 strategy is partnerships and cooperations. "To stay competitive, we need to focus on our core business and core competencies," says Marcus A. Wassenberg, CFO of Rolls-Royce Power Systems AG. "In the future, wherever it makes sense for our strategic development, we will therefore focus on teaming up with or cooperating with partners. This includes collaborations in the area of R&D in order to optimally serve the relevant technology trends through the targeted integration of external expertise. Through joint ventures with local partners in global growth markets, such as MTU Yuchai Power in China and Goa Shipyard Limited in India, Rolls-Royce Power Systems is systematically tapping into global value chains and exploiting its global growth opportunities.

Future-oriented portfolio with innovative solutions for the energy and mobility transition

"As part of our strategy, we want to provide innovative answers to the major social and economic challenges of today and tomorrow – in the areas of mobility and logistics, infrastructure and energy," says CEO Andreas Schell. In these areas, regulatory requirements are becoming stricter and environmental standards are becoming increasingly complex in an international context, for example the strict EPA Tier 4 and Euro Stage V emission guidelines. Diesel drives will continue to be an established part of Rolls-Royce Power Systems' portfolio in the future. The aim is to further develop the technology and make diesel engines even cleaner and smarter. At the same time Rolls-Royce Power Systems is focusing on meeting the growing demand for electrified drive systems as well as alternative fuels and energy sources such as gas, hybrid and electric.

With its Green and High-Tech programme, Rolls-Royce Power Systems provides forward-looking answers to the growing challenges of the mobility and energy transition. As part of the programme, Rolls-Royce Power Systems has recently launched several groundbreaking innovations, including the first mobile gas engines of the MTU Series 4000, which are so clean that they can run in the Wadden Sea. From 2020, the company will offer fully integrated MTU hybrid ship drives for yachts, workboats, ferries and patrol boats in the power range from approximately 1,000 kilowatts to 4,000 kilowatts per drive train. In the MTU Hybrid Power Pack concept, Rolls-Royce Power Systems combines the advantages of battery and diesel trains and

sets new standards on the railways through lower fuel consumption, better acceleration and lower exhaust and noise emissions.

With a view to the energy transition, Rolls-Royce Power Systems relies primarily on microgrids, i.e. autonomous energy supply systems that are efficient, reliable and environmentally friendly. Microgrids combine renewable energy with reliable power generators and are optimally tailored to the needs of industrial companies and municipalities. Rolls-Royce Power Systems is currently setting up a microgrid pilot plant in Friedrichshafen which simulates the operation of such a system for customers and can be designed to meet their specific requirements.

It is essential for all drive systems and energy solutions to keep power permanently available – throughout the entire product life-cycle. To ensure this, the company enters into long-term service agreements (VCA - Value Care Agreements). As part of such a VCA, for example, the company supplies its customer Hitachi with MTU PowerPacks of the Series 1600 for use on high-speed trains in the United Kingdom and also assumes responsibility for their service and maintenance – over an agreed contract term of 27.5 years.

Company on a successful path

The Power Systems strategy is a seamless continuation of the modernisation programme RRPS 2018, which was launched in 2015: "RRPS 2018 has been instrumental in significantly improving our performance and profitability over the past two years," says CFO Marcus A. Wassenberg. "We have thus laid the foundation for our consistent strategic development and for future growth and value enhancement through Power Systems 2030."

With underlying revenue of 2.92 billion pounds Sterling (+3 % compared to 2016), the Power Systems Division already contributes significantly to the Rolls-Royce Group's total revenue and is the Group's second-largest revenue driver, comprising a total of three divisions. Underlying operating profit rose to 330 million pounds Sterling in 2017 (+61% compared to 2016).

"With Power Systems 2030, we are entering a new era and dimension in the company's history – towards new sources of revenue, new markets and new customer groups," says CEO Andreas

Schell. "In this way we want to further strengthen and expand our position in the markets and in the Rolls-Royce Group."