MTU Aero Engines details excellent market position at its Investor and Analyst Day

- **Market in outstanding health**
- **MTU better positioned than ever before in all market segments**
- **Ramp-up of MTU geared turbofan modules running to plan**
- **Best-cost strategy bears fruit**
- **Updates to short- and medium-term forecasts on EBIT and cash flow growth**

Munich / Rzeszów, December 14, 2016 – At its Investor and Analyst Day, MTU Aero Engines AG presented its current market position in detail. In a positive market environment, the company has seized every opportunity to generate sustained, organic growth during the largest investment phase in its history, securing an excellent position in every segment of the engine market – for business and regional jets as well as for short-haul, medium-haul and long-haul aircraft. This ensures MTU's access to growth markets while at the same time helping to spread risk.

One of MTU's strongest points is its involvement in the geared turbofan programs, with engines that customers first deployed in 2016 and meet all performance requirements in terms of lowering fuel consumption and noise emissions. "The high order backlog for the geared turbofans is a major growth factor for MTU," said Dr. Rainer Martens, Chief Operating Officer of MTU Aero Engines AG. "Our preparations for this are well under way: the ramp-up of our geared turbofan programs is running to plan, and all key projects have been completed and gone into operation. These include the new blisk production facility, optimization of our rotor and stator production lines, the extension of MTU Aero Engines Polska, and the new logistics center and final assembly line in Munich."

Another important growth driver is the group's best-cost production strategy with manufacturing sites in the world's most competitive regions. This strategy is supported by increasing digitalization, which enables MTU to extend its technological lead, improve efficiency, and as a result strengthen its market position. High-tech activities are concentrated in Germany, while locations such as MTU Aero Engines Polska in Rzeszów focus on mid-tech work. MTU's Polish location, which hosts this year's Investor and Analyst Day, has been in operation since 2009 and currently employs around 600 people. It plays a central role in MTU's production strategy, holding responsibility for various development and manufacturing activities for the ramp-up of the geared turbofan programs, as well as handling parts management for the V2500 engine.

MTU puts its strategic focus on partnerships in the MRO segment as well. For example, both MTU Maintenance Zhuhai in China and Airfoil Services in Malaysia are joint ventures with airlines that boast long and successful track records – 15 years in the case of MTU

MTU Aero Engines AG
Investor Relations
Dachauer Strasse 665
80995 Munich • Germany
Phone+49 (0)89 14 89-84 73
Fax +49 (0)89 14 89-95 139
www.mtu.de

Maintenance Zhuhai and 25 in the case of Airfoil Services. “We would like to create more strong relationships like these as a means of driving forward the industrialization of our commercial MRO business,” says Chief Program Officer Michael Schreyögg. “The next logical step is our planned joint venture with Lufthansa Technik for the maintenance of geared turbofan engines.” In this context, MTU can rely on the experience gathered through previous, successful greenfield investment projects such as MTU Maintenance Zhuhai and MTU Aero Engines Polska.

“All in all, MTU is pursuing a clear growth strategy,” concluded MTU Aero Engines CEO Reiner Winkler.

In 2017, MTU expects revenues from commercial maintenance to increase in the low teens, placing this segment in the lead in terms of growth rate. Revenues from commercial series production are expected to increase by a high single digit number, while spare parts sales will probably grow by a mid single digit percentage. Revenues in the military engine business, by contrast, are likely to decrease by a mid single digit percentage. “All in all, at the end of the investment phase, all signs point to a continuing, profitable growth trajectory,” Winkler concluded. “We expect to end the investment phase just as we forecast several years ago.” MTU intends to present a more detailed outlook for the coming year when publishing the financial results for 2016 on February 23, 2017.

In the consolidation phase from 2018 onward, adjusted EBIT is expected to grow faster than revenues. “We expect our highly profitable spare parts and maintenance business to generate the highest increase in revenues as of 2018,” said Winkler. “The change in our mix will result in rising profit margins.”

During the investment phase, MTU strengthened its focus on shares in new engine programs so as to exploit all available opportunities. This, plus a considerable increase in cash flows starting in 2018, will enable MTU to offer its shareholders a sustained greater participation in the company’s success.

Changes in reporting practice resulting from the first-time application of IFRS 15 as of 2018 are not expected to have any significant impact on MTU’s earnings or cash flow.

Contacts on the investor relations team at MTU Aero Engines:

Michael Röger
Vice President Investor Relations
Phone: + 49 (0) 89 14 89-84 73

Claudia Heinle
Senior Manager Investor Relations
Phone: + 49 (0) 89 14 89-39 11

For more Investor Relations News, go to:
http://www.mtu.de/de/investor-relations/latest-news/

Cautionary note regarding forward-looking statements

Certain of the statements contained herein may be statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, competition from other companies in MTU Aero Engines' industry and MTU Aero Engines' ability to retain or increase its market share, the cyclicality of the airline industry, risks related to MTU Aero Engines' participation in consortia and risk and revenue sharing agreements for new aero engine programs, risks associated with the capital markets, currency exchange rate fluctuations, regulations affecting MTU Aero Engines' business and MTU Aero Engines' ability to respond to changes in the regulatory environment, and other factors. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences. MTU Aero Engines assumes no obligation to update any forward-looking statement.