
MTU Aero Engines posts renewed earnings growth in first quarter of 2016

- **Full-year forecast maintained**

Munich, April 28, 2016—In the first quarter of 2016, MTU Aero Engines AG generated revenues of €1,097.9 million (1-3/15: €1,099.5 million). The group's operating profit¹ was up 34% to €131.3 million (1-3/15: €97.7 million). The EBIT margin was 12.0%, or 3.1 percentage points higher than for the same period in the previous year. Earnings after tax² increased in line with operating profit by 34% to €91.5 million (1-3/15: €68.2 million).

“This has placed us in a good starting position for the rest of the year,” said Reiner Winkler, CEO of MTU Aero Engines AG. “We see ourselves well on the way to meet our planned targets for 2016 and are anticipating another record-breaking year for MTU.”

MTU's revenues increased in both the commercial maintenance business and the military engine business, while revenues in the commercial engine business dipped.

In the commercial maintenance business, revenues increased by 12% to €428.8 million (1-3/15: €383.9 million). “A record,” noted Chief Program Officer Michael Schreyögg. “These are the highest quarterly revenues ever achieved in the commercial maintenance business.” The key driver of these revenues was the V2500 engine that powers the Airbus A320 family.

In the military engine business, revenues grew by 37% to €124.5 million (1-3/15: €91.2 million). The EJ200 Eurofighter engine was the main contributor to these revenues.

Revenues in the commercial engine business decreased by 13% to €556.0 million (1-3/15: €635.5 million). Apart from currency translation effects on the valuation of receivables, which were opposing in the respective quarters, these figures also reflect the postponement of PW1100G-JM deliveries for the A320neo. “We are on course as far as our expectations for the full year are concerned, with the ramp up of the geared turbofan engines scheduled for the second half of the year,” Schreyögg said. The V2500 for the Airbus A320 family, the GP7000 engine for the A380 and the GEnx for the Boeing 787 and 747-8 accounted for the greater part of the revenues in the commercial engine business.

At the end of March 2016, MTU's order backlog stood at €11,879.8 million (1-3/15: €12,493.7 million). The majority of these orders are for the V2500 and the geared turbofan programs of the PW1000G family, especially the PW1100G-JM for the Airbus A320neo.

¹ Adjusted EBIT = Earnings before interest and tax, calculated on a comparable basis

² Adjusted net income = Earnings after tax, calculated on a comparable basis



MTU's earnings grew in both operating segments. The strongest growth in EBIT was recorded in the OEM segment with an increase of 53% to €88.8 million (1-3/15: €58.1 million). The EBIT margin in this segment rose from 8.0% to 13.0%. "This figure reflects the product mix in the first quarter, i.e. the relative proportions of commercial series production and spare parts sales, as well as military engine business. Following the GTF ramp-up, the EBIT margin is likely to decline in the course of the year and even out at the planned level," Winkler explained. Earnings in the MRO segment increased by 11% from €38.1 million to €42.3 million. The EBIT margin remained stable at 9.9%.

MTU spent €58.6 million on research and development in the first quarter of 2016, an increase of 13% compared with the same period in the previous year (1-3/15: €52.0 million). The amount of company-funded R&D expenditure recognized as an expense in the income statement also rose—by 24% to €19.4 million (1-3/15: €15.6 million). The geared turbofan programs and their evolution as well as the GE9X for the Boeing 777X were the main focus of the group's R&D activities.

MTU's free cash flow at the end of March 2016 amounted to €93.6 million, which is 53% higher than the comparative figure for the previous year of €61.2 million. "Free cash flow was thus at a very high level in the first quarter of 2016," said Winkler. "For the full year, we expect to achieve a free cash flow on the same level as last year."

In the first quarter of 2016, MTU raised its capital expenditure on property, plant and equipment by 27% to €20.9 million (1-3/15: €16.4 million). Investments were made especially in new plant and machinery. A primary focus was on the ramp-up of geared turbofan series-production and preparation for the maintenance of those engines.

MTU had 8,297 employees on its payroll at the end of March 2016, which is around the same number as at the end of 2015 (December 31, 2015: 8,334 employees).

MTU's forecast for the current financial year is unchanged. The group's year-end revenues are expected to lie between €4.6 and €4.7 billion (2015: €4,435.3 million), with a stable EBIT margin of around 10% (adjusted EBIT 2015: €440.3 million). Earnings after tax (adjusted net income, 2015: €306.9 million) are expected to increase in line with operating profit. These forecasts are based on an exchange rate of U.S. \$1.10 to the euro.



MTU Aero Engines – Key financial data for January through March 2016

(Figures quoted in € million, calculated on a comparable basis. Statements prepared in accordance with IFRSs)

MTU Aero Engines	Q1 2015	Q1 2016	Change
Revenues	1,099.5	1,097.9	- 0.1%
of which OEM business	726.7	680.5	- 6.4%
of which commercial engine business	635.5	556.0	- 12.5%
of which military engine business	91.2	124.5	+ 36.5%
of which commercial maintenance business	383.9	428.8	+ 11.7%
EBIT (calculated on a comparable basis)	97.7	131.3	+ 34.4%
of which OEM business	58.1	88.8	+ 52.8%
of which commercial maintenance	38.1	42.3	+ 11.0%
<i>EBIT margin (calculated on a comparable basis)</i>	<i>8.9%</i>	<i>12.0%</i>	
<i>for OEM business</i>	<i>8.0%</i>	<i>13.0%</i>	
<i>for commercial maintenance</i>	<i>9.9%</i>	<i>9.9%</i>	
Net income (calculated on a comparable basis)	68.2	91.5	+ 34.2%
Net income (reported)	21.0	90.4	+ 330.5%
Earnings per share (undiluted, reported)	0.42	1.76	+ 319.0%
Free cash flow	61.2	93.6	+ 52.9%
Research and development expenditure	52.0	58.6	+ 12.7%
of which company-funded R&D	43.3	50.5	+ 16.6%
of which customer-funded R&D	8.7	8.1	- 6.9%
<i>Company-funded R&D recognized as expense</i>	<i>15.6</i>	<i>19.4</i>	<i>+24.4%</i>
Capital expenditure on property, plant and equipment	16.4	20.9	+ 27.4%
	Dec. 31, 2015	Mar. 31, 2016	Change
Order backlog	12,493.7	11,879.8	- 4.9%
of which OEM business	6,830.6	6,402.6	- 6.3%
of which commercial MRO business	5,663.1	5,477.2	- 3.3%
Employees	8,334	8,297	- 0.4%

About MTU Aero Engines

MTU Aero Engines AG is Germany's leading engine manufacturer, with core competencies in low-pressure turbines, high-pressure compressors, turbine center frames, manufacturing processes and repair techniques. MTU plays a key role in the new engine market through its partnership in many international development, manufacturing and sales programs, to which it contributes its high-tech components. One third of the global fleet of passenger airliners relies on components supplied by MTU. MTU is one of the world's top 5 providers of maintenance services for commercial aircraft engines and industrial gas turbines. These activities are combined under the roof of MTU Maintenance. In the military sector, MTU Aero Engines is the lead industrial partner for almost every type of engine flown by the German armed forces. MTU operates affiliates around the globe; its corporate headquarters are based in Munich, Germany.



Geared Turbofan is a trademark application of Pratt & Whitney

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