
MTU Aero Engines AG posts new record revenues and earnings for 2016

- **2017: End of investment phase with further increase in revenues, earnings and free cash flow**
- **Outlook for 2017: Revenues of approx. €5.1 to €5.2 billion, stable operating margin, net income rising at a higher rate than operating profit**

- Provisional figures, subject to approval by the Supervisory Board -

Munich, February 23, 2017 – MTU Aero Engines AG once again set new records in the financial year 2016. Revenues increased by 7% to a new high of €4,732.7 million (2015: €4,435.3 million). Operating profit¹ reached €503.0 million, beating the previous year's record by 14% (2015: €440.3 million). Earnings after tax² surpassed the previous record of €306.9 million, set in 2015, growing by 13% to €345.4 million.

“We have thus met all of our forecast targets – including the projected earnings that we revised upward for the second time in October,” said Reiner Winkler, CEO of MTU Aero Engines AG, summing up the provisional annual results for 2016 at a presentation on Thursday, February 23, 2017. MTU had set itself the goal of generating revenues of around €4.7 billion in 2016. The earnings forecasts were for an adjusted EBIT of approximately €500 million and an adjusted net income of approximately €340 million. MTU expects to repeat its record-breaking performance in the current financial year: “In 2017, we expect to complete the largest investment phase in MTU’s history with sustained profitable growth,” said Winkler.

Outlook for 2017

The present market environment bodes well for MTU’s business activities. Prospects in the commercial engine business are good, given that aircraft manufacturers have high order backlogs for the types of aircraft powered by engines for which MTU supplies components. “We are excellently positioned in all market segments – especially with respect to engines for single-aisle aircraft used on short- and medium-haul routes, regional jets, and business jets, where in the long term we expect to grow better than the market,” added Chief Program Officer Michael Schreyögg. In the MRO segment, market analysts predict above-average growth rates for the engines in MTU’s maintenance portfolio. Schreyögg added: “Our presence in the MRO market takes numerous forms: not only as an independent service provider but also as a member of the OEMs’ MRO networks and as a trusted airline partner. This constellation enables us to maximize our opportunities.” All in all, based on these market considerations, the MTU group has issued a revenue forecast for 2017 of approximately €5.1 to 5.2 billion (revenues 2016: €4,732.7 million). The highest growth rate is expected to come from the commercial maintenance business (MRO segment), where revenues expressed in U.S. dollars

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



are projected to increase by around 10%. MTU expects its revenues from commercial engine production, also expressed in U.S. dollars, to grow by a high single-digit percentage, while spare parts sales are expected to increase by a mid-single-digit percentage. Revenues in MTU's military engine business are likely to decrease by a high single-digit percentage. Altogether, this revenue mix promises to lead to an improved operating profit (2016 adjusted EBIT: €503.0 million) and a stable operating margin (2016: 10.6%). Earnings after tax (adjusted net income 2016: €345.4 million) are expected to increase at a higher rate than operating profit, as a result of lower interest expenses. The cash conversion rate, defined as the ratio between free cash flow and adjusted net income, is projected to remain in the low-two-digit percentage range, as in 2016.

Steep rise in commercial maintenance revenues

In 2016, the commercial maintenance business achieved the highest growth rate in terms of revenues, which increased by 21% to €1,914.4 million (2015: €1,580.6 million). This growth was driven mainly by the V2500 engine for the Airbus A320, followed by the CF34 family of regional and business jet engines and the GE90, which powers the Boeing 777. "The revenue distribution reflects the high capacity utilization levels at all maintenance locations," added Schreyögg. "The series of record revenues achieved in the MRO segment has been unbroken for five three-month periods in succession, up to and including the fourth quarter of 2016."

At €2,401.2 million, revenues in the commercial engine business remained on the same level as in the previous year (2015: €2,414.0 million). The major part of these revenues was attributable to the V2500, the GP7000 for the Airbus A380, and the GEnx engine for the Boeing 787 Dreamliner and Boeing 747-8, with an increasing share accounted for by the PW1100G-JM for the Airbus A320neo.

Revenues in the military engine business increased by 4% to €504.0 million (2015: €483.1 million). The main source of these revenues was the EJ200 Eurofighter engine.

Growth underpinned by high order backlog

MTU's order backlog increased by 13% in 2016 to €14,172.2 million (2015: €12,493.7 million). "This beats all previous records and sets the stage for the company's continuing growth," commented Winkler. "This growth will be based on the PW1000G family of geared turbofan engines in the new engine business and on the V2500 engine for the A320 in the aftermarket business." These two engine programs also account for the highest number of orders in the current backlog.

Higher earnings in all business units

In 2016, MTU's earnings increased in both the OEM and the MRO operating segments.

In the MRO segment (commercial maintenance business), adjusted EBIT rose by 17% from €155.2 million in 2015 to €181.5 million in 2016. The EBIT margin slipped slightly from 9.8% to 9.5%.



In the OEM segment, MTU generated earnings of €321.5 million, up 13% on the previous year (2015: €285.0 million). Owing to the improved product mix, the EBIT margin increased from 9.8% to 11.1%.

Dividend proposal to be announced on March 14

“In keeping with our established dividend policy, we naturally intend to continue offering investors an appropriate share of our earnings, which again reached record levels in 2016,” said Winkler. The company will announce the dividend proposal to the Annual General Meeting, which takes place on May 4, 2017, after the Supervisory Board has passed the corresponding resolution at its meeting on March 14. MTU distributed a dividend of €1.70 per share for 2015.

Research and development

At €208.6 million, MTU’s R&D expenditure in 2016 was on approximately the same level as in the previous year (2015: €210.0 million). The focal areas of the group’s R&D activities, in addition to the geared turbofan programs and their evolution, included the GE9X engine for the Boeing 777X long-haul airliner and technology studies and R&D projects for future-generation engines. “In 2017, we will continue to press forward with our work in these future-oriented domains, so as to provide support to the various GTF programs during their market launch phase while at the same time laying the foundations for the engines of tomorrow,” said Chief Operating Officer Dr. Rainer Martens.

Free cash flow of €82.0 million

MTU’s free cash flow increased by 14% from €72.0 million in 2015 to €82.0 million in 2016. “This result is better than we expected,” commented Winkler. The company had forecast a free cash flow on a par with the previous year.

Investment in property, plant and equipment up 23%

In 2016, MTU increased its investment in property, plant and equipment by 23% to €154.7 million (2015: €125.4 million). This increase is principally due to the expansion of MTU’s MRO service portfolio, which involved purchasing lease engines for MTU Maintenance Lease Services. “When purchasing new plant and machinery, we gave priority to equipping our manufacturing facilities for the ramp-up to production of the geared turbofan programs and preparing our maintenance shops for MRO work on these engines,” added Martens. “One very important project in this respect was the completion of our final assembly line for the PW1100G-JM engine, which powers the A320neo.”

8,368 employees

At year-end, MTU had 8,368 employees on its payroll, or approximately the same number as in 2015 (Dec. 31, 2015: 8,334 employees).

MTU Aero Engines will publish its 2016 Annual Report on March 14, 2017.



MTU Aero Engines – Key financial data for 2016

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

MTU Aero Engines	Q4 2015	Q4 2016	Dec. 31, 2015	Dec. 31, 2016	Change
Revenues	1,178.3	1,331.4	4,435.3	4,732.7	+ 6.7%
of which OEM business	758.4	810.1	2,897.1	2,905.2	+ 0.3%
of which commercial engine business	621.2	662.9	2,414.0	2,401.2	- 0.5%
of which military engine business	137.2	147.2	483.1	504.0	+ 4.3%
of which commercial maintenance	432.2	546.1	1,580.6	1,914.4	+ 21.1%
EBIT (adjusted)	107.2	109.2	440.3	503.0	+ 14.2%
of which OEM business	64.6	57.0	285.0	321.5	+ 12.8%
of which commercial maintenance	42.8	52.5	155.2	181.5	+ 16.9%
<i>EBIT margin (adjusted)</i>	<i>9.1%</i>	<i>8.2%</i>	<i>9.9%</i>	<i>10.6%</i>	
<i>for OEM business</i>	<i>8.5%</i>	<i>7.0%</i>	<i>9.8%</i>	<i>11.1%</i>	
<i>for commercial maintenance</i>	<i>9.9%</i>	<i>9.6%</i>	<i>9.8%</i>	<i>9.5%</i>	
Net income (adjusted)	75.5	72.0	306.9	345.4	+ 12.5%
Net income (reported)	65.8	70.2	217.6	312.6	+ 43.7%
Earnings per share (undiluted, reported)	1.29	1.37	4.26	6.09	+ 43.0%
Free cash flow	-47.4	7.0	72.0	82.0	+ 13.9%
Research and development expenses	54.2	50.7	210.0	208.6	- 0.7%
of which company-funded	43.8	40.9	168.7	168.0	- 0.4%
of which outside-funded	10.4	9.8	41.3	40.6	- 1.7%
<i>Company-funded R&D expenditure</i>	<i>20.3</i>	<i>18.0</i>	<i>66.5</i>	<i>71.1</i>	<i>+ 6.9%</i>
Investment in property, plant and equipment (net)	60.2	63.2	125.4	154.7	+ 23.4%
			Dec. 31, 2015	Dec. 31, 2016	Change
Balance sheet key figures					
Intangible assets			2,214.0	2,234.2	+ 0.9%
Cash and cash equivalents			53.1	322.4	+ 507.2%
Pension provisions			801.7	883.3	+ 10.2%
Equity			1,300.6	1,500.5	+ 15.4%
Net financial debt			881.2	892.0	+ 1.2%
Total assets and liabilities			5,188.3	5,844.6	+ 12.6%
Order backlog			12,493.7	14,172.2	+ 13.4%
of which OEM business			6,830.6	7,246.0	+ 6.1%
of which commercial maintenance			5,663.1	6,926.2	+ 22.3%
Employees			8,334	8,368	+ 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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