
MTU Aero Engines AG issues more precise ten-year forecast

- **Increasing EBIT margin and strong free cash flow from 2018 onward**
- **2016: Steady growth in earnings based on strong impetus in the MRO sector and a moderate increase in spare part sales**

Munich / London, November 25, 2015 – On the occasion of the company’s annual Investor & Analyst Day, MTU Aero Engines AG has issued a more precise forecast for the next ten years to 2025. The group intends to maintain its growth trajectory and achieve further improvements in profitability. In the medium to long term, adjusted EBIT is expected to increase at a faster rate than revenues, with a corresponding increase in adjusted net income. These projections are based on MTU’s existing business plans, which foresee an investment phase lasting until 2017 followed by a consolidation phase from 2018 onward. They reflect the expected development of revenues in the individual operating segments.

As of 2018, MTU expects to see a surge in revenues from its most profitable activities, namely spare part sales and maintenance services. Revenues from the series production of engine components, which generates lower profit margins, are also expected to rise – based on the assumption that the increased production of the Airbus A320neo will result in growth rates for the PW1100G-JM engine, which are higher than previously anticipated. Weaker revenues are expected in the military engine business. “Overall, this product mix will enable us to increase our EBIT margins in the medium to long term,” says MTU Aero Engines CEO Reiner Winkler. “As a result, we can expect our adjusted net income to rise in line with operating profit.” Chief Operating Officer Dr. Rainer Martens adds: “Once we have reached the end of the current investment phase, in which we have been focusing on the construction of new facilities and their equipment with plant and machinery to prepare for the production phase of the geared turbofan® (GTF) programs, our capital expenditure will return to normal levels. The same applies to our R&D expenditure, which will also gradually return to normal levels around 2018. The main focus will be on the ongoing improvement of GTF technology.” This will significantly improve the group’s free cash flow, which in the longer term will closely match adjusted net income.

Meanwhile, MTU’s investment phase will continue through 2017. “It is characterized by the ramp-up of the geared turbofan® programs, which will enable us to secure an outstanding position in the markets for short- and medium-haul passenger aircraft and for regional and business jets. We are also building up our maintenance capacity for GTF engines,” says Chief Program Officer Michael Schreyögg. “Our share in the GE9X engine program for the next-generation Boeing 777X places us on an excellent footing in the long-haul sector.” MTU’s commercial maintenance business is expected to achieve high single-digit percentage growth up to the end of the investment phase. Spare part sales and the series production business will also continue to grow, even though the increase in the volume of orders for GP7000 engines to power the A380 has not been as great as originally expected. Winkler: “The ramp-



up of the GTF programs will prove to be a headwind on our earnings. Meanwhile, in the short term, we are counting on the continued positive impact of the U.S. dollar exchange rate to boost both revenues and earnings during this period of high capital expenditure." Adjusted net income can be expected to increase more rapidly due to the group's decreasing overall tax rate and lower interest expenses.

In 2016, the commercial maintenance business is expected to achieve high single-digit growth, making it the strongest-growing operating segment. MTU expects its revenues in the series production business to remain stable, and the same applies to the group's military engine business. Revenues from spare part sales are expected to grow by a percentage in the low-to-mid single-digit range. "This revenue mix will help us to meet our goal of further improving earnings in 2016," says Winkler. MTU intends to present a more detailed forecast of the group's results for the coming year at the annual results press conference on February 16, 2016.

MTU's forecast for the financial year 2015 is unchanged. The group expects to generate revenues in the region of €4,600 million (2014: €3,913.9 million). Adjusted EBIT is expected to increase to around €430 million (2014: €382.7 million), resulting in an adjusted net income of around €295 million (2014: €253.3 million).

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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