



Annual General Meeting

MTU Aero Engines Holding AG

Speech of the CEO

Egon Behle

delivered in Munich

May 3, 2013

– Check against delivery –

Dear shareholders,
dear shareholder representatives,
ladies and gentlemen,

Good morning and welcome. We are delighted that all of you are able to attend the Annual General Meeting 2013 of MTU Aero Engines Holding AG here in Munich today. Many of you are regular attendees of our AGMs, which offers proof both of your interest in our company and your long-term commitment to it. On behalf of the entire management of MTU, I would like to thank you sincerely for that interest and commitment.

The Annual General Meeting is the platform for us, the company's management, to offer an account to you, its owners, of what we have done in the past financial year. And I am very pleased that the results for 2012, which I will present to you today, are so outstanding.

2012 – a record year for MTU

Let's get straight to the business figures. The financial year 2012 was the most successful thus far in our company's nearly 80-year history. We achieved record revenues of around 3.4 billion euros. At 374 million euros, our operating profit was higher than ever before, and our adjusted EBIT margin reached 11.1 percent. Adjusted net income, too, was unmatched, at 233 million euros.

But we didn't break records with revenues, adjusted EBIT and adjusted net income alone. We also kept our pledge to the capital markets and achieved all the targets we had set ourselves at the start of the year – and even revised upward in the summer.

There are no two ways about it: 2012 was an outstanding year for MTU Aero Engines. But it was also the continuation of a success story that goes back a long way and another important milestone on our path toward achieving our revenue target of six billion euros by 2020.

Share performance

Our excellent business performance was well received on the stock exchange, with the MTU stock outperforming the MDAX in 2012. The 2012 closing price of 68.80 euros was 39 percent above that of 2011. And, on December 19, the MTU stock reached an all-time high of 69.85 euros. In 2013, that record has already been broken again – after a new high of 76.98, the share price has settled in at around 70 euros. This is a trend we find very gratifying.

Dividend

It goes without saying that we want you, our shareholders, to benefit appropriately from the company's positive business performance. That is why the Board of Management and Supervisory Board of MTU are proposing to raise the dividend for the third time in succession and to distribute the highest dividend since MTU went public. Our proposal to the Annual General Meeting today is for a dividend of 1.35 euros per share. That corresponds to an increase of 13 percent and a total dividend payment of around 68 million euros.

We also intend to pursue our earnings-oriented dividend policy going forward, which demonstrates that MTU is set to remain a profitable investment.

Highlights of MTU's operations

Ladies and gentlemen, in 2012 we not only took a big step forward in terms of performance indicators, we also made headway in our markets – especially in the commercial engine business and the commercial maintenance business.

The key to our success lies in our innovative, high-tech products and services. We consistently focus on economic efficiency and customer benefit. One cutting-edge product that enjoys great favor with our customers is the geared turbofan™ engine, which we developed together with our partner Pratt & Whitney. In terms of technology, the geared turbofan™ constitutes a quantum leap, and will consume 15 percent less kerosene and thus emit 15 percent less carbon dioxide than the modern engines in service today, such as the V2500 for the Airbus A320 family. What is more, the geared turbofan™ is only half as loud as current engines. A large number of aircraft manufacturers are banking on the geared turbofan™ and offering it as an option in their new series' of models – in some cases it is the only engine they are deploying. The geared turbofan™ is planned for deployment in the Airbus A320neo, the Bombardier CSeries, the Mitsubishi Regional Jet, and the Irkut MS-21. Earlier this year, Embraer also decided to equip its new E-Jets solely with the geared turbofan™. That represents yet another vote of confidence on the part of both aircraft manufacturers and customers in the superiority of this technology. Good market figures furnish further proof that this is the right technology. Orders have already been placed for a total of some 3,500 units. The geared turbofan™ was the big draw card at the Farnborough Airshow 2012, the most successful airshow in MTU's history in terms of orders received. At Farnborough, MTU notched up orders worth around 1.3 billion euros.

But market success is only one indicator of the high quality of our products – prizes and awards are another. Our high-speed low-pressure turbine, which is a key component of the geared turbofan™, received two such honors at the beginning of this year: the German Industry Innovation Award and the German Innovation Prize. MTU's commercial maintenance business was also honored recently, receiving Aviation Week's prestigious 'MRO of the Year Award' in April.

As you can see, ladies and gentlemen, the geared turbofan™ is the engine of the future – and it is only natural that MTU is investing in that future. At our Munich site, for instance, we opened a new production facility fitted out with state-of-the-art machinery. A total of around 65 million euros was invested in this project. We will use this new shop to produce high-tech components, especially for the geared turbofan™ engine family.

By the way, all of the products and services that I will talk about today – such as the geared turbofan™, and the latest manufacturing and repair techniques – can be viewed in the MTU Museum, which opens four times a year. You are warmly invited to visit the MTU Museum and gain your own impressions. It is truly worthwhile.

Ladies and gentlemen, where it is expedient, we systematically expand our portfolio. Our goal in doing so is to maintain, secure and extend our position as a technology leader going forward, thus creating and enhancing value in a sustainable way.

Here are just two examples of this strategy: You may remember that, in 2011, we secured the maintenance license for the GE90 Growth. Deployed in the Boeing 777, the GE90 is the biggest engine in the world. This license enabled us to win additional orders in 2012. The German express freight airline AeroLogic signed up exclusively with us for maintenance of its GE90-110B engines, an order worth more than 160 million euros. Experts estimate that the maintenance market for the GE90 Growth will be worth over 3.3 billion dollars in 2022 – and we will have a share of the cake.

The second example that I would like to mention is our increased stake in the highly successful V2500 engine program for the Airbus A320 family. In 2012, we increased our stake in this program from 11 to 16 percent. This will enable MTU to grow its revenues by three to four billion euros over the next 25 years. In 2012 alone, we benefited from additional revenues of around 100 million euros, and that figure is set to rise to some 250 million euros this year.

In business terms, then, the focus on this portfolio is extremely valuable for us. It also covers markets, especially in Asia, that are experiencing highly dynamic growth. For instance, the V2500 is not only serviced in Hannover, but also at our Zhuhai plant in China. In 2012, we increased our capacity at Zhuhai by 50 percent – to 300 shop visits per year – so as to be well placed to meet growing market demand. The plant extension there, which was inaugurated in November, already boasts good utilization levels.

The V2500 is a typical illustration of the way we grasp the opportunities that present themselves to systematically expand our business. In financial terms, MTU is on a very sound footing and enjoys a good reputation in the capital markets. That was evident in the favorable terms we achieved for our placement in June 2012 of a 250 million euro bond maturing in 2017. The bond has a coupon of 3.0 percent and was oversubscribed several times on the day of issue. We used the proceeds from this bond issue to finance our increased stake in the V2500 engine program.

Sustainability

All in all, MTU has built itself a first-class base from which to achieve sustainable and profitable growth in the years ahead. Sustainable value creation is something that you, ladies and gentlemen, have a right to expect from us. However, in our efforts to operate sustainably, we take account of the environment and society as well; sustainability is hard-wired into MTU's corporate genes. We are strong advocates of sustainable corporate governance, and have anchored it in our MTU Principles. In 2011, MTU joined the UN Global Compact, an international initiative in which companies affirm their commitment to the implementation of key standards in the areas of human rights, working conditions, environmental protection, and the fight against corruption. The very latest environmental standards are of course implemented at all our sites. Our employees develop technologies and manufacture products that help to reduce aircraft emissions and consume fewer resources during production, operation and maintenance. The geared turbofan™ that I mentioned earlier demonstrates MTU's firm commitment to eco-efficient flight and shows how the company is shaping the future of aviation. I am convinced that our focus on sustainability will pay off for us in business terms, too.

Outlook

Our many successes in the financial year 2012 amply confirm this approach. But we mustn't make the mistake of thinking we can now sit back and congratulate ourselves on the results we have achieved so far. There are still plenty of things that we could do to improve our performance still further and remain a top player in the industry. For that, indeed, is what we aspire to do. We want to make the very best of our opportunities – both in your interests as our shareholders, and to the benefit of our employees, business partners and customers. That will enable us to offer the highest possible level of job security going forward, and to continue delivering good operating results.

That brings me to the outlook – to MTU's prospects for the financial year 2013.

As you were able to see from the interim figures we presented last week, we began the year with a substantial surge in first-quarter revenues, namely of 35 percent. As we had anticipated, changes in the revenue mix had an impact on earnings, but we expect to see improvements in the course of the year and are therefore confident that we are on track to reach our earnings target for 2013.

We expect both our commercial engine business and commercial maintenance business to continue growing in 2013, while our military business is anticipated to generate revenues comparable with those of last year. All in all, revenues are set to grow by ten to twelve percent in 2013.

We also expect to see a plus of ten to twelve percent for both adjusted EBIT and adjusted net income.

In the long term, we are expecting to achieve much more, our goal being to reach 6 billion euros in revenues by 2020.

MTU's growth is organic and financed with its own funds, which enables us to strengthen our position in the market and enhance the value of the company.

Employees

Ladies and gentlemen, if you want to build the best engines, you need the best team – employees who are highly qualified, skilled and, above all else, motivated. And that description precisely fits the approximately 8,500 members of our international workforce. It was their tireless dedication, expertise and agility that made our record results in 2012 possible in the first place. They give their all every day to keep MTU on its growth trajectory. I wish to thank them sincerely for that, and I feel they have earned a round of applause from all of us.

Ladies and gentlemen, I wish to conclude today's meeting by summarizing the financial year 2012 in these words: with its excellent business performance, MTU has created the best possible basis for competitiveness, growth and enhancing the value of the company. Our engineering skills are in demand worldwide. We have an excellent team of employees who deliver outstanding performance day in, day out. We have three main business units, all of which contribute to the company's earnings growth. We have customers who trust us and hold our products and services in high regard. And, last but by no means least, we enjoy the confidence of you, our shareholders – confidence that you place in the Board of Management and in the company's entire team of managers. Allow me, here and now, to express my gratitude to you for that trust. I hope that MTU will remain an interesting proposition for you in the coming years and that you will continue your constructive dialog with us going forward.

As you are no doubt already aware, for personal reasons I will not be renewing my present contract, which expires at the end of 2013. I am delighted that Reiner Winkler, my successor as CEO, is someone from the current Board of Management. What is more, the promotion of Michael Schreyögg from senior management to the Board of Management – with responsibility for military and commercial engine programs – shows that MTU is able to fill key positions with candidates from within its own ranks. I am sure that the new Board of Management will continue steering the company along its path toward growth and set new records for MTU, and I wish them good luck and every success in their endeavors. Even though I will still be at the helm until the end of the year, this is my last Annual General Meeting at MTU. That is why I take this opportunity to bid farewell to you, our shareholders, and to thank you sincerely for the trust you have placed in me in recent years.

Thank you for your kind attention.