
MTU Aero Engines presents nine-month results and raises earnings forecast

- **Operating profit expected to reach around €600 million, net income around €420 million**
- **Revenue forecast adjusted to around €5.1 billion in line with the U.S. dollar exchange rate**

Munich, October 26, 2017 – In the first nine months of 2017, MTU Aero Engines AG saw its revenues increase by 10% to €3,745.4 million (1-9/2016: €3,401.3 million). The group's operating profit¹ increased by 14% from €393.8 million to €450.6 million, improving the EBIT margin from 11.6% to 12.0%. Earnings after tax² rose by 17% to €320.4 million (1-9/2016: €273.4 million).

“Based on these results and the positive effects on earnings that we now expect to derive from our product mix, we are able to raise our earnings forecast for this year,” said Reiner Winkler, CEO of MTU Aero Engines AG. “By year-end, we now expect adjusted EBIT to grow to around €600 million and net income to reach around €420 million.” MTU's original forecast was adjusted EBIT of around €560 million (2016: €503.0 million) and adjusted net income of around €390 million (2016: €345.4 million). MTU has aligned its revenue forecast to reflect exchange rate changes and now expects to generate revenues of around €5.1 billion instead of around €5.3 billion (2016: €4,732.7 million).

The strongest increase in MTU's revenues in the period January to September 2017 was attributable to the commercial maintenance business, where revenues grew by 26% from €1,368.3 million to €1,727.5 million. The main source of these revenues was the V2500 engine for the A320 family and the CF34 corporate jet and regional aircraft engine. “Our engine leasing and asset management business also contributed significantly to these revenues—a clear indication that with these we have added the right services to our portfolio,” Chief Program Officer Michael Schreyögg added.

Revenues in the commercial engine business have increased by 5% from €1,738.3 million to €1,821.4 million. “For 2017 as a whole, we expect spare parts revenues to turn out stronger than projected and revenues from commercial engine production to grow slightly less strongly,” Winkler explained. “In the spare parts business, we are looking at a rise of around 10% in U.S. dollar terms, and in series production at an increase in the mid- to high-single-digit range.” MTU had previously forecast high single-digit growth in the spare parts as well as the series production business. The main sources of revenues in the commercial engine business were the V2500, the GEnx for the Boeing 787 and 747-8 and the PW1100G-JM engine for the A320neo.

Revenues in the military engine business decreased by 24%, from €356.8 million to €271.5 million. The EJ200 Eurofighter engine was the main source of these revenues.

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



At September 30, MTU had an order backlog of €12,129.0 million, compared with €14,172.2 million at December 31, 2016. The majority of these orders relate to the V2500 and the Geared Turbofan™ engines of the PW1000G family, in particular the PW1100G-JM for the A320neo.

Both of MTU's operating segments reported higher earnings in the first nine months of 2017. In the OEM segment, operating profit climbed 15% to €303.3 million (1-9/2016: €264.5 million), while the EBIT margin gained 1.9 percentage points from 12.6% to 14.5%. "We expect a further increase in deliveries for the Geared Turbofan™ programs in Q4, with a corresponding impact on our margin for the full year," Winkler added. Earnings in the commercial maintenance business grew by 14% to €146.8 million (1-9/2016: €129.0 million) with an EBIT margin of 8.5% (1-9/2016: 9.4%).

In the nine months to the end of September 2017, MTU spent €162.4 million on research and development (1-9/2016: €157.9 million). These R&D activities mainly focused on the Geared Turbofan™ programs and future enhancements, the GE9X engine for the Boeing 777X long-haul airliner, and various technology studies and R&D projects relating to next-generation engine design. "We have thus positioned MTU to ensure that we will continue to be a technology leader in the programs with the strongest growth," said Chief Operating Officer Dr. Rainer Martens.

MTU's free cash flow at the end of September 2017 amounted to €119.1 million (1-9/2016: €75.0 million), which is the level MTU had originally forecast for the full year. "On this basis, we expect a year-end free cash flow in the region of €140 million," said Winkler.

Capital expenditure on property, plant and equipment, at €91.5 million, was on the same level as in the corresponding period in 2016. This item mainly comprises expenditure relating to the ramp-up of the Geared Turbofan™ programs.

MTU had 8,697 employees on its payroll at September 30, 2017, an increase of 4% over the end of 2016 (December 31, 2016: 8,368 employees). Additional personnel were recruited above all at the maintenance sites in Hannover and Ludwigsfelde, and at MTU Aero Engines Polska.



MTU Aero Engines – Key financial data for January through September 2017

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

MTU Aero Engines	Q3 2016	Q3 2017	at Sep. 2016	at Sep. 2017	Change
Revenues	1,102.1	1,197.4	3,401.3	3,745.4	+ 10.1%
of which OEM business	654.0	677.6	2,095.1	2,092.9	- 0.1%
of which commercial engine business	537.4	578.6	1,738.3	1,821.4	+ 4.8%
of which military engine business	116.6	99.0	356.8	271.5	- 23.9%
of which commercial maintenance	475.0	546.5	1,368.3	1,727.5	+ 26.3%
EBIT (adjusted)	139.7	129.8	393.8	450.6	+ 14.4%
of which OEM business	95.0	86.5	264.5	303.3	+ 14.7%
of which commercial maintenance	44.5	43.1	129.0	146.8	+ 13.8%
<i>EBIT margin (adjusted)</i>	<i>12.7%</i>	<i>10.8%</i>	<i>11.6%</i>	<i>12.0%</i>	
<i>for OEM business</i>	<i>14.5%</i>	<i>12.8%</i>	<i>12.6%</i>	<i>14.5%</i>	
<i>for commercial maintenance</i>	<i>9.4%</i>	<i>7.9%</i>	<i>9.4%</i>	<i>8.5%</i>	
Net income (adjusted)	97.3	92.9	273.4	320.4	+ 17.2%
Net income (reported)	83.8	80.6	242.4	297.3	+ 22.6%
Earnings per share (undiluted, reported)	1.62	1.55	4.72	5.74	+ 21.6%
Free cash flow	5.2	35.5	75.0	119.1	+ 58.8%
Research and development expenses	44.3	51.7	157.9	162.4	+ 2.8%
of which company-funded	35.9	45.3	127.1	136.1	+ 7.1%
of which outside-funded	8.4	6.4	30.8	26.3	- 14.6%
<i>Company-funded R&D expenditure</i>	<i>14.6</i>	<i>18.5</i>	<i>53.1</i>	<i>49.5</i>	<i>- 6.8%</i>
Investment in property, plant and equipment (net)	32.3	36.9	91.5	91.5	+ 0.0%
			Dec. 31, 2016	Sep. 30, 2017	Change
Balance sheet key figures					
Intangible assets			2,234.2	2,289.5	+ 2.5%
Cash and cash equivalents			322.4	86.6	- 73.1%
Pension provisions			883.3	869.3	- 1.6%
Equity			1,500.5	1,879.0	+ 25.2%
Net financial debt			892.0	848.1	- 4.9%
Total assets and liabilities			5,844.6	5,823.5	- 0.4%
Order backlog			14,172.2	12,129.0	- 14.4%
of which OEM business			7,246.0	5,834.1	- 19.5%
of which commercial maintenance			6,926.2	6,294.9	- 9.1%
Employees			8,368	8,697	+ 3.9%



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.

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