
Financial year 2017: MTU Aero Engines AG once again posts record figures

- **Earnings forecast for 2017 fully met**
- **Outlook for 2018: Moderate earnings increase, cash conversion rate in the mid-double-digit percentage range**

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

Munich, February 21, 2018 – MTU Aero Engines AG once again set new records in the financial year 2017. Revenues increased by 6 % from € 4,732.7 million in 2016 to a new high of € 5,036.3 million. Operating profit¹ reached a new record level of € 606.6 million, beating the previous year's result by 21 % (2016: € 503.0 million). Earnings after tax² surpassed the previous record of € 345.4 million, set in 2016, growing by 24 % to € 429.1 million.

“We took advantage of the favorable market environment in 2017 to drive profitable growth in both of our operating segments – OEM and MRO. All in all, our performance figures even surpassed 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 2017 at a presentation on Wednesday, February 21, 2018. MTU had expected to generate revenues of around € 5.1 billion in 2017. The earnings forecasts were for an adjusted EBIT of approximately € 600 million and an adjusted net income of approximately € 420 million. 2018 marks the transition from the investment phase to the consolidation phase. “In the current financial year, we are aiming at continued growth,” said Winkler.

As of 2018, MTU is applying the new IFRS 15 accounting standard, which will lead to a reduction in reported revenues. For the financial year 2017, MTU expects revenues to amount to € 3.65 billion after applying IFRS 15. Operating profit in 2017 is likely to be slightly lower as a result of application of IFRS 15, at around € 570 million.

Outlook for 2018

In 2018, commercial series production business looks set to become the fastest growing segment with an increase in revenues of around 30 % in U.S.-dollar terms. “This positive trend is driven by the Geared Turbofan™ programs, growth of which is expected to peak this year,” said Winkler. Continued growth is also projected for the commercial MRO and spare parts business. MTU's revenue forecast for its commercial maintenance business (MRO segment), expressed in U.S. dollars, is for a growth rate in the high teens, while spare parts sales are expected to increase by a mid-single-digit percentage. Revenues in MTU's military engine business are likely to remain at the same level as in 2017. “This shows that our business success is unbroken,” added CFO Peter Kameritsch. Despite the enormous production ramp-up, MTU is forecasting a moderate increase in adjusted EBIT for 2018 (2017:

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



€ 606.6 million), and expects earnings after tax to increase in line with the operating profit (adjusted net income, 2017: € 429.1 million). The cash conversion rate, defined as the ratio between free cash flow and adjusted net income, is projected to be slightly higher in 2018 than in the previous year (2017: 35 %), in the mid-double-digit percentage range.

MTU's forecast is based on the assumption that the technical problems encountered in February with regard to PW1100G-JM engines for the Airbus A320neo can be rectified in the short term and will not jeopardize the GTF delivery targets.

Steep rise in commercial maintenance revenues

In 2017, the commercial maintenance business achieved the highest growth rate in terms of revenues, which increased by 19 % to € 2,285.3 million (2016: € 1,914.4 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. "The revenue distribution reflects the high capacity utilization levels at all maintenance locations," added Winkler.

In the commercial engine business, MTU generated revenues of € 2,469.4 million (2016: € 2,401.2 million). The major part of these revenues was attributable to the V2500, the GENx for the Boeing 787 and 747-8 and the PW1100G-JM engine for the Airbus A320neo.

Revenues in the military engine business decreased by 20 % from € 504.0 million to € 404.3 million. The main source of these revenues was the EJ200 Eurofighter engine.

Order backlog at € 13,224.7 million

MTU's order backlog decreased from € 14,172.2 million in 2016 to € 13,224.7 million in 2017. "These figures reflect the weaker U.S. dollar exchange rate against the euro and the effects of working off the previous year's record order backlog," commented Winkler. The V2500 engine and the Geared Turbofan™ engines in the PW1000G family, in particular the PW1100G-JM, account for the highest number of orders in the current backlog.

Higher earnings in all business units

The increase in earnings in the financial year 2017 was mainly attributable to the significant earnings growth of 28 % to € 412.2 million (2016: € 321.5 million) posted in the OEM segment. The EBIT margin increased from 11.1 % to 14.3 %. "Thus, despite the substantial increase in the number of GTF deliveries in the fourth quarter, the margin was at an exceptionally high level," said Winkler. "In partnership with Pratt & Whitney, we delivered 374 Geared Turbofan™ engines to customers last year and thus met our delivery target."



In the MRO segment, adjusted EBIT rose by 7 % to € 194.4 million (2016: € 181.5 million). The EBIT margin in this segment decreased from 9.5 % in the previous year to 8.5 %.

Dividend proposal to be announced on February 27

“In keeping with our established dividend policy, we naturally intend to continue offering our investors an appropriate share of our earnings, which again reached record levels in 2017,” said Kameritsch. “We will therefore recommend that at its meeting of February 27 to approve the financial statements of the company, the Supervisory Board propose that the Annual General Meeting pass a resolution to pay a dividend of € 2.30 per share for the financial year 2017.” MTU distributed a dividend of € 1.90 per share for 2016.

Research and development

At € 199.7 million, MTU’s R&D expenditure in 2017 was lower than in the previous year (2016: € 208.6 million). Research and development activities focused on the Geared Turbofan™ programs and future enhancements, the GE9X engine for the Boeing 777X and technology studies relating to future-generation engine design.

Free cash flow of € 151.1 million

MTU’s free cash flow increased by 84 % from € 82.0 million in 2016 to € 151.1 million in 2017. “This result is better than we expected,” commented Kameritsch. The company had forecast a free cash flow in the region of € 140 million.

Investment in property, plant and equipment up 22 %

In 2017, MTU invested € 188.1 million in property, plant and equipment, up by 22 % compared with the previous year (2016: € 154.7 million). The funds were used mainly for lease engines and the extension of the program portfolio in the commercial maintenance segment.

Employee numbers up 6 %

At year end, MTU had 8,846 employees on its payroll, or 6 % more than in 2016 (Dec. 31, 2016: 8,368 employees). New hires were taken on above all at the maintenance sites in Hannover and Ludwigsfelde as well as at MTU Aero Engines Polska and the company’s headquarters in Munich.

MTU Aero Engines will publish its 2017 Annual Report on February 27, 2018.



MTU Aero Engines – Key financial data for 2017

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

MTU Aero Engines	Q4 2016	Q4 2017	Dec. 31, 2016	Dec. 31, 2017	Change
Revenues	1,331.4	1,290.9	4,732.7	5,036.3	+ 6.4 %
of which OEM business	810.1	780.8	2,905.2	2,873.7	- 1.1 %
of which commercial engine business	662.9	648.0	2,401.2	2,469.4	+ 2.8 %
of which military engine business	147.2	132.8	504.0	404.3	- 19.8 %
of which commercial maintenance	546.1	557.8	1,914.4	2,285.3	+ 19.4 %
EBIT (adjusted)	109.2	156.0	503.0	606.6	+ 20.6 %
of which OEM business	57.0	108.9	321.5	412.2	+ 28.2 %
of which commercial maintenance	52.5	47.6	181.5	194.4	+ 7.1 %
<i>EBIT margin (adjusted)</i>	<i>8.2 %</i>	<i>12.1 %</i>	<i>10.6 %</i>	<i>12.0 %</i>	
<i>for OEM business</i>	<i>7.0 %</i>	<i>13.9 %</i>	<i>11.1 %</i>	<i>14.3 %</i>	
<i>for commercial maintenance</i>	<i>9.6 %</i>	<i>8.5 %</i>	<i>9.5 %</i>	<i>8.5 %</i>	
Net income (adjusted)	72.0	108.7	345.4	429.1	+ 24.2 %
Net income (reported)	70.2	84.5	312.6	381.8	+ 22.1 %
Earnings per share (undiluted, reported)	1.37	1.61	6.09	7.35	20.7 %
Free cash flow	7.0	32.0	82.0	151.1	+ 84.3 %
Research and development expenses	50.7	37.3	208.6	199.7	- 4.3 %
of which company-funded	40.9	31.7	168.0	167.8	- 0.1 %
of which outside-funded	9.8	5.6	40.6	31.9	- 21.4 %
<i>Company-funded R&D expenditure</i>	<i>18.0</i>	<i>27.1</i>	<i>71.1</i>	<i>76.6</i>	<i>+ 7.7 %</i>
Investment in property, plant and equipment (net)	63.2	96.6	154.7	188.1	+ 21.6 %
			Dec. 31, 2016	Dec. 31, 2017	Change
Balance sheet key figures					
Intangible assets			2,234.2	2,290.1	+ 2.5 %
Cash and cash equivalents			322.4	106.1	- 67.1 %
Pension provisions			883.3	870.7	- 1.4 %
Equity			1,500.5	1,989.8	+ 32.6 %
Net financial debt			892.0	827.0	- 7.3 %
Total assets and liabilities			5,844.6	6,049.5	+ 3.5 %
Order backlog			14,172.2	13,224.7	- 6.7 %
of which OEM business			7,246.0	5,814.8	- 19.8 %
of which commercial maintenance			6,926.2	7,409.9	+ 7.0 %
Employees			8,368	8,846	+ 5.7 %



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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