

Preliminary Full Year Results 2017

Conference Call with Investors & Analysts

21 February 2018 – MTU Aero Engines – Investor Relations

Business Highlights FY 2017



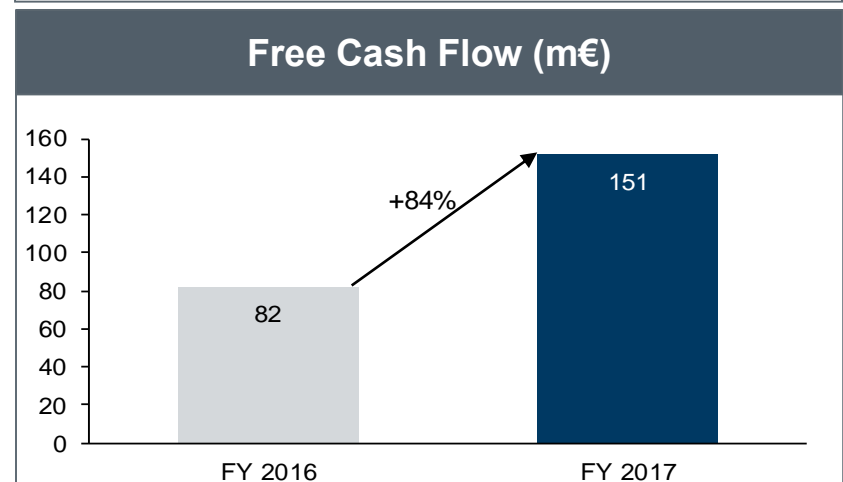
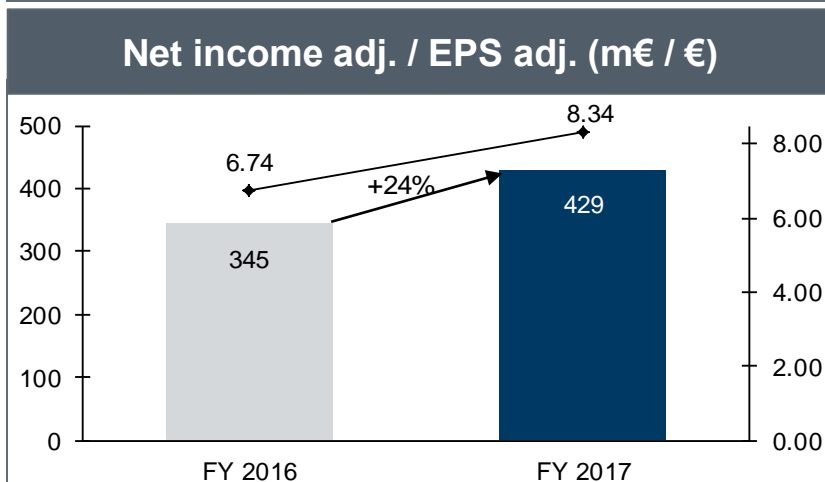
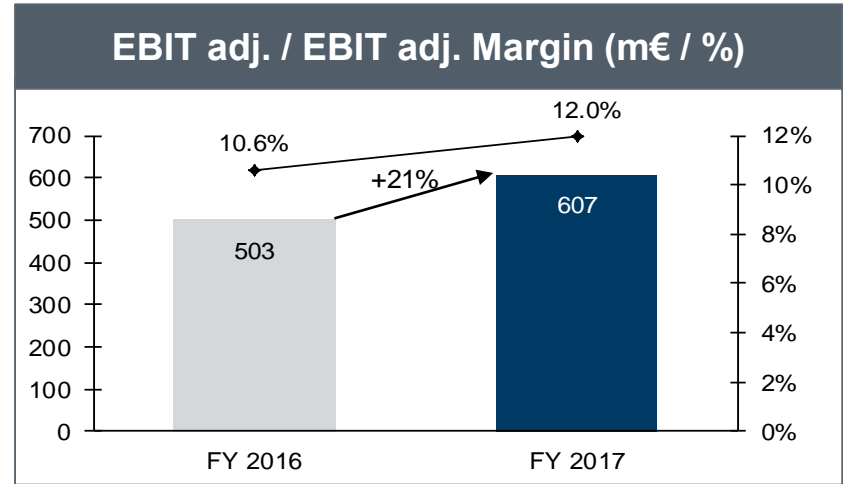
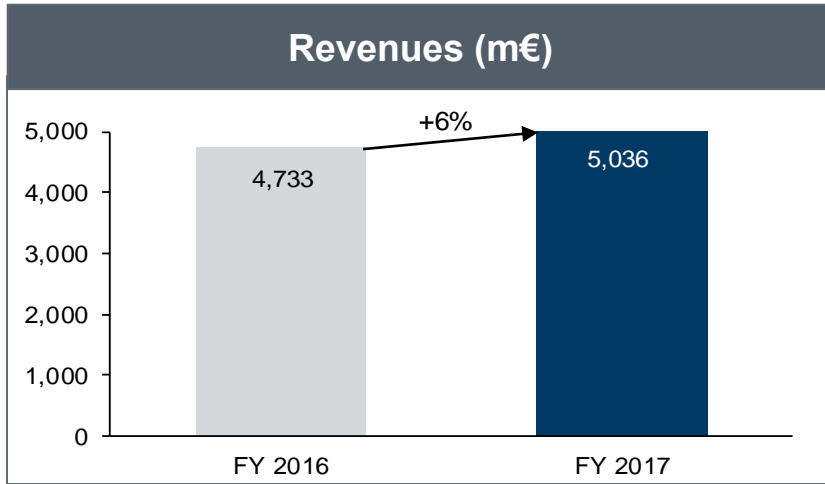
- Guidance achieved - New record year for MTU
- Market key indicators in excellent shape
- 2017 GTF engine delivery target achieved
- MTU prepared for further GTF ramp up in OEM and MRO
- Strong order wins for independent MRO
- EME Aero – 50:50 JV founded with Lufthansa Technik
- MTU Maintenance Canada as a 3rd MRO shop for V2500
- Export campaign win for EurofighterTyphoon fighter aircraft
- MTU Executive Board expanded to four members
- Dividend proposal of € 2.30 per share

Update on Geared Turbofan Engines



- 374 GTF engines delivered in 2017
- >135 aircraft with GTF in service
- ~500,000 GTF engine flight hours
- Upgrade on carbon oil seal and improved combustor liner in production
- HPC knife edge seal issue under assessment
- MRJ flight testing with GTF on track for “Type Certification” in late 2019
- First GTF engines delivered to Embraer E2-Jets for entry into service in April 2018
- Fuel reduction and noise emission targets fully achieved
- Delta Air Lines ordered GTF engines for 100 A321neo aircraft
- >8,000 GTF engines ordered
- Doubling production of GTF engines in 2018

Financial Highlights 2017



Guidance 2017 achieved

	Guidance 2017	Actuals 2017	
Revenues	~ 5.1 bn€	5,036 m€	✓
EBIT adj.	~ 600 m€	607 m€	✓
Net Income adj.	~ 420 m€	429 m€	✓
Free Cash Flow	~ 140 m€	151 m€	✓

OEM Segment

Order book	31/12/2016	31/12/2017	Change
Order book (m€)	7,246.0	5,814.8	-20%
Commercial Business (mUS\$)	7,113.6	6,617.7	-7%
Military Business (m€)	497.5	296.8	-40%
(m€)	FY 2016	FY 2017	Change
Revenues	2,905.2	2,873.7	-1%
Commercial Business	2,401.2	2,469.4	3%
Military Business	504.0	404.3	-20%
EBIT adj.	321.5	412.2	28%
<i>EBIT adj. Margin %</i>	<i>11.1%</i>	<i>14.3%</i>	

- Order book down mainly due FX effect
- Organic Commercial OEM revenues up by mid single digit number
- Military revenues down by 20%
- EBIT margin at 14.3%



Commercial MRO Business

(mUS\$)	31/12/2016	31/12/2017	Change
Order book	7,300.9	8,886.6	22%

(m€)	FY 2016	FY 2017	Change
Revenues	1,914.4	2,285.3	19%
EBIT adj.	181.5	194.4	7%
<i>EBIT adj. Margin %</i>	<i>9.5%</i>	<i>8.5%</i>	



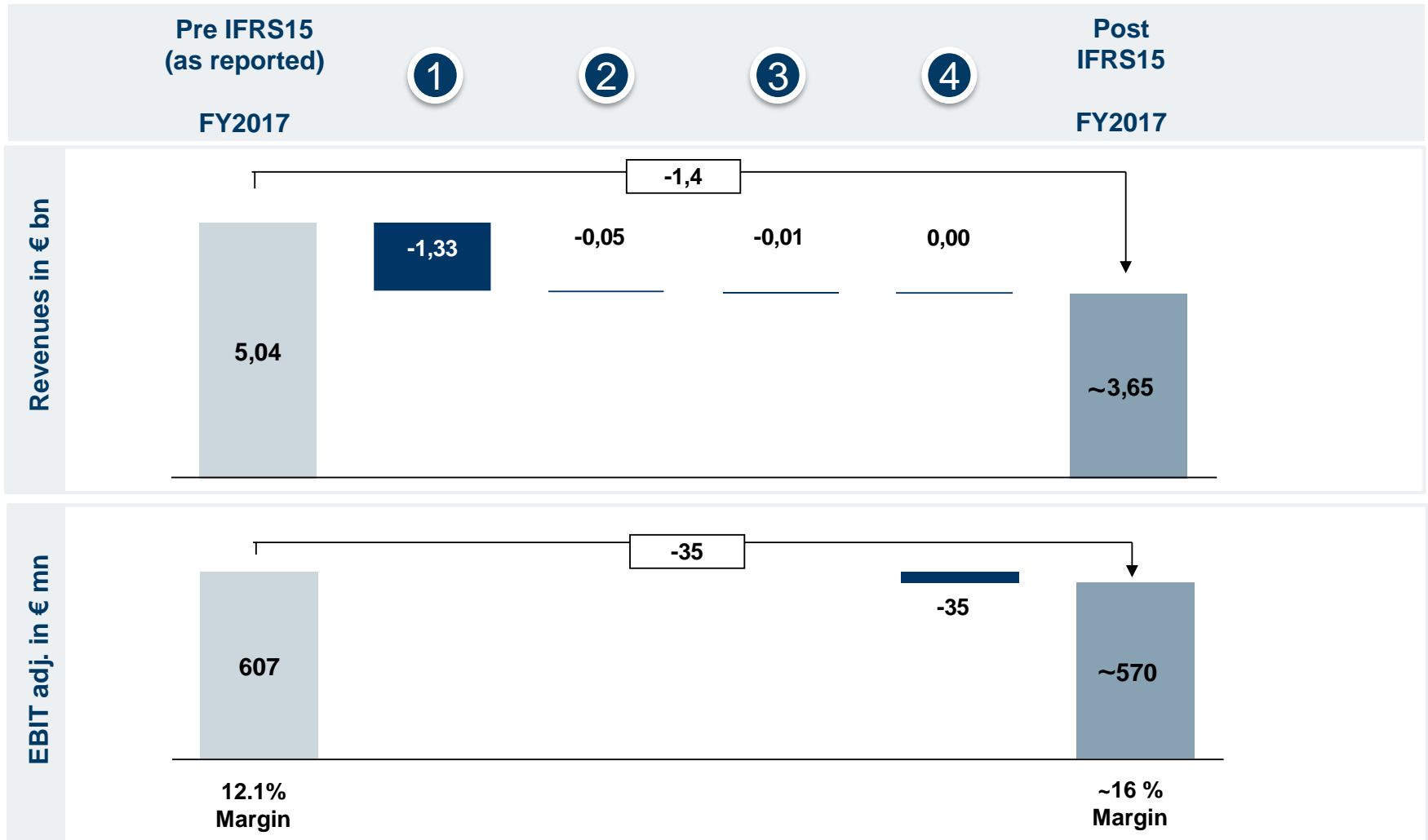
- Order book increased by 22%
- Organic MRO revenues up 23%
- EBIT margin at 8.5%



IFRS 15 @ MTU – Implications on MTU Accounts

	Main accounting issues	Current accounting	Future accounting
1	Payments to customer (OEM) to compensate program expenses, e.g. concessions	<ul style="list-style-type: none"> Cost of goods sold 	<ul style="list-style-type: none"> Reduction in revenue
2	Capitalized program entry fee and compensation payments for development costs	<ul style="list-style-type: none"> Amortization of capitalized payments over program term within Cost of goods sold 	<ul style="list-style-type: none"> Amortization of capitalized payments reducing revenues
3	Presentation of expensed R&D related to program development	<ul style="list-style-type: none"> R&D expense for payments to customers and in-house efforts 	<ul style="list-style-type: none"> Reduction of Revenue for payments to customers COGS for in-house efforts
4	Timing of revenue recognition (and corresponding COGS)	<ul style="list-style-type: none"> Over-time revenue recognition for military development and production Revenue recognition on delivery <u>from</u> MTU consignment stock 	<ul style="list-style-type: none"> Over-time revenue recognition for ongoing military development only Revenue recognition on delivery <u>to</u> MTU consignment stock

IFRS 15 @ MTU – Estimated Reconciliation based on Results FY 2017



Guidance 2018

Organic Growth:

Military: Stable



Commercial OE: Up ~30%



Commercial Spares: Up mid single digit



Commercial MRO: Up in the high teens



EBIT adj. Moderate progression

Net income adj. Growth in line with EBIT adj.

CCR* Low to mid double digit

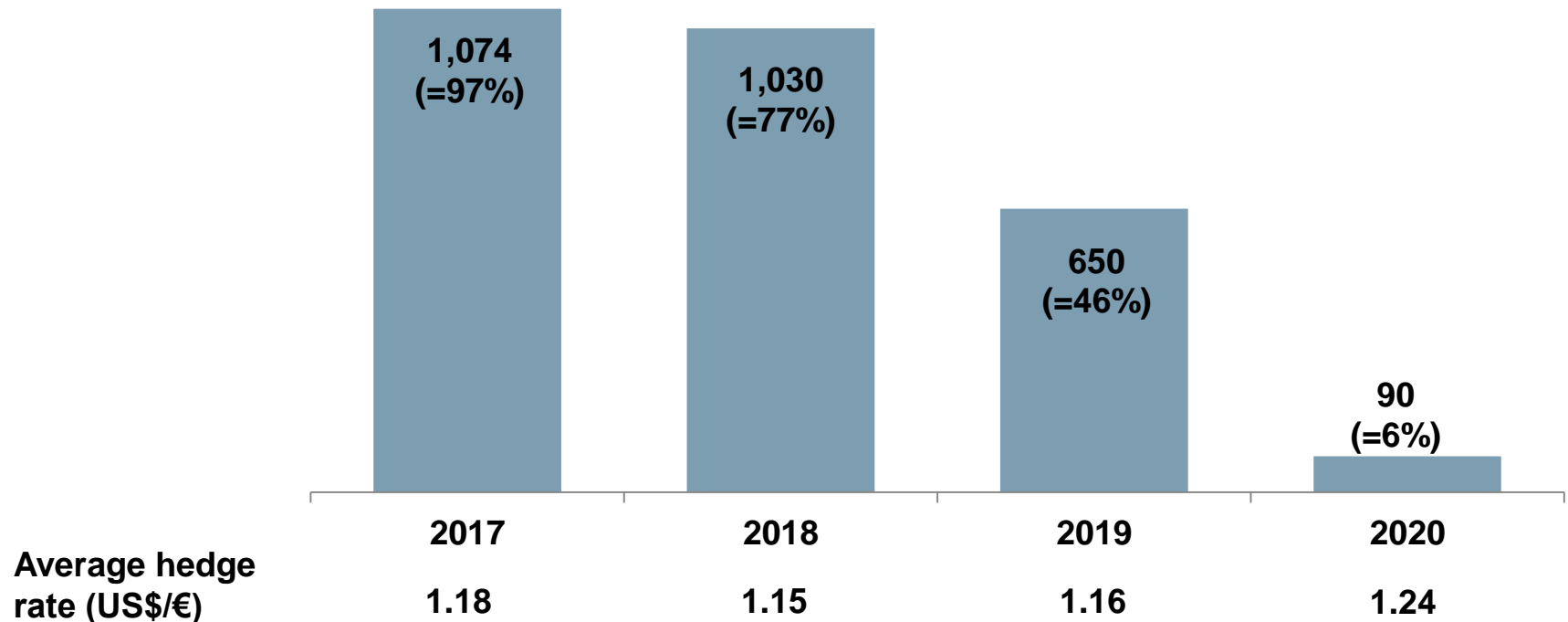
* Cash Conversion Rate = Free Cash Flow/Net Income adj.

Appendix

US\$ Exchange Rate / Hedge Portfolio

Hedge book as of February 21, 2018 (% of net exposure)

(in m US\$)



Profit & Loss

(m€)	Q4 2016	Q4 2017	Change	FY 2016	FY 2017	Change
Revenues	1,331.4	1,290.9	-3%	4,732.7	5,036.3	6%
Total Cost of Sales	-1,178.8	-1,075.9		-4,074.8	-4,266.4	
Gross Profit	152.6	215.0	41%	657.9	769.9	17%
<i>Gross Profit Margin</i>	<i>11.5%</i>	<i>16.7%</i>		<i>13.9%</i>	<i>15.3%</i>	
R&D according to IFRS	-18.0	-27.1		-71.1	-76.6	
SG&A	-50.5	-52.1		-174.8	-179.0	
Other operating income (expense)	6.5	-5.2		10.1	-2.9	
P&L of companies accounted "at equity and at cost"	6.0	12.5		30.7	43.9	
EBIT reported	96.6	143.1	48%	452.8	555.3	23%
EBIT adj.	109.2	156.0	43%	503.0	606.6	21%
<i>EBIT adj. margin</i>	<i>8.2%</i>	<i>12.1%</i>		<i>10.6%</i>	<i>12.0%</i>	
Financial Result	-17.8	-16.1		-37.2	-40.0	
Profit before tax (EBT)	78.8	127.0	61%	415.6	515.3	24%
Taxes	-8.6	-42.5		-103.0	-133.5	
Net Income reported	70.2	84.5	20%	312.6	381.8	22%
Net Income adj.	72.0	108.7		345.4	429.1	
EPS reported	1.37	1.61		6.09	7.35	
EPS adj.	1.40	2.11		6.74	8.34	

Reconciliation to adjusted Key Performance Indicators

(m€)	Q4 2016	Q4 2017	Change	FY 2016	FY 2017	Change
EBIT reported	96.6	143.1	48%	452.8	555.3	23%
Adjustment (PPA Depreciation & Amortization)	5.3	5.3		21.1	21.1	
Adjustment (IAE Upshare)	7.3	7.6		29.1	30.2	
EBIT adj.	109.2	156.0	43%	503.0	606.6	21%
<i>Thereof P&L of companies accounted "at equity"</i>	4.7	11.5	145%	28.6	42.4	48%
Interest Result	-5.7	-4.5	21%	-11.9	-7.2	39%
Interests for pension provisions	-4.0	-3.2	20%	-16.3	-12.4	24%
EBT adj. w/o P&L "at equity"	94.8	136.8	44%	446.2	544.6	22%
Tax rate normalized	-29.0%	-29.0%		-29.0%	-29.0%	
Taxes	-27.5	-39.6		-129.4	-157.9	
Net Income adj.	72.0	108.7	51%	345.4	429.1	24%
EPS adj.	1.40	2.11	51%	6.74	8.34	24%

Segment Revenues and EBIT adj.

(m€)	Q4 2016	Q4 2017	Change	FY 2016	FY 2017	Change
Revenues Group	1,331.4	1,290.9	-3%	4,732.7	5,036.3	6%
OEM Commercial	662.9	648.0	-2%	2,401.2	2,469.4	3%
OEM Military	147.2	132.8	-10%	504.0	404.3	-20%
MRO	546.1	557.8	2%	1,914.4	2,285.3	19%
Consolidation	-24.8	-47.7		-86.9	-122.7	
EBIT adj. Group	109.2	156.0	43%	503.0	606.6	21%
OEM (Commercial / Military)	57.0	108.9	91%	321.5	412.2	28%
MRO	52.5	47.6	-9%	181.5	194.4	7%
Consolidation	-0.3	-0.5		0.0	0.0	
EBIT margin adj. Group	8.2%	12.1%		10.6%	12.0%	
<i>OEM (Commercial / Military)</i>	<i>7.0%</i>	<i>13.9%</i>		<i>11.1%</i>	<i>14.3%</i>	
<i>MRO</i>	<i>9.6%</i>	<i>8.5%</i>		<i>9.5%</i>	<i>8.5%</i>	

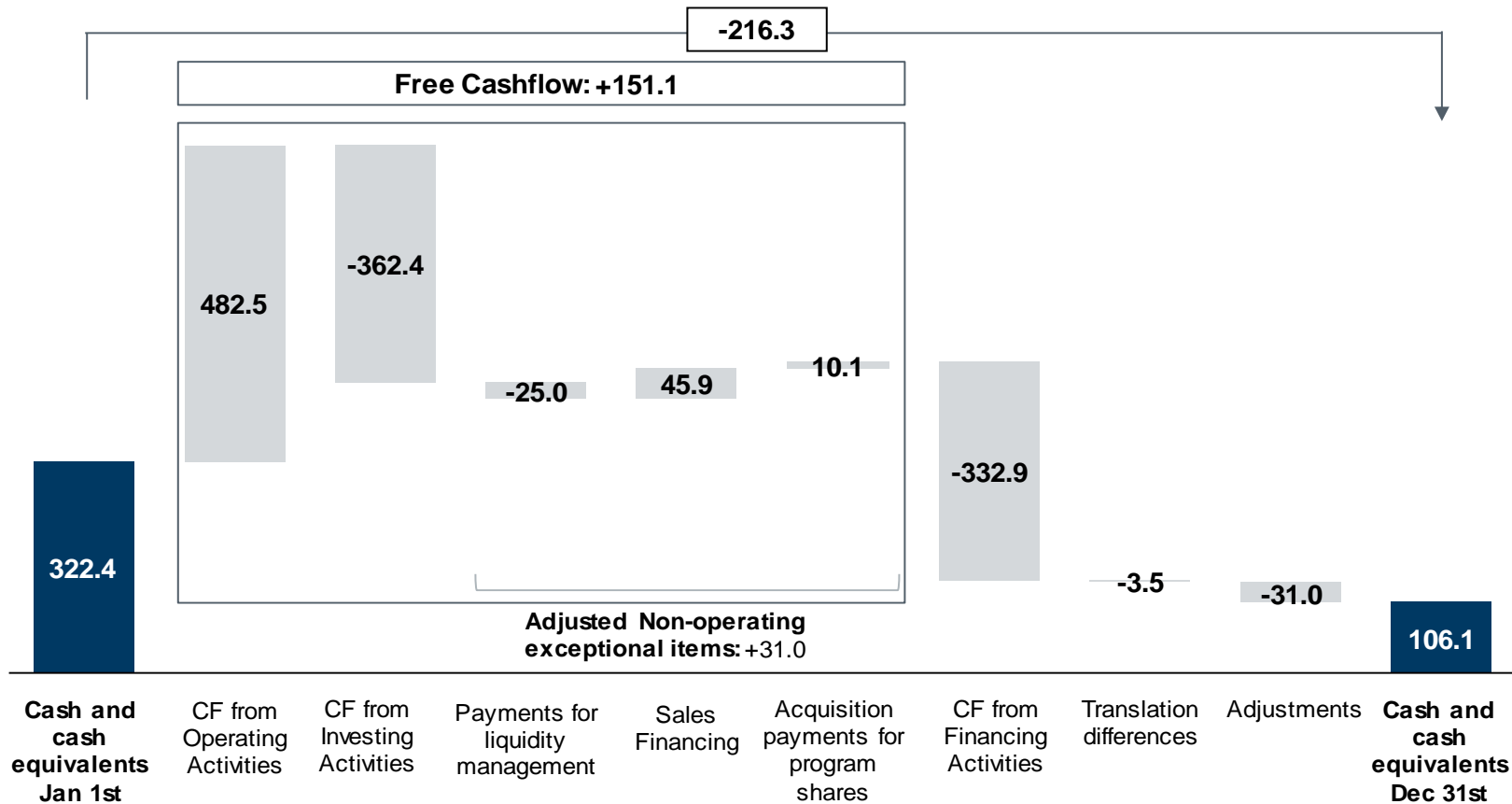
Research & Development

(m€)	Q4 2016	Q4 2017	Change	FY 2016	FY 2017	Change
Total R&D	50.7	37.3	-26%	208.6	199.7	-4%
Customer funded R&D	-9.8	-5.6	43%	-40.6	-31.9	21%
Company expensed R&D	40.9	31.7	-22%	168.0	167.8	0%
thereof OEM	39.5	30.0		162.9	163.5	
thereof MRO	1.4	1.7		5.1	4.3	
Capitalization of R&D	-22.9	-4.6		-96.9	-91.2	
thereof OEM	-22.2	-4.6		-96.2	-90.7	
thereof MRO	-0.7	0.0		-0.7	-0.5	
R&D according to IFRS (P&L)	18.0	27.1	51%	71.1	76.6	8%
Amortisation (COGS)	3.0	5.3		10.2	14.2	
Total R&D impact P&L	21.0	32.4	54%	81.3	90.8	12%

Financial Result

(m€)	Q4 2016	Q4 2017	Change	FY 2016	FY 2017	Change
Interest Income	0.2	1.5	>300%	0.8	5.8	>300%
Interest Expense	-5.9	-6.0	-2%	-12.7	-13.0	-2%
Interest Result	-5.7	-4.5	21%	-11.9	-7.2	39%
Financial Result on other items	-12.1	-11.6		-25.3	-32.8	
<i>thereof interests for pension obligations</i>	-4.0	-3.2		-16.3	-12.4	
<i>thereof fair value gains/losses on derivatives</i>	-2.9	-0.1		7.5	7.9	
Financial Result	-17.8	-16.1	10%	-37.2	-40.0	-8%

MTU's Cash Development January – December 2017



Cash Flow

(m€)	FY 2016	FY 2017	Change
Net Income IFRS	312.6	381.8	22%
Depreciation and amortization	177.5	196.2	
Change in provisions	189.4	192.5	
Change in Working Capital	-291.6	-206.2	
Taxes	-43.1	-14.5	
Interest, derivatives, others	13.2	-67.3	
Cash Flow from operating activities	358.0	482.5	35%
Net Investment in intangible assets	-108.1	-133.0	
Net Investment in property, plant, equipment	-154.7	-188.1	
Net Investments in financial assets	-51.2	-41.3	
Cash Flow from investing activities	-314.0	-362.4	-15%
<i>Adjustments</i>	38.0	31.0	
Free Cash Flow	82.0	151.1	84%
Cash Flow from financing activities	223.3	-332.9	-249%
Cash and cash equivalents at 31.12.	322.4	106.1	

Net Financial Debt at 827 m€

(m€)	31/12/2016	31/12/2017	Change
Bonds and notes	353.6	100.0	
Convertible bond	474.6	478.5	
Financial liabilities to bank	30.1	108.2	
<i>thereof Revolving Credit Facility</i>	0.0	78.1	
<i>thereof Note Purchase Agreement</i>	30.1	30.1	
Loans from related companies	0.0	0.0	
Finance lease liabilities	11.6	11.5	
Loans from third parties	0.0	18.2	
Financial liabilities arising from program participation	492.0	370.5	
<i>thereof arising from IAE V2500 Upshare</i>	400.3	320.0	
Gross financial debt	1,361.9	1,086.9	-20%
Cash and cash equivalents	322.4	106.1	
Loans to third parties	98.6	133.5	
Loans to related companies	23.9	20.3	
Securities	25.0	0.0	
Financial assets	469.9	259.9	-45%
Net financial debt	892.0	827.0	-7%

Working Capital

(m€)	31/12/2016	31/12/2017	Change	Change in %
Gross inventories	1,022.7	997.9	-24.8	
Prepayments	-344.2	-321.9	22.3	
Receivables	1,148.2	1,261.4	113.2	
Payables	-811.0	-700.4	110.6	
Working Capital	1,015.7	1,237.0	221.3	22%

Balance Sheet

(m€)	31/12/2016	31/12/2017	Change
Intangible Assets	2,234.2	2,290.1	
Property, Plant, Equipment	681.5	763.4	
other Non-current assets	390.7	516.2	
Total Non-Current assets	3,306.4	3,569.7	8%
Current assets	2,538.2	2,479.8	-2%
Total assets	5,844.6	6,049.5	4%
Equity	1,500.5	1,989.8	33%
Non-Current Liabilities	1,963.9	1,926.1	-2%
Current Liabilities	2,380.2	2,133.6	-10%
Total Equity and Liabilities	5,844.6	6,049.5	
<i>thereof Pension Provisions</i>	<i>883.3</i>	<i>870.7</i>	

PPA Depreciation / Amortization (in m€)

(in m€)	Q4 2016	Q4 2017	FY 2016	FY 2017
Total depreciation / amortization				
OEM	38.0	47.0	141.7	158.8
MRO	10.0	9.0	35.9	37.4
MTU total	48.0	56.0	177.6	196.2
PPA depreciation / amortization & IAE Upshare amortization (EBIT adjustments)				
PPA OEM	4.7	4.6	18.7	18.6
PPA MRO	0.6	0.7	2.4	2.5
IAE Upshare OEM	7.3	7.6	29.1	30.2
MTU total	12.6	12.9	50.2	51.3
Depreciation / amortization w/o PPA and w/o IAE Upshare				
OEM	26.0	34.8	93.9	110.0
MRO	9.4	8.3	33.5	34.9
MTU total	35.4	43.1	127.4	144.9

Guidance for PPA and IAE Upshare Amortization

(in m€)	2016	2017	2018E	2019E	2020E	2021E	2022E
PPA depreciation / amortization	21.1	21.1	~21	~21	~21	~21	~20
IAE Upshare	29.1	30.2	~30	~30	~30	~30	~30
Adjustments	~50	~51	~51	~51	~51	~51	~50

Guidance R&D Amortization

(in m€)	2016	2017	2018E	2019E	2020E	2021E	2022E
R&D amortization	10.2	13.4	~17	~23	~23	~24	~26

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