



# Preliminary FY 2016 Results

Conference Call with Investors and Analysts

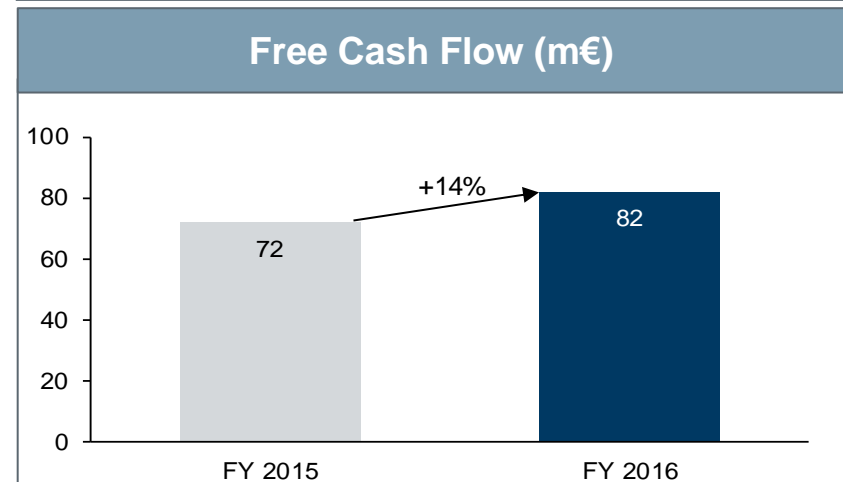
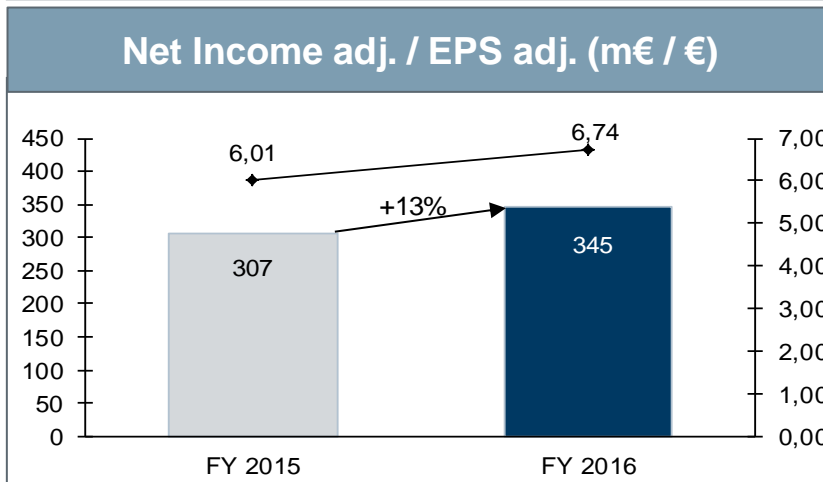
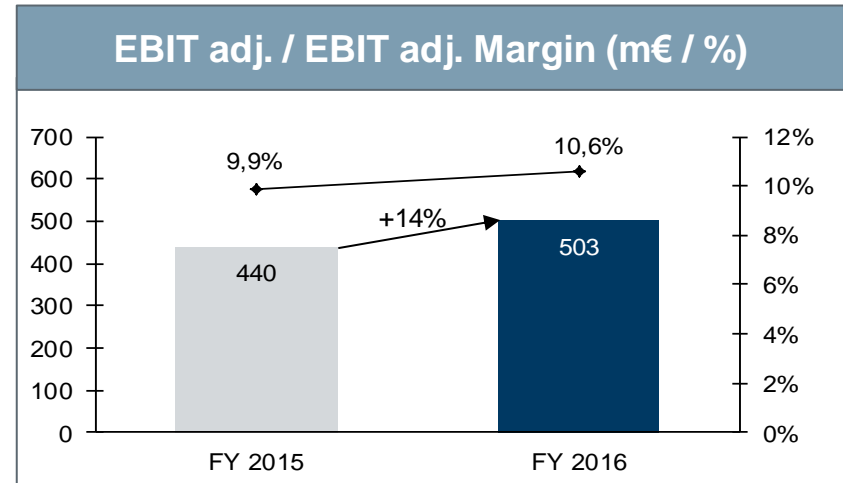
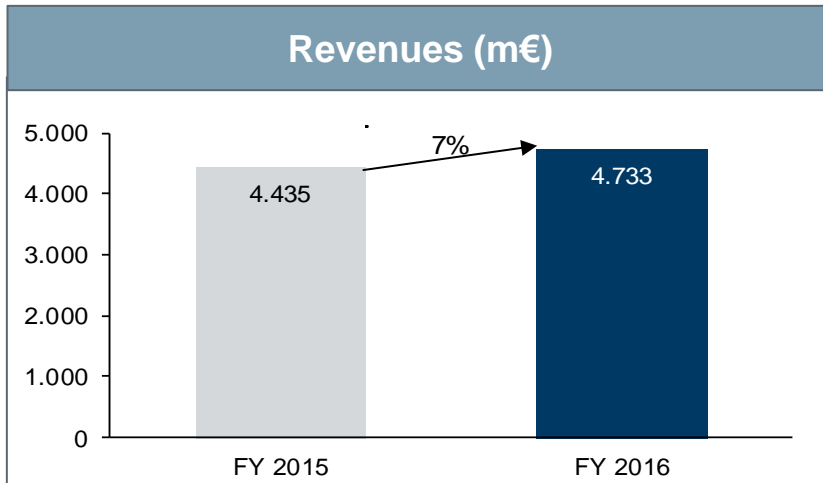
23 February 2017 – Investor Relations

## Business Highlights FY 2016



- Market environment remains strong
- Revenues and Earnings at new record levels
- Record order books for OEM and MRO Segment
- EIS of PW1100G-JM (A320neo) and PW1500 (Bombardier CSeries)
- MRO JV with LHT for GTF engines signed
- Export order with Kuwait for 28 Eurofighter aircraft
- Dividend proposal will be announced on March 14, 2017

# Financial Highlights 2016



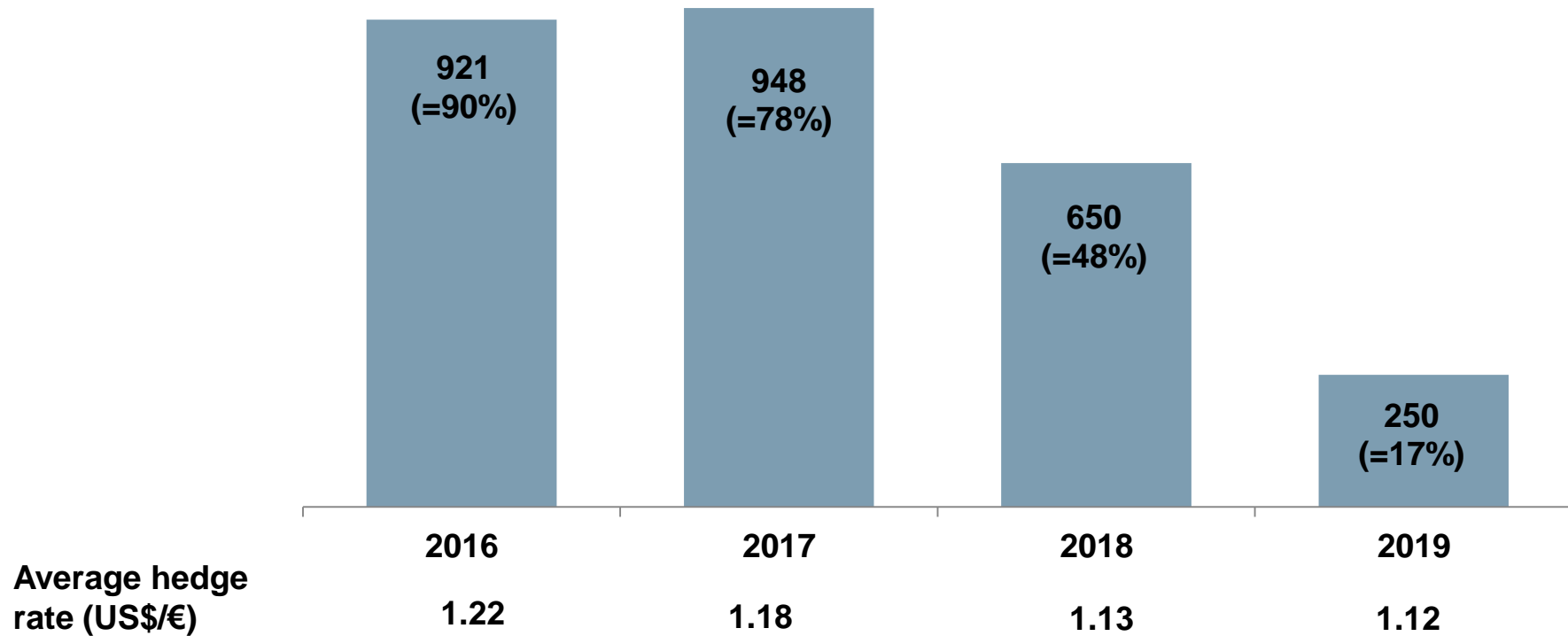
## Guidance 2016 achieved

	Guidance 2016	Actuals 2016	
<b>Revenues</b>	~ 4.7 bn€	<b>4,733 m€</b>	✓
<b>EBIT adj.</b>	~ 500 m€	<b>503 m€</b>	✓
<b>Net Income adj.</b>	~ 340 m€	<b>345 m€</b>	✓
<b>Free Cashflow</b>	~ 70 m€	<b>82m€</b>	✓

## US\$ Exchange Rate / Hedge Portfolio

Hedge book as of Februar 23, 2017 (% of net exposure)

(in m US\$)



## Commercial OEM Business Highlights in 2016



- EIS of PW1100G-JM (A320neo) with launch customer Lufthansa in Jan 2016
- EIS of PW1500G (Bombardier CSeries) with launch customer Swiss in July 2016
- MTU's GTF ramp up fully on track
- Over 8,000 GTF engines on firm order or optioned
- Final engine assembly line for PW1100G-JM engines in operation
- Important milestones for all GTF development programs achieved
- GE9x (B777x) successfully started with its initial ground testing
- Record order book with strong order entry in Q4

## Military Business Highlights in 2016



- Kuwait signed export order for 28 Eurofighter aircraft
- A400M (TP400) with enhanced propeller gearbox in production since July 2016
- Embraer KC-390 (V2500-E5) flight test program continues
- CH-53K (T408) flight test program on track

## OEM Segment

Order book	31/12/2015	31/12/2016	Change
<b>Order book (m€)</b>	<b>6,830.6</b>	<b>7,246.0</b>	<b>6%</b>
Commercial Business (mUS\$)	6,888.5	7,113.6	3%
Military Business (m€)	503.3	497.5	-1%
(m€)	FY 2015	FY 2016	Change
<b>Revenues</b>	<b>2,897.1</b>	<b>2,905.2</b>	<b>0%</b>
Commercial Business	2,414.0	2,401.2	-1%
Military Business	483.1	504.0	4%
<b>EBIT adj.</b>	<b>285.0</b>	<b>321.5</b>	<b>13%</b>
<i>EBIT adj. Margin %</i>	<i>9.8%</i>	<i>11.1%</i>	

- Underlying US\$ Commercial OEM almost stable
- Military revenues up 4%
- EBIT margin at 11.1% based on favourable mix





## Commercial MRO Business Highlights in 2016



- New contract wins of around US\$ 2.2 bn for independent MRO customers
- Strong order intakes for fleets under OEM flight hour agreements
- New MRO JV with Lufthansa Technik signed
- GTF MRO readiness at MTU Hannover achieved
- MTU engines lease services doubled sales in 2016
- Fifth consecutive quarter with record sales
- Current high workload leads to strong growth expectation for 2017

## Commercial MRO Business

(mUS\$)	31/12/2015	31/12/2016	Change
<b>Order book</b>	<b>6,165.4</b>	<b>7,300.9</b>	<b>18%</b>

(m€)	FY 2015	FY 2016	Change
<b>Revenues</b>	<b>1,580.6</b>	<b>1,914.4</b>	<b>21%</b>
<b>EBIT adj.</b>	<b>155.2</b>	<b>181.5</b>	<b>17%</b>
<i>EBIT adj. Margin %</i>	<i>9.8%</i>	<i>9.5%</i>	



- Organic revenues up by 21%
- EBIT margin at 9.5%

## Guidance 2017

Military:	Down high single digit	⇩⇩
New engine Sales (Com. OE):	Up high single digit	⇩⇩
Spare parts Sales (Com. Spares):	Up mid single digit	⇩
Commercial MRO:	Up ~10%	⇩⇩
<b>Revenues</b>	<b>~ 5.1 – 5.2 bn €</b>	
Tailwind from US\$ fx-rate		
Slight headwind from business mix		
<b>EBIT adj.</b>	<b>Stable margin</b>	
Lower interest expenses & Tax rate of 29%		
<b>Net Income adj.</b>	<b>Growth stronger than EBIT adj.</b>	
<b>CCR*</b>	<b>Low double digit %</b>	

\* Cash conversion rate: Free Cashflow / Net Income adj.

## Agenda

- Business Highlights
- Key Financial Highlights / Group figures
- Commercial and Military OEM
- Commercial MRO
- Guidance 2015
- **Appendix**

## Profit & Loss

(m€)	Q4 2015	Q4 2016	Change	FY 2015	FY 2016	Change
Revenues	1,178.3	1,331.4	13%	4,435.3	4,732.7	7%
Total Cost of Sales	-1,026.0	-1,178.8		-3,855.0	-4,074.8	
<b>Gross Profit</b>	<b>152.3</b>	<b>152.6</b>	<b>0%</b>	<b>580.3</b>	<b>657.9</b>	<b>13%</b>
<i>Gross Profit Margin</i>	12.9%	11.5%		13.1%	13.9%	
R&D according to IFRS	-20.3	-18.0		-66.5	-71.1	
SG&A	-42.4	-50.5		-159.9	-174.8	
Other operating income (expense)	-5.3	6.5		1.0	10.1	
P&L of companies accounted "at equity and at cost"	9.4	6.0		30.7	30.7	
<b>EBIT reported</b>	<b>93.7</b>	<b>96.6</b>	<b>3%</b>	<b>385.6</b>	<b>452.8</b>	<b>17%</b>
<b>EBIT adj.</b>	<b>107.2</b>	<b>109.2</b>	<b>2%</b>	<b>440.3</b>	<b>503.0</b>	<b>14%</b>
<i>EBIT adj. margin</i>	9.1%	8.2%		9.9%	10.6%	
Financial Result	-12.8	-17.8		-64.8	-37.2	
<b>Profit before tax (EBT)</b>	<b>80.9</b>	<b>78.8</b>	<b>-3%</b>	<b>320.8</b>	<b>415.6</b>	<b>30%</b>
Taxes	-15.1	-8.6		-103.2	-103.0	
<b>Net Income reported</b>	<b>65.8</b>	<b>70.2</b>	<b>7%</b>	<b>217.6</b>	<b>312.6</b>	<b>44%</b>
Net Income adj.	75.5	72.0		306.9	345.4	
<b>EPS reported</b>	<b>1.29</b>	<b>1.37</b>		<b>4.26</b>	<b>6.09</b>	
EPS adj.	1.48	1.40		6.01	6.74	

## Reconciliation to adjusted Key Performance Indicators

(m€)	Q4 2015	Q4 2016	Change	FY 2015	FY 2016	Change
<b>EBIT reported</b>	93.7	96.6	3%	385.6	452.8	17%
Adjustment (PPA Depreciation & Amortization)	6.0	5.3		24.1	21.1	
Adjustment (IAE Upshare)	7.5	7.3		30.6	29.1	
<b>EBIT adj.</b>	<b>107.2</b>	<b>109.2</b>	<b>2%</b>	<b>440.3</b>	<b>503.0</b>	<b>14%</b>
<i>Thereof P&amp;L of companies accounted "at equity"</i>	8.3	4.7	-43%	29.1	28.6	-2%
Interest Result	-0.3	-5.7	<-300%	-1.1	-11.9	<-300%
Interests for pension provisions	-2.7	-4.0	-48%	-13.3	-16.3	-23%
<b>EBT adj. w/o P&amp;L "at equity"</b>	<b>95.9</b>	<b>94.8</b>	<b>-1%</b>	<b>396.8</b>	<b>446.2</b>	<b>12%</b>
Tax rate normalized	-29.9%	-29.0%		-30.0%	-29.0%	
Taxes	-28.7	-27.5		-119.0	-129.4	
<b>Net Income adj.</b>	<b>75.5</b>	<b>72.0</b>	<b>-5%</b>	<b>306.9</b>	<b>345.4</b>	<b>13%</b>
<b>EPS adj.</b>	<b>1.48</b>	<b>1.40</b>	<b>-5%</b>	<b>6.01</b>	<b>6.74</b>	<b>12%</b>

## Segment Revenues and EBIT adj.

(m€)	Q4 2015	Q4 2016	Change	FY 2015	FY 2016	Change
<b>Revenues Group</b>	<b>1,178.3</b>	<b>1,331.4</b>	<b>13%</b>	<b>4,435.3</b>	<b>4,732.7</b>	<b>7%</b>
OEM Commercial	621.2	662.9	7%	2,414.0	2,401.2	-1%
OEM Military	137.2	147.2	7%	483.1	504.0	4%
MRO	432.2	546.1	26%	1,580.6	1,914.4	21%
Consolidation	-12.3	-24.8		-42.4	-86.9	
<b>EBIT adj. Group</b>	<b>107.2</b>	<b>109.2</b>	<b>2%</b>	<b>440.3</b>	<b>503.0</b>	<b>14%</b>
OEM (Commercial / Military)	64.6	57.0	-12%	285.0	321.5	13%
MRO	42.8	52.5	23%	155.2	181.5	17%
Consolidation	-0.2	-0.3		0.1	0.0	
<b>EBIT margin adj. Group</b>	<b>9.1%</b>	<b>8.2%</b>		<b>9.9%</b>	<b>10.6%</b>	
<i>OEM (Commercial / Military)</i>	<i>8.5%</i>	<i>7.0%</i>		<i>9.8%</i>	<i>11.1%</i>	
<i>MRO</i>	<i>9.9%</i>	<i>9.6%</i>		<i>9.8%</i>	<i>9.5%</i>	

## Research & Development

(m€)	Q4 2015	Q4 2016	Change	FY 2015	FY 2016	Change
<b>Total R&amp;D</b>	54.2	50.7	-6%	210.0	208.6	-1%
Customer funded R&D	-10.4	-9.8	6%	-41.3	-40.6	2%
<b>Company expensed R&amp;D</b>	43.8	40.9	-7%	168.7	168.0	0%
thereof OEM	41.6	39.5		162.5	162.9	
thereof MRO	2.2	1.4		6.2	5.1	
<b>Capitalization of R&amp;D</b>	-23.5	-22.9		-102.2	-96.9	
thereof OEM	-23.5	-22.2		-102.2	-96.2	
thereof MRO	0.0	-0.7		0.0	-0.7	
<b>R&amp;D according to IFRS (P&amp;L)</b>	20.3	18.0	-11%	66.5	71.1	7%
Amortisation (COGS)	0.6	3.0		2.3	10.2	
<b>Total R&amp;D impact P&amp;L</b>	20.9	21.0	0%	68.8	81.3	18%

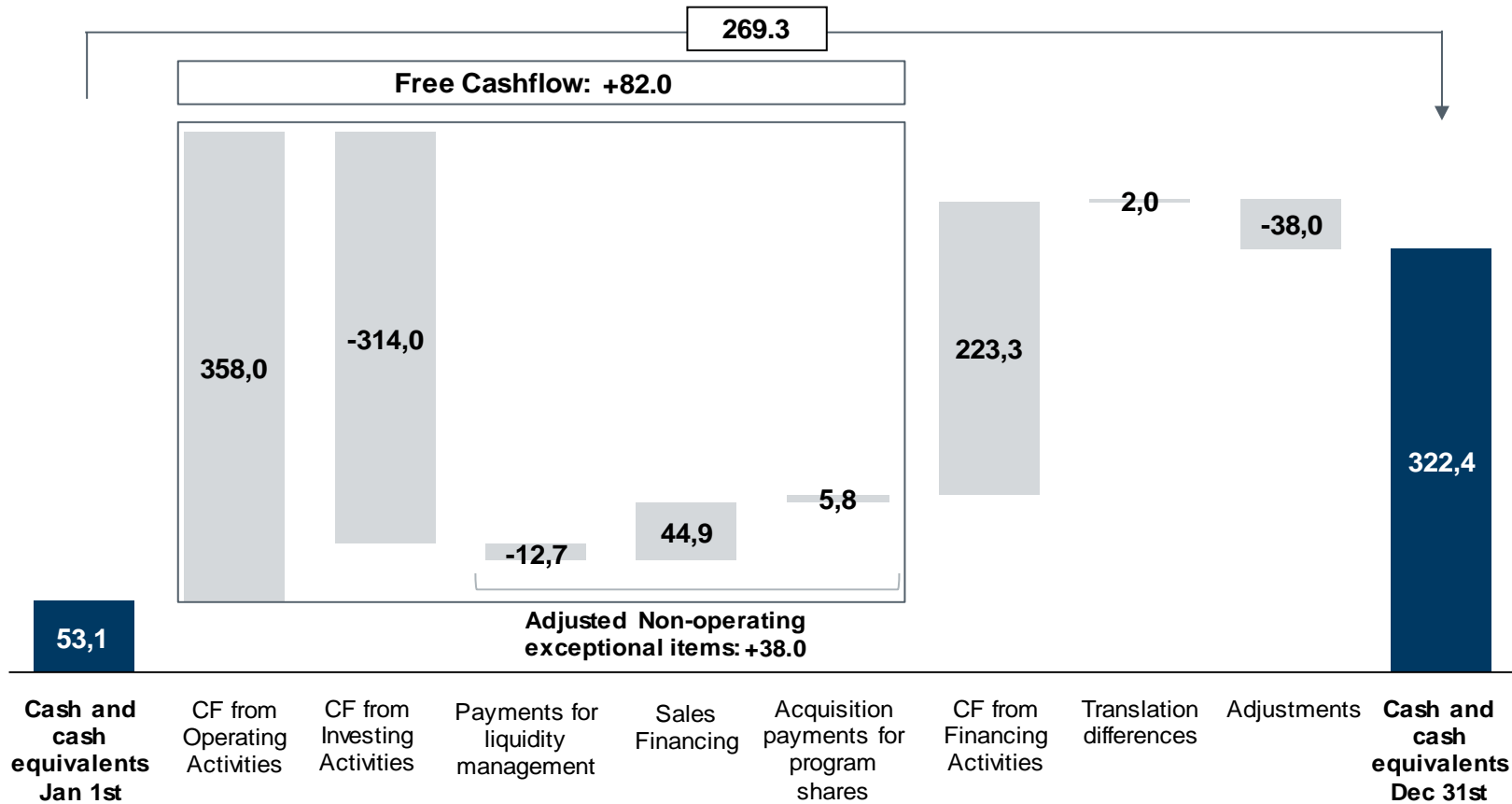


## Financial Result

(m€)	Q4 2015	Q4 2016	Change	FY 2015	FY 2016	Change
Interest Income	0.6	0.2	-67%	2.4	0.8	-67%
Interest Expense	-0.9	-5.9	<-300%	-3.5	-12.7	-263%
<b>Interest Result*</b>	<b>-0.3</b>	<b>-5.7</b>	<b>&lt;-300%</b>	<b>-1.1</b>	<b>-11.9</b>	<b>&lt;-300%</b>
<b>Financial Result on other items</b>	<b>-12.5</b>	<b>-12.1</b>		<b>-63.7</b>	<b>-25.3</b>	
<i>thereof interests for pension obligations*</i>	-2.7	-4.0		-13.3	-16.3	
<i>thereof fair value gains/losses on derivatives</i>	-6.5	-2.5		-33.7	7.8	
<b>Financial Result</b>	<b>-12.8</b>	<b>-17.8</b>	<b>-39%</b>	<b>-64.8</b>	<b>-37.2</b>	<b>43%</b>

\*) Net Income adj. Includes interest Result and Interests for pensions obligations

## MTU's Cash development January – December 2016



## Cash Flow

(m€)	FY 2015	FY 2016	Change
<b>Net Income IFRS</b>	217.6	312.6	44%
Depreciation and amortization	163.2	175.3	
Change in provisions	152.6	189.4	
Change in Working Capital	-255.0	-291.6	
Taxes	-32.8	-43.1	
Interest, derivatives, others	50.6	15.4	
<b>Cash Flow from operating activities</b>	296.2	358.0	21%
Net Investment in intangible assets	-142.8	-108.1	
Net Investment in property, plant, equipment	-125.4	-154.7	
Net Investments in financial assets	0.4	-51.2	
<b>Cash Flow from investing activities</b>	-267.8	-314.0	-17%
<i>Adjustments</i>	43.6	38.0	
<b>Free Cash Flow</b>	72.0	82.0	14%
<b>Cash Flow from financing activities</b>	-42.7	223.3	>300%
Effect of exchange rate on cash and cash equivalents	2.8	2.0	
<b>Change in cash and cash equivalents</b>	-11.5	269.3	
<b>Cash and cash equivalents at 31.12.</b>	53.1	322.4	

## Net financial debt at 892 m€

(m€)	31/12/2015	31/12/2016	Change
Bonds and notes	353.2	353.6	
Convertible bond	0.0	474.6	
Financial liabilities to bank	149.2	30.1	
<i>thereof Revolving Credit Facility</i>	119.1	0.0	
<i>thereof Note Purchase Agreement</i>	30.1	30.1	
Loans from related companies	0.0	0.0	
Finance lease liabilities	12.9	11.6	
Financial liabilities arising from program participation	531.4	492.0	
<i>thereof arising from IAE V2500 Upshare</i>	419.6	400.3	
<b>Gross financial debt</b>	<b>1,046.7</b>	<b>1,361.9</b>	<b>30%</b>
Cash and cash equivalents	53.1	322.4	
Loans to third parties	60.7	98.6	
Loans to related companies	13.8	23.9	
Securities	37.9	25.0	
<b>Financial assets</b>	<b>165.5</b>	<b>469.9</b>	<b>184%</b>
<b>Net financial debt</b>	<b>881.2</b>	<b>892.0</b>	<b>1%</b>

## Working Capital

(m€)	31/12/2015	31/12/2016	Change	Change in %
Gross inventories	894.0	1,022.7	128.7	
Prepayments	-373.8	-344.2	29.6	
Receivables	1,065.8	1,148.2	82.4	
Payables	-861.9	-811.0	50.9	
<b>Working Capital</b>	<b>724.1</b>	<b>1,015.7</b>	<b>291.6</b>	<b>40%</b>

## Balance Sheet

(m€)	31/12/2015	31/12/2016	Change
Intangible Assets	2,214.0	2,234.2	
Property, Plant, Equipment	632.0	681.5	
other Non-current assets	298.4	390.7	
<b>Total Non-Current assets</b>	<b>3,144.4</b>	<b>3,306.4</b>	<b>5%</b>
<b>Current assets</b>	<b>2,043.9</b>	<b>2,538.0</b>	<b>24%</b>
<b>Total assets</b>	<b>5,188.3</b>	<b>5,844.6</b>	<b>13%</b>
<b>Equity</b>	<b>1,300.6</b>	<b>1,500.5</b>	<b>15%</b>
<b>Non-Current Liabilities</b>	<b>1,735.2</b>	<b>1,963.9</b>	<b>13%</b>
<b>Current Liabilities</b>	<b>2,152.5</b>	<b>2,380.2</b>	<b>11%</b>
<b>Total Equity and Liabilities</b>	<b>5,188.3</b>	<b>5,844.6</b>	
<i>thereof Pension Provisions</i>	<i>801.7</i>	<i>883.3</i>	

## PPA Depreciation / Amortization

(in m€)	Q4 2015	Q4 2016	FY 2015	FY 2016
<b>Total depreciation / amortization</b>				
OEM	37.3	38.0	134.2	141.7
MRO	9.5	9.9	33.4	35.8
<b>MTU total</b>	<b>46.8</b>	<b>47.9</b>	<b>167.6</b>	<b>177.5</b>
<b>PPA depreciation / amortization &amp; IAE Upshare amortization (EBIT adjustments)</b>				
PPA OEM	5.3	4.7	21.6	18.7
PPA MRO	0.7	0.6	2.5	2.4
IAE Upshare OEM	7.5	7.3	30.6	29.1
<b>MTU total</b>	<b>13.5</b>	<b>12.6</b>	<b>54.7</b>	<b>50.2</b>
<b>Depreciation / amortization w/o PPA and w/o IAE Upshare</b>				
OEM	24.5	26.0	82.0	93.9
MRO	8.8	9.3	30.9	33.4
<b>MTU total</b>	<b>33.3</b>	<b>35.3</b>	<b>112.9</b>	<b>127.3</b>

## Guidance for PPA and IAE Upshare Amortization

(in m€)	2015	2016	2017E	2018E	2019E	2020E	2021E
PPA depreciation / amortization	24.1	21.1	~20	~20	~20	~20	~20
IAE Upshare	30.6	29.1	~30	~30	~30	~30	~30
Adjustments	54.7	~50	~50	~50	~50	~50	~50

## Guidance R&D Amortization

(in m€)	2015	2016	2017E	2018E	2019E	2020E	2021E
R&D amortization	2.3	10.2	~15	~15	~20	~25	~25



## Cautionary Note Regarding Forward-Looking Statements

Certain of the statements contained herein may be statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements that are forward-looking by reason of context, the words "may," "will," "should," "expect," "plan," "intend," "anticipate," "forecast," "believe," "estimate," "predict," "potential," or "continue" and similar expressions identify forward-looking statements.

Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) competition from other companies in MTU's industry and MTU's ability to retain or increase its market share, (ii) MTU's reliance on certain customers for its sales, (iii) risks related to MTU's participation in consortia and risk and revenue sharing agreements for new aero engine programs, (iv) the impact of non-compete provisions included in certain of MTU's contracts, (v) the impact of a decline in German or other European defense budgets or changes in funding priorities for military aircraft, (vi) risks associated with government funding, (vii) the impact of significant disruptions in MTU's supply from key vendors, (viii) the continued success of MTU's research and development initiatives, (ix) currency exchange rate fluctuations, (x) changes in tax legislation, (xi) the impact of any product liability claims, (xii) MTU's ability to comply with regulations affecting its business and its ability to respond to changes in the regulatory environment, (xiii) the cyclicity of the airline industry and the current financial difficulties of commercial airlines, (xiv) our substantial leverage and (xv) general local and global economic conditions. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

The company assumes no obligation to update any forward-looking statement.

Any securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold without registration thereunder or pursuant to an available exemption therefrom. Any public offering of securities of MTU Aero Engines to be made in the United States would have to be made by means of a prospectus that would be obtainable from MTU Aero Engines and would contain detailed information about the issuer of the securities and its management, as well as financial statements.

Neither this document nor the information contained herein constitutes an offer to sell or the solicitation of an offer to buy any securities.

These materials do not constitute an offer of securities for sale in the United States; the securities may not be offered or sold in the United States absent registration or an exemption from registration.

No money, securities or other consideration is being solicited, and, if sent in response to the information contained herein, will not be accepted.

## Proprietary Notice

This document contains proprietary information of the MTU Aero Engines AG group companies. The document and its contents shall not be copied or disclosed to any third party or used for any purpose other than that for which it is provided, without the prior written agreement of MTU Aero Engines AG.