



Annual General Meeting  
MTU Aero Engines Holding AG

Speech of the CEO

Egon Behle

held in Munich

on May 3, 2012

**– Check against delivery –**

Dear shareholders,  
Ladies and gentlemen,

On behalf of MTU Aero Engines Holding AG and its Board of Management, I welcome you to our Annual General Meeting 2012. Your attendance here today demonstrates your unwavering interest in the growth and development of MTU – and we take great pleasure in that.

The title of our current Annual Report is “Going for growth,” and that is also our guiding vision: MTU is firmly set on a profitable growth trajectory. Last year, we continued to lay the foundations for this growth, and I would like to begin my report today by taking a look at these.

### **Highlights of MTU's operations**

In the financial year 2011, we again had no trouble meeting the requirements of the markets with appropriate MTU products and services. The prime example of this is the geared turbofan, which we are developing together with our partner Pratt & Whitney and which I presented to you in detail last year. Its innovative technology will make a substantial contribution toward reducing fuel consumption, carbon dioxide emissions and noise emissions. The geared turbofan consumes 15 percent less fuel than one of today's more modern engines, such as the V2500 for the Airbus A320. It thus emits 15 percent less CO<sub>2</sub> and is also 50 percent quieter – an important argument in the current debate on aircraft noise. This new engine technology has won acclaim across the industry – from aircraft manufacturers and airlines alike – and that has triggered a veritable sales boom. Even before the first engine of the PurePower PW1000G geared turbofan goes into series production, firm orders and options have been placed for over 2,000 units. The market potential is enormous, with over 4,000 engines being forecast for the A320neo alone. Further potential applications for the engine are Bombardier's CSeries aircraft, the Mitsubishi Regional Jet (MRJ) and the Irkut MS-21. A success of this kind is unparalleled in the history of our company, and I admit that even the biggest optimists in our company – myself included – had not expected it. Ladies and gentlemen, I'm sure speak on behalf of everyone here in thanking all the MTU employees who participated in the development and marketing of the geared turbofan – it is their efforts that have made this success possible!

I am convinced that the geared turbofan will be a major factor in helping us achieve our growth target.

Our success with the V2500 engine, which powers the current Airbus A320 family, also continues unabated. It is a key revenue earner for MTU and will remain so in the foreseeable future – both in terms of new production and in our maintenance business. This can be attributed to the high market penetration of the V2500, and the fact that the fleets it propels remain on a growth course. In 2011, the members of the IAE consortium, which markets the V2500, extended their collaboration agreement through to 2045, guaranteeing the engine's continued production and support. And that's not all: as a result of planned restructuring, we expect to be able to increase MTU's share in the consortium substantially. The talks are underway, and I hope we will be able to give you more precise information around the middle of the year.

We also have reason to be pleased with the orders we have received for the GENx engine. This engine powers the Boeing 787 – also known as the Dreamliner – and the Boeing 747-8. In 2012, we will be ramping up series production of the GENx, delivering around 150 units of the turbine center frames that constitute our contribution to this engine.

In the military field we were able, at least in part, to compensate the defense budget cuts in Germany with successful program participations in the U.S. military market on the one hand and our activities in Saudi Arabia on the other. We are also actively supporting export offensives. I'm specifically referring to the export incentives for the Eurofighter, where we have a share in the program for the EJ200 engine, or to the campaigns for the A400M military transporter, where we have a stake in the production of the TP400-D6 engines. Two weeks ago we made our first deliveries of series-production engines for the A400M, marking the official start of series production of the TP400-D6.

In 2011, our commercial MRO arm succeeded in gaining a foothold in the key widebody segment by adding the GE90, the most powerful engine in the world, to its maintenance portfolio. Our entry into the GE90 market has been a huge success, setting out here with three customers and contracts worth 550 million U.S. dollars. That's an impressive start! It is widely agreed that the GE90 market has good growth prospects, and we are well positioned to secure our share in it.

And when we talk about growth opportunities, it is perfectly natural that our attention be drawn to the Asian market. The International Air Transport Association expects the Asia-Pacific region to put in an above-average recovery in 2012 after the earthquake and tsunami disasters it suffered in 2011. The region's long-term prospects are good, too – in fact, the future of the aviation industry lies in Asia. Let me make this clear to you with an example. One billion people – mainly in Europe and North America – have been flying regularly for quite some time; now, in Asia, South America and Africa, six billion people are about to take up the same path and are already becoming more mobile.

Without doubt, Asia has been a success story for MTU. The company's decision ten years ago to set up a production plant there has proven to be absolutely right. MTU Maintenance Zhuhai, our joint venture with China Southern Airlines, is the undisputed number one in engine maintenance in China, and is even the market leader across the whole of Asia for the V2500 engine. This excellent position in the world's most promising market provides a good basis for strengthening our leadership as we aspire to become Asia's biggest provider of MRO services for commercial engines. We will focus all our effort on achieving this goal.

But our activities in China will not be restricted to maintenance operations. We want to play an active part in building up the Chinese aviation industry and thus secure ourselves a share in this growth market. In 2011, we intensified our business relationship with national engine maker ACAE, and we want to participate in the construction of the future Chinese aircraft engine – the CJ1000 for the medium-haul C919 jet – in order to secure our access to the market.

## **Employees**

I could go on listing the company's successes. But, ultimately, they all spring from one source: our employees. It is they who make up a unique pool of know-how, experience and ideas, and who drive MTU's success every day with their commitment, team spirit and outstanding performance. On behalf of my colleagues on the Board of Management, I would like to express our gratitude to MTU's worldwide workforce for this success. A big thank-you to all of you!

Ladies and gentlemen, only in unison with the company's employees can we ensure that MTU has a bright future. That is why we pursue a personnel policy that is sustainable and oriented toward the long term. It begins with intensive personnel marketing to ensure we secure tomorrow's talent at an early stage. Nurturing and promoting specialists and managers has always been – and will remain – another focal point of our personnel policy. After all, we need both kinds of talent – specialists who know their craft as well as employees who rise to the challenge and are prepared to take on responsibility in management roles. We place emphasis here on our comprehensive range of training options and programs to promote young talent across our different locations. In this way, we also encourage diversity at MTU.

In Germany, the topic of diversity focuses mainly on the representation of women. At MTU we are unequivocal in our support of equal opportunities for men and women. We are also strong advocates of the systematic promotion of women to key positions within the company, both as specialists and in management. Over the next five years, we want to boost the share of women managers to 15 percent across all hierarchical levels of the company. Corresponding measures – such as flexible working time models that include opportunities for part-time work, support with childcare, networks and mentoring – are already firmly in place and will be supplemented and enhanced in the course of the year. But we cannot ignore the fact that female students are still strongly underrepresented in the areas that are so

important to us, namely the natural sciences, engineering and the technical disciplines. In the past, the business world has done much to improve this situation, and we will continue to invest in this area going forward. However, this is a task for society as a whole, and one that cannot be left for private enterprise to shoulder on its own.

### **2011: MTU achieves its targets**

Allow me now a few moments to explain the key figures of our consolidated financial statements for the financial year 2011. Over the year as a whole, MTU achieved good results. We kept our promises to the capital markets, and in some cases even performed better than forecast. And we managed to do that although we raised the bar a notch in the course of the year and revised our targets upward.

In 2011, we improved our revenues by 8.3 percent to 2.93 billion euros, after having forecast a rise in revenues of 7 to 8 percent. We thus did slightly better than originally predicted.

This increase in revenues went hand in hand with enhanced earnings: we increased our EBIT adjusted by 6 percent to 328 million euros. That was marginally higher than our forecast figure, which we had even revised upward to 325 million euros in August.

At 184 million euros, adjusted net income was slightly above last year's figure and in line with our forecast. Here again we can say: mission accomplished.

Our performance in 2011 enabled us to substantially reduce our net financial liabilities again – from 56 million euros to 12 million euros.

### **1st quarter 2012**

Our success has continued on into the new financial year as well. No doubt, you were all interested to hear about our first-quarter results last week.

MTU's revenues improved by five percent. Operating profit, that is EBIT adjusted, rose by 14 percent. The EBIT margin improved too, climbing one percentage point to 13.1 percent. Net income adjusted increased by 20 percent, and I am confident that this positive trend will continue.

As you can see, ladies and gentlemen, MTU is as sound as a bell. Your company is in excellent condition.

### **Research and development**

Even through difficult times, we have continued to invest in the future – and that strategy has paid off handsomely. True, in our industry, investments in research and development sometimes take years to bear fruit. But then they truly deliver – for instance in the shape of a product range like MTU's, which perfectly matches the needs of our present time and market.

In 2011, we continued to invest heavily in research and development, boosting our R&D expenditure by 10 percent. The company-funded share in that expenditure was even 12 percent higher than in the previous year, with the focus falling on the development requirements of new programs. While we will continue to invest in the future in 2012, focusing specifically on driving forward the geared turbofan (GTF) technology that is so important to us, our R&D expenditure will fall slightly as of this year for program-related reasons.

## **Dividend**

We want you, our shareholders, to benefit from MTU's success. That is why the Board of Management and Supervisory Board propose to distribute a dividend of €1.20 per share. That represents a 9 percent increase over last year's dividend level. Which only goes to show that an investment in MTU is an attractive one – especially for investors who pursue a long-term perspective.

## **Share price performance**

Let us now take a look at something that is of interest to every shareholder – the company's share price. The MTU share held its own in the volatile capital market environment of 2011. With a price of € 49.44, it ended the year only slightly below where it had started out, and thus outperformed the MDAX by a considerable margin. Since the beginning of 2012, the MTU share price has been rising continually, and has already found firm ground above 60 euros. That is a gratifying trend.

## **Emission permits**

Ladies and gentlemen, you've now heard a lot of good news from me, and you may be wondering whether there isn't a topic that might dampen my optimism a bit. There is indeed such a topic: the emissions trading scheme. For months now, the EU, which introduced this scheme in Europe, has been negotiating with the international airlines, which are opposed to it and are supported in their opposition by numerous national governments. There have been threats to cancel aircraft orders and overflight rights or to levy additional overflight fees. That will not only have an enormous impact on Europe's airlines, but will produce knock-on effects for all of us here – for you as airline passengers and for us a manufacturing industry. Everything possible must be done to find a balanced solution and avoid a trade war. One thing is clear: the emissions generated by international aviation are an international concern and can be resolved only at international level. It is counterproductive for individual countries or the EU to go it alone. An adequate solution is possible only under the auspices of the International Civil Aviation Organization.

## **Outlook**

So much for our brief look at where we are now. Even more important than the status quo is the goal we are all working toward. At last year's Annual General Meeting, I announced to you that our goal was to achieve revenues of six billion euros by 2020, which means doubling our current revenue. We remain resolved to achieve this goal. It goes without saying that this growth has to be profitable, and we are looking to achieve an EBIT margin of at least 12 percent by 2020. As you have been able to gather from my report, MTU has enormous potential for strong organic growth, and we want to unleash that potential.

What are our prospects in the financial year 2012 as we proceed toward our goal? Let me say right away that, from our present standpoint, 2012 looks like being another good year for MTU.

Both our commercial series business and commercial MRO business will grow, while we expect our military business to generate revenues comparable with those of last year. All in all, we expect to record mid-range single-digit growth in revenues in 2012.

On the back of these good prospects, we expect our EBIT adjusted to grow by 8 to 10 percent, while adjusted net income should be 10 to 12 percent higher than last year's figure.

The buoyant start to the financial year 2012 makes us even more confident of achieving our targets for the year as a whole, and we will work hard to do just that.

Ladies and gentlemen, I hope I have been able to demonstrate to you today how well positioned MTU is in both operational and financial terms. With our products and services we occupy a very strong position – especially when it comes to competing for new markets. The conclusion to be drawn for the MTU Group is an obvious one: the company is steering a successful course. Its future is dominated by profitable and sustainable growth. Our goals are clearly defined, and we will direct all our efforts toward adding value for our customers, for the company and of course for you, our shareholders.

Ladies and gentlemen, as we move forward, I hope that you will retain your interest in – and support for – MTU. At the same time, allow me to thank you for the trust you have placed in me, my colleagues on the Board of Management and in the entire MTU workforce. It is up to us to justify that trust and to steer MTU toward a successful future. I am confident we will succeed.

Thank you for your kind attention.