



# MTU Aero Engines AG Q2 2017 Results

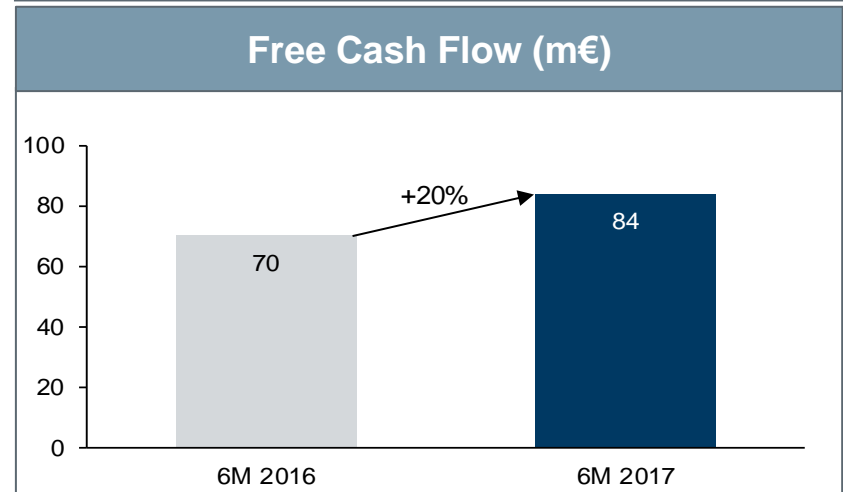
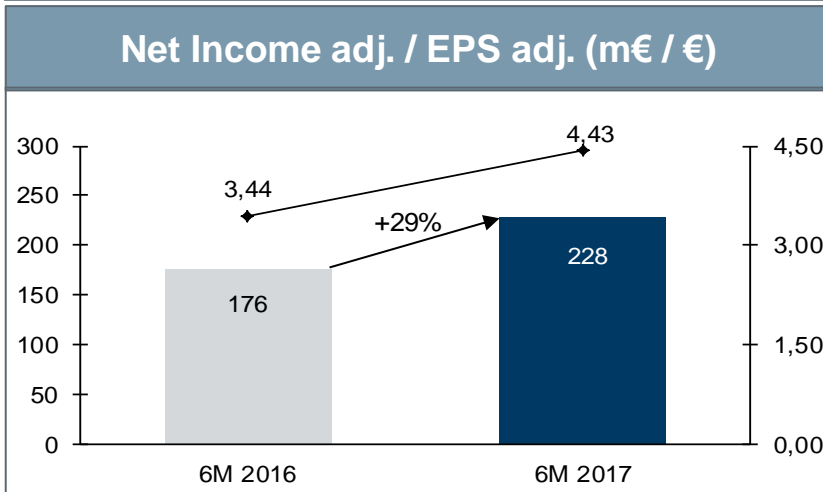
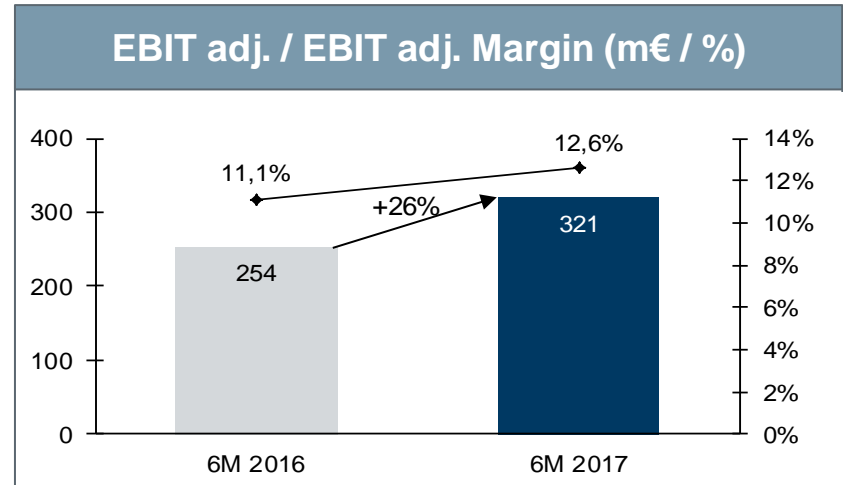
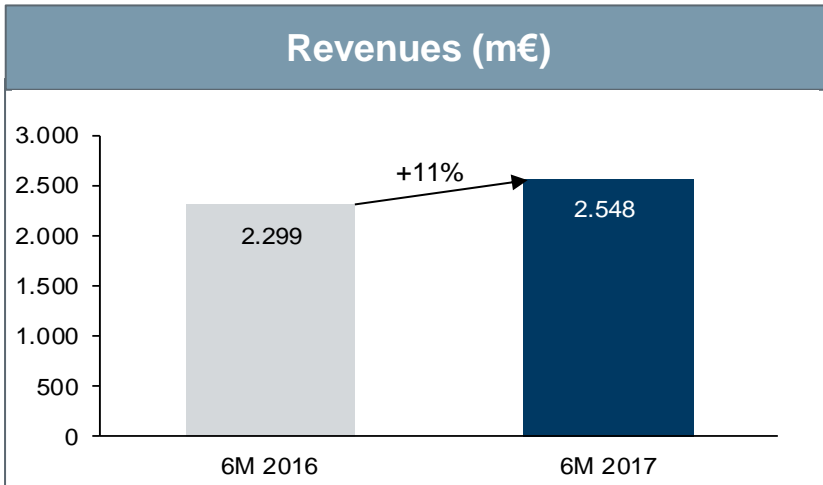
7/28/2017 - Q2 2017 Results

## Business Highlights



- IATA increased its outlook for passenger traffic growth 2017
- FAA engine certification for PW1900G (E190/195-E2) and PW1200G (MRJ)
- PW1100G-JM awarded with 180 minute ETOPS Certification
- First flight of Irkut MS-21 equipped with PW1400G in May
- New record level of MRO revenues
- Repayment of 250 m€ Eurobond in June
- Guidance for revenues and EBIT increased

# Financial Highlights Q2 2017



## Update on PW1000G engine family

- >70 GTF powered aircraft delivered to 13 operators
- GTF engines performed over 230,000 flight hours
- Dispatch reliability is nearly 99.9%
- Fuel consumption reduced by 16%, noise footprint reduced by 75%
- Strong order book of more than 8,000 GTF engines
- Retrofit program of the improved carbon oil seal accomplished in May 2017
- Production engine shipments with the new combustor will start in Q4 2017
- Delivery of 350-400 GTF engines in 2017 confirmed, 134 delivered in H1



## OEM Segment

| Order book                  | 31/12/2016     | 30/06/2017     | Change      |
|-----------------------------|----------------|----------------|-------------|
| <b>Order book (m€)</b>      | <b>7,246.0</b> | <b>6,314.9</b> | <b>-13%</b> |
| Commercial Business (mUS\$) | 7,113.6        | 6,738.2        | -5%         |
| Military Business (m€)      | 497.5          | 410.4          | -18%        |
| (m€)                        | 6M 2016        | 6M 2017        | Change      |
| <b>Revenues</b>             | <b>1,441.1</b> | <b>1,415.3</b> | <b>-2%</b>  |
| Commercial Business         | 1,200.9        | 1,242.8        | 3%          |
| Military Business           | 240.2          | 172.5          | -28%        |
| <b>EBIT adj.</b>            | <b>169.5</b>   | <b>216.8</b>   | <b>28%</b>  |
| <i>EBIT adj. Margin %</i>   | <i>11.8%</i>   | <i>15.3%</i>   |             |

- Organic Commercial OEM US\$ revenues stable
- Military revenues down 28%
- EBIT adj. margin at 15.3%



## Commercial MRO Business

| (mUS\$)           | 31/12/2016     | 30/06/2017     | Change    |
|-------------------|----------------|----------------|-----------|
| <b>Order book</b> | <b>7,300.9</b> | <b>7,616.4</b> | <b>4%</b> |

| (m€)                      | 6M 2016      | 6M 2017        | Change     |
|---------------------------|--------------|----------------|------------|
| <b>Revenues</b>           | <b>893.3</b> | <b>1,181.0</b> | <b>32%</b> |
| <b>EBIT adj.</b>          | <b>84.5</b>  | <b>103.7</b>   | <b>23%</b> |
| <i>EBIT adj. Margin %</i> | <i>9.5%</i>  | <i>8.8%</i>    |            |







- Organic revenues up 30%
- EBIT margin at 8.8%

## Overproportional Growth in MRO



- Campaign wins of 1.3 bn US\$ for independent MRO in first 6 months
- 7<sup>th</sup> consecutive quarter with record sales
- Overproportional growth driven by high workload and high material consumption
- Broad MRO engine portfolio with strongest growth platforms
- No. 1 independent MRO provider and OEM – MRO network partner
- Successful leasing- and asset management business
- Capacity adjustments in existing MRO shops to absorb short term growth
- Future capacity increase in best cost environments for mid to long term growth

## Guidance 2017

|   |  |   |
|---|--|---|
| Military:                                 | Down mid teens (ex: down high single digit)    |  |
| New engine Sales (Com. OE):               | Up high single digit                           |  |
| Spare parts Sales (Com. Spares):          | Up high single digit (ex: up mid single digit) |  |
| Commercial MRO:                           | Up mid to high teens (ex: up 10%)              |  |
| <b>Revenues</b>                           |  | <b>~ 5.3 bn €</b>   |
| Tailwind from US\$ fx-rate                |  |   |
| Slight headwind from business mix         |  |   |
| <b>EBIT adj.</b>                          |  | <b>~ 560 m€</b>   |
| Lower interest expenses & Tax rate of 29% |  |   |
| <b>Net Income adj.</b>                    |  | <b>~ 390 m€</b>   |
| <b>FCF</b>                                |  | <b>~ 120 m€</b>   |

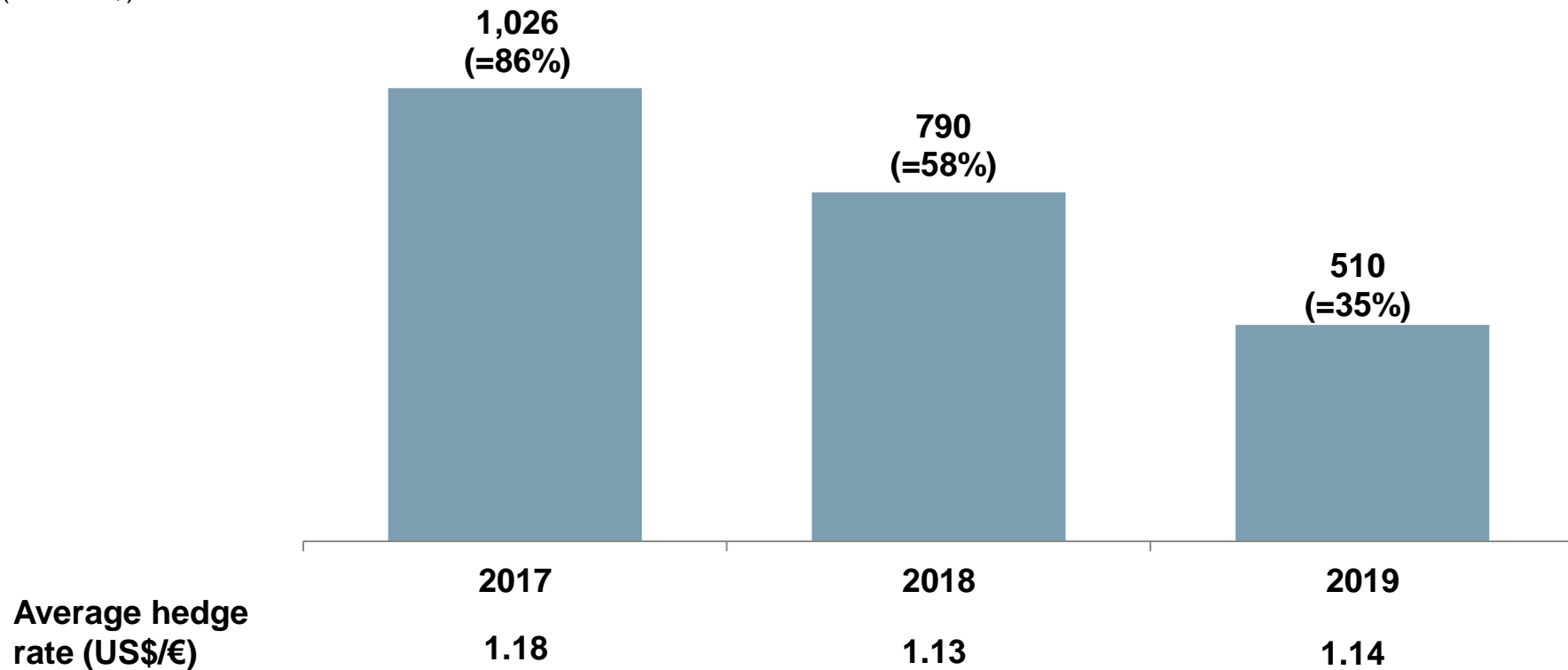


# Appendix

## US\$ Exchange Rate / Hedge Portfolio

Hedge book as of July 28, 2017 (% of net US\$exposure)

(in m US\$)



## Profit & Loss

| (m€)   | Q2 2016      | Q2 2017      | Change     | 6M 2016      | 6M 2017      | Change     |
|--|--------------|--------------|------------|--------------|--------------|------------|
| Revenues   | 1,201.3      | 1,286.7      | 7%         | 2,299.2      | 2,548.0      | 11%        |
| Total Cost of Sales                                | -1,037.1     | -1,088.8     |            | -1,965.3     | -2,160.0     |            |
| <b>Gross Profit</b>                                | <b>164.2</b> | <b>197.9</b> | <b>21%</b> | <b>333.9</b> | <b>388.0</b> | <b>16%</b> |
| <i>Gross Profit Margin</i>                         | <i>13.7%</i> | <i>15.4%</i> |            | <i>14.5%</i> | <i>15.2%</i> |            |
| R&D according to IFRS                              | -19.1        | -15.9        |            | -38.5        | -31.0        |            |
| SG&A   | -42.6        | -42.9        |            | -84.2        | -85.9        |            |
| Other operating income (expense)                   | 1.2          | 1.7          |            | 2.9          | 2.1          |            |
| P&L of companies accounted "at equity and at cost" | 6.6          | 10.1         |            | 14.9         | 21.9         |            |
| <b>EBIT reported</b>                               | <b>110.3</b> | <b>150.9</b> | <b>37%</b> | <b>229.0</b> | <b>295.1</b> | <b>29%</b> |
| <b>EBIT adj.</b>                                   | <b>122.8</b> | <b>163.8</b> | <b>33%</b> | <b>254.1</b> | <b>320.8</b> | <b>26%</b> |
| <i>EBIT adj. margin</i>                            | <i>10.2%</i> | <i>12.7%</i> |            | <i>11.1%</i> | <i>12.6%</i> |            |
| Financial Result                                   | -13.5        | -5.2         |            | -12.4        | -14.5        |            |
| <b>Profit before tax (EBT)</b>                     | <b>96.8</b>  | <b>145.7</b> | <b>51%</b> | <b>216.6</b> | <b>280.6</b> | <b>30%</b> |
| Taxes  | -28.6        | -33.4        |            | -58.0        | -63.9        |            |
| <b>Net Income reported</b>                         | <b>68.2</b>  | <b>112.3</b> | <b>65%</b> | <b>158.6</b> | <b>216.7</b> | <b>37%</b> |
| Net Income adj.                                    | 84.6         | 116.5        |            | 176.1        | 227.5        |            |
| <b>EPS reported</b>                                | <b>1.33</b>  | <b>2.17</b>  |            | <b>3.10</b>  | <b>4.19</b>  |            |
| EPS adj.   | 1.65         | 2.27         |            | 3.44         | 4.43         |            |

## Reconciliation to adjusted Key Performance Indicators

| (m€)  | Q2 2016 | Q2 2017 | Change | 6M 2016 | 6M 2017 | Change |
|---|---------|---------|--------|---------|---------|--------|
| <b>EBIT reported</b>                                      | 110.3   | 150.9   | 37%    | 229.0   | 295.1   | 29%    |
| Adjustment (PPA Depreciation & Amortization)              | 5.3     | 5.3     |        | 10.6    | 10.6    |        |
| Adjustment (IAE Upshare)                                  | 7.2     | 7.6     |        | 14.5    | 15.1    |        |
| <b>EBIT adj.</b>  | 122.8   | 163.8   | 33%    | 254.1   | 320.8   | 26%    |
| <i>Thereof P&amp;L of companies accounted "at equity"</i> | 5.8     | 9.9     | 71%    | 14.1    | 21.6    | 53%    |
| Interest Result   | -2.0    | -0.8    | 60%    | -3.7    | -3.1    | 16%    |
| Interests for pension provisions                          | -4.1    | -3.0    | 27%    | -8.2    | -6.1    | 26%    |
| <b>EBT adj. w/o P&amp;L "at equity"</b>                   | 110.9   | 150.1   | 35%    | 228.1   | 290.0   | 27%    |
| Tax rate normalized                                       | -28.9%  | -29.0%  |        | -29.0%  | -29.0%  |        |
| Taxes   | -32.1   | -43.5   |        | -66.1   | -84.1   |        |
| <b>Net Income adj.</b>                                    | 84.6    | 116.5   | 38%    | 176.1   | 227.5   | 29%    |
| <b>EPS adj.</b>   | 1.65    | 2.27    | 37%    | 3.44    | 4.43    | 29%    |

## Segment Revenues and EBIT adj.

| (m€)                               | Q2 2016        | Q2 2017        | Change     | 6M 2016        | 6M 2017        | Change     |
|------------------------------------|----------------|----------------|------------|----------------|----------------|------------|
| <b>Revenues Group</b>              | <b>1,201.3</b> | <b>1,286.7</b> | <b>7%</b>  | <b>2,299.2</b> | <b>2,548.0</b> | <b>11%</b> |
| OEM Commercial                     | 644.9          | 631.3          | -2%        | 1,200.9        | 1,242.8        | 3%         |
| OEM Military                       | 115.7          | 89.7           | -22%       | 240.2          | 172.5          | -28%       |
| MRO                                | 464.5          | 592.6          | 28%        | 893.3          | 1,181.0        | 32%        |
| Consolidation                      | -23.8          | -26.9          |            | -35.2          | -48.3          |            |
| <b>EBIT adj. Group</b>             | <b>122.8</b>   | <b>163.8</b>   | <b>33%</b> | <b>254.1</b>   | <b>320.8</b>   | <b>26%</b> |
| OEM (Commercial / Military)        | 80.7           | 112.4          | 39%        | 169.5          | 216.8          | 28%        |
| MRO                                | 42.2           | 51.6           | 22%        | 84.5           | 103.7          | 23%        |
| Consolidation                      | -0.1           | -0.2           |            | 0.1            | 0.3            |            |
| <b>EBIT margin adj. Group</b>      | <b>10.2%</b>   | <b>12.7%</b>   |            | <b>11.1%</b>   | <b>12.6%</b>   |            |
| <i>OEM (Commercial / Military)</i> | <i>10.6%</i>   | <i>15.6%</i>   |            | <i>11.8%</i>   | <i>15.3%</i>   |            |
| <i>MRO</i>                         | <i>9.1%</i>    | <i>8.7%</i>    |            | <i>9.5%</i>    | <i>8.8%</i>    |            |

## Research & Development

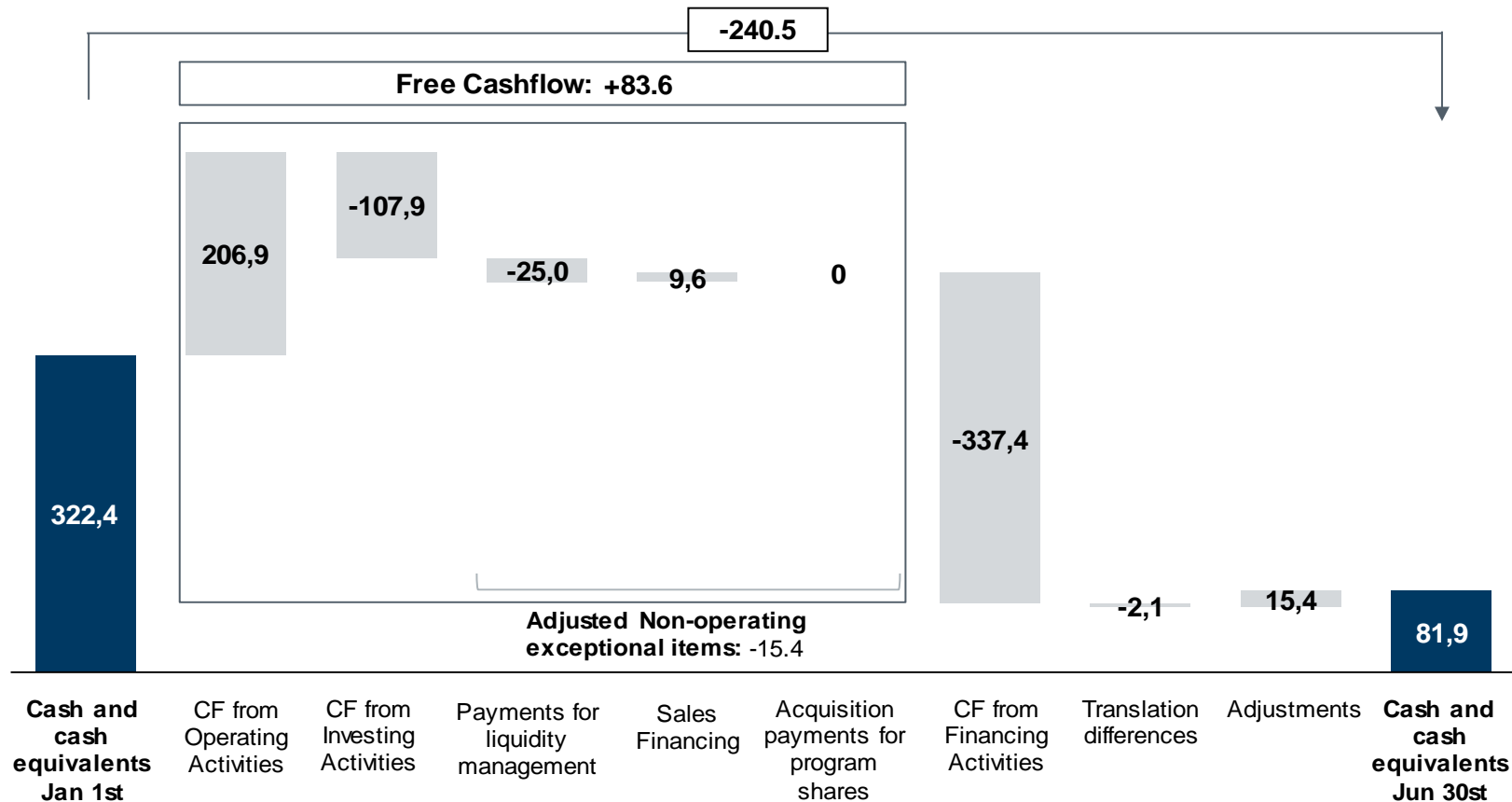
| (m€)                                       | Q2 2016 | Q2 2017 | Change | 6M 2016 | 6M 2017 | Change |
|--|---------|---------|--------|---------|---------|--------|
| <b>Total R&amp;D</b>                       | 55.0    | 54.6    | -1%    | 113.6   | 110.7   | -3%    |
| Customer funded R&D                        | -14.3   | -8.7    | 39%    | -22.4   | -19.9   | 11%    |
| <b>Company expensed R&amp;D</b>            | 40.7    | 45.9    | 13%    | 91.2    | 90.8    | 0%     |
| thereof OEM                                | 39.0    | 45.0    |        | 88.3    | 89.0    |        |
| thereof MRO                                | 1.7     | 0.9     |        | 2.9     | 1.8     |        |
| <b>Capitalization of R&amp;D</b>           | -21.6   | -30.0   |        | -52.7   | -59.8   |        |
| thereof OEM                                | -21.6   | -29.9   |        | -52.7   | -59.4   |        |
| thereof MRO                                | 0.0     | -0.1    |        | 0.0     | -0.4    |        |
| <b>R&amp;D according to IFRS (P&amp;L)</b> | 19.1    | 15.9    | -17%   | 38.5    | 31.0    | -19%   |
| Amortisation (COGS)                        | 2.3     | 3.0     |        | 4.4     | 5.7     |        |
| <b>Total R&amp;D impact P&amp;L</b>        | 21.4    | 18.9    | -12%   | 42.9    | 36.7    | -14%   |

## Financial Result

| (m€)  | Q2 2016      | Q2 2017     | Change     | 6M 2016      | 6M 2017      | Change      |
|---|--------------|-------------|------------|--------------|--------------|-------------|
| Interest Income                                       | 0.2          | 2.0         | >300%      | 0.4          | 3.0          | >300%       |
| Interest Expense                                      | -2.2         | -2.8        | -27%       | -4.1         | -6.1         | -49%        |
| <b>Interest Result*</b>                               | <b>-2.0</b>  | <b>-0.8</b> | <b>60%</b> | <b>-3.7</b>  | <b>-3.1</b>  | <b>16%</b>  |
| <b>Financial Result on other items</b>                | <b>-11.5</b> | <b>-4.4</b> |            | <b>-8.7</b>  | <b>-11.4</b> |             |
| <i>thereof interests for pension obligations*</i>     | -4.1         | -3.0        |            | -8.2         | -6.1         |             |
| <i>thereof fair value gains/losses on derivatives</i> | -0.8         | 7.0         |            | 7.9          | 7.2          |             |
| <b>Financial Result</b>                               | <b>-13.5</b> | <b>-5.2</b> | <b>61%</b> | <b>-12.4</b> | <b>-14.5</b> | <b>-17%</b> |

\*) Net Income adj. includes interest result and interests for pensions obligations

## MTU's Cash development January – June 2017





## Cash Flow

| (m€)   | 6M 2016 | 6M 2017 | Change |
|--|---------|---------|--------|
| <b>Net Income IFRS</b>                               | 158.6   | 216.7   | 37%    |
| Depreciation and amortization                        | 86.4    | 101.9   |        |
| Change in provisions                                 | 49.1    | 74.8    |        |
| Change in Working Capital                            | -69.2   | -140.4  |        |
| Taxes  | -15.0   | 19.7    |        |
| Interest, derivatives, others                        | -13.9   | -65.8   |        |
| <b>Cash Flow from operating activities</b>           | 196.0   | 206.9   | 6%     |
| Net Investment in intangible assets                  | -69.5   | -51.0   |        |
| Net Investment in property, plant, equipment         | -59.2   | -54.6   |        |
| Net Investments in financial assets                  | 34.0    | -2.3    |        |
| <b>Cash Flow from investing activities</b>           | -94.7   | -107.9  | -14%   |
| <i>Adjustments</i>                                   | -31.5   | -15.4   |        |
| <b>Free Cash Flow</b>                                | 69.8    | 83.6    | 20%    |
| <b>Cash Flow from financing activities</b>           | 262.9   | -337.4  | -228%  |
| Effect of exchange rate on cash and cash equivalents | 0.2     | -2.1    |        |
| <b>Change in cash and cash equivalents</b>           | 364.4   | -240.5  |        |
| <b>Cash and cash equivalents at 30.06.</b>           | 417.5   | 81.9    |        |

## Net financial debt at 866 m€

| (m€)   | 31/12/2016     | 30/06/2017     | Change      |
|--|----------------|----------------|-------------|
| Bonds and notes  | 353.6          | 98.1           |             |
| Convertible bond   | 474.6          | 476.3          |             |
| Financial liabilities to bank                            | 30.1           | 66.2           |             |
| <i>thereof Revolving Credit Facility</i>                 | 0.0            | 36.1           |             |
| <i>thereof Note Purchase Agreement</i>                   | 30.1           | 30.1           |             |
| Loans from related companies                             | 0.0            | 0.9            |             |
| Finance lease liabilities                                | 11.6           | 10.9           |             |
| Financial liabilities arising from program participation | 492.0          | 417.8          |             |
| <i>thereof arising from IAE V2500 Upshare</i>            | 400.3          | 352.7          |             |
| <b>Gross financial debt</b>                              | <b>1,361.9</b> | <b>1,070.2</b> | <b>-21%</b> |
| Cash and cash equivalents                                | 322.4          | 81.9           |             |
| Loans to third parties                                   | 98.6           | 97.8           |             |
| Loans to related companies                               | 23.9           | 24.9           |             |
| Securities   | 25.0           | 0.0            |             |
| <b>Financial assets</b>                                  | <b>469.9</b>   | <b>204.6</b>   | <b>-56%</b> |
| <b>Net financial debt</b>                                | <b>892.0</b>   | <b>865.6</b>   | <b>-3%</b>  |

## Working Capital

| (m€)                   | 31/12/2016     | 30/06/2017     | Change       | Change in % |
|------------------------|----------------|----------------|--------------|-------------|
| Gross inventories      | 1,022.7        | 1,023.7        | 1.0          |             |
| Prepayments            | -344.2         | -350.4         | -6.2         |             |
| Receivables            | 1,148.2        | 1,189.9        | 41.7         |             |
| Payables               | -811.0         | -707.1         | 103.9        |             |
| <b>Working Capital</b> | <b>1,015.7</b> | <b>1,156.1</b> | <b>140.4</b> | <b>14%</b>  |

## Balance Sheet

| (m€)                                | 31/12/2016     | 30/06/2017     | Change      |
|-------------------------------------|----------------|----------------|-------------|
| Intangible Assets                   | 2,234.2        | 2,290.6        |             |
| Property, Plant, Equipment          | 681.5          | 684.9          |             |
| other Non-current assets            | 390.7          | 431.2          |             |
| <b>Total Non-Current assets</b>     | <b>3,306.4</b> | <b>3,406.7</b> | <b>3%</b>   |
| <b>Current assets</b>               | <b>2,538.2</b> | <b>2,329.2</b> | <b>-8%</b>  |
| <b>Total assets</b>                 | <b>5,844.6</b> | <b>5,735.9</b> | <b>-2%</b>  |
| <b>Equity</b>                       | <b>1,500.5</b> | <b>1,763.2</b> | <b>18%</b>  |
| <b>Non-Current Liabilities</b>      | <b>1,963.9</b> | <b>1,929.3</b> | <b>-2%</b>  |
| <b>Current Liabilities</b>          | <b>2,380.2</b> | <b>2,043.4</b> | <b>-14%</b> |
| <b>Total Equity and Liabilities</b> | <b>5,844.6</b> | <b>5,735.9</b> |             |
| <i>thereof Pension Provisions</i>   | <i>883.3</i>   | <i>865.5</i>   |             |

## PPA Depreciation / Amortization (in m€)

| (in m€)  | Q2 2016     | Q2 2017     | 6M 2016     | 6M 2017     |
|--|-------------|-------------|-------------|-------------|
| <b>Total depreciation / amortization</b>   |             |             |             |             |
| OEM  | 34.4        | 36.2        | 67.9        | 72.9        |
| MRO  | 8.6         | 9.0         | 16.9        | 19.1        |
| <b>MTU total</b>   | <b>43.0</b> | <b>45.2</b> | <b>84.8</b> | <b>92.0</b> |
| <b>PPA depreciation / amortization &amp; IAE Upshare amortization (EBIT adjustments)</b> |             |             |             |             |
| PPA OEM  | 4.7         | 4.7         | 9.4         | 9.4         |
| PPA MRO  | 0.6         | 0.6         | 1.2         | 1.2         |
| IAE Upshare OEM  | 7.2         | 7.6         | 14.5        | 15.1        |
| <b>MTU total</b>   | <b>12.5</b> | <b>12.9</b> | <b>25.1</b> | <b>25.7</b> |
| <b>Depreciation / amortization w/o PPA and w/o IAE Upshare</b>                           |             |             |             |             |
| OEM  | 22.5        | 23.9        | 44.0        | 48.4        |
| MRO  | 8.0         | 8.4         | 15.7        | 17.9        |
| <b>MTU total</b>   | <b>30.5</b> | <b>32.3</b> | <b>59.7</b> | <b>66.3</b> |

## Cautionary Note Regarding Forward-Looking Statements

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