
MTU Aero Engines AG feels the effects of the coronavirus pandemic in the first six months

- **Decline in revenue and earnings**
- **New forecast for 2020**

Munich, August 3, 2020 – In the first six months of 2020, MTU Aero Engines AG generated revenue of €2,048.8 million; in the first half of 2019 revenue was €2,243.0 million. Operating profit¹ was €224.2 million, compared with €365.2 million in the prior-year period. The EBIT margin was 10.9% in the first six months of 2020 (1-6/2019: 16.3%). Net income² declined from €261.0 million to €161.3 million. “The figures reflect the first effects of the coronavirus pandemic,” said Reiner Winkler, CEO of MTU Aero Engines AG. “A better estimate of the quantitative impact of the coronavirus crisis is now also possible. On Friday, we therefore issued new guidance for 2020.” MTU now expects to generate revenue of around €4 to €4.4 billion in 2020. In percentage terms, the company anticipates an organic decline in the mid to high twenties in the commercial series production business and in the high twenties in the spare parts business. In the commercial maintenance business, an organic revenue reduction in the low to mid single-digit percentage range is expected. Revenue in the military engine business should grow slightly. MTU is forecasting an adjusted EBIT margin of between 9% and 10% for 2020. Adjusted net income should develop in line with EBIT. Furthermore, MTU has set itself the goal of closing the year with a positive free cash flow.

Revenue from the commercial maintenance business was stable at €1,272.3 million in the first six months (1-6/2019: €1,287.3 million). The main revenue driver was the V2500 for the classic A320 family, followed by the PW1000G-JM for the Airbus A320neo, where MTU registered an increase in shop visits in connection with the retrofit program. “This work could offset the decline in revenue in the core business,” explained Winkler.

In the commercial engine business, revenue fell from €773.0 million to €630.6 million. “The figures reflect the reduction in aircraft production rates and the decline in aircraft deliveries,” said Winkler. The main revenue drivers were the V2500, the PW1100G-JM and the GENx, which is used in the Boeing 787 and 747-8 models.

In the military engine business, the three-week suspension of operations in April was the main reason for the drop in revenue to €183.2 million (1-6/2019: €216.0 million). The main source of revenue was the EJ200 Eurofighter engine.

¹ Adjusted EBIT = adjusted earnings before interest and taxes, calculated on a comparable basis

² Adjusted net income = adjusted income after income taxes



The order backlog at the end of the first six months remained high at €18.4 billion (December 31, 2019: €19.8 billion). The majority of these orders relate to the V2500 and the Geared Turbofan™ engines of the PW1000G family, in particular the PW1100G-JM for the A320neo.

MTU's earnings declined considerably in the first half of 2020, especially in the OEM business, where adjusted EBIT fell from €242.5 million to €128.1 million. Winkler: "The decline affected all areas. Commercial series production business registered an organic decline in the high single-digit percentage range, the percentage drop in revenue from spare parts was in the mid-twenties, and there was also a drop in military business. That naturally had a negative effect on our earnings." The EBIT margin in the OEM business was 15.7 percent, compared with 24.5 percent in the same period of the previous year. Commercial maintenance reported half-year earnings of €96.3 million (1-6/2019: €122.3 million) and an EBIT margin of 7.6%, down from 9.5% in the first half of 2019. Winkler: "The figures reflect the increase in MRO work for Geared Turbofan™ engines."

MTU spent €98.1 million on research and development in the first half of 2020 (1-6/2019: €112.0 million). "We are actively preparing for the future through our research and development and our activities are focused on emission-free aviation," reported Winkler. In line with this, MTU has concentrated its R&D activities on the ongoing development of the Geared Turbofan™ programs and future enhancements, technology studies for next-generation engine design, and digitalization of engine manufacturing processes.

The free cash flow was €125.2 million as of June 2020 (1-6/2019: €235.4 million). CFO Peter Kameritsch: "Safeguarding our liquidity position still has top priority for us. We were able to increase our financial headroom considerably in the first half of the year: We increased our liquidity reserves to around €1.5 billion." To this end, MTU increased the existing revolving credit facility by €100 million to €700 million and successfully placed a €100 million promissory note and a Eurobond with an aggregate principal amount of €500 million.

The net cash outflow for property, plant and equipment was €63.0 million in the first half of the year, compared with €99.0 million in the prior-year period.

MTU had 10,661 employees at the end of June 2020, unchanged from year-end 2019 (December 31, 2019: 10,660 employees). "Regrettably, the present business situation forces us to reduce our personnel capacity by 10-15 percent by the end of 2021," said Winkler. "We will be doing that as circumpectly as possible to ensure that after the crisis we still have as many of our highly qualified staff on board as possible."



MTU Aero Engines – Key data for the first half of 2020

(Amounts in € million unless stated otherwise)

MTU Aero Engines	Q2 2019	Q2 2020	As of June 2019	As of June 2020	Change
Revenue	1,111.8	776.1	2,243.0	2,048.8	- 8.7%
thereof OEM business	498.3	316.9	989.0	813.8	- 17.7%
thereof commercial engine business	387.4	231.3	773.0	630.6	- 18.4%
thereof military engine business	110.9	85.6	216.0	183.2	- 15.2%
thereof commercial maintenance	632.2	477.4	1,287.3	1,272.3	- 1.2%
Adjusted EBIT	177.6	42.4	365.2	224.2	- 38.6%
thereof OEM business	112.0	11.9	242.5	128.1	- 47.2%
thereof commercial maintenance	65.5	30.6	122.3	96.3	- 21.3%
<i>Adjusted EBIT margin</i>	<i>16.0%</i>	<i>5.5%</i>	<i>16.3%</i>	<i>10.9%</i>	
<i> in the OEM business</i>	<i>22.5%</i>	<i>3.8%</i>	<i>24.5%</i>	<i>15.7%</i>	
<i> in commercial maintenance</i>	<i>10.4%</i>	<i>6.4%</i>	<i>9.5%</i>	<i>7.6%</i>	
Adjusted net income	127.5	33.3	261.0	161.3	- 38.2%
Net income (reported)	102.8	13.2	229.3	125.0	- 45.5%
Earnings per share (basic, reported)	1.92	0.20	4.34	2.30	- 47.0%
Free cash flow	94.0	56.5	235.4	125.2	- 46.8%
Research and development expenses	54.0	38.6	112.0	98.1	- 12.4%
thereof company-funded	43.9	34.2	95.9	83.7	- 12.7%
thereof customer-funded	10.1	4.5	16.1	14.4	- 10.6%
<i>Company-funded R&D expenses as stated in the income statement</i>	<i>11.3</i>	<i>9.1</i>	<i>28.4</i>	<i>24.2</i>	<i>- 14.8%</i>
Net capital expenditure on property, plant and equipment	61.6	24.6	99.0	63.0	- 36.4%
			Dec. 31, 2019	June 30, 2020	Change
Key balance sheet data					
Intangible assets			1,162.5	1,161.7	- 0.1%
Cash and cash equivalents			139.5	307.3	+ 120.3%
Pension provisions			976.2	996.3	+ 2.1%
Equity			2,421.2	2,517.8	+ 4.0%
Net financial debt			960.7	787.2	- 18.1%
Total assets			7,765.3	7,775.4	+ 0.1%
Order backlog			19,820.5	18,363.0	-7.4%
Number of employees			10,660	10,661	+ 0.0%



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.

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