
MTU Aero Engines issues higher and more concrete forecast at half-year

- **2018 revenues expected at around € 4.2 billion**
- **Operating profit to reach around € 640 million, net income some € 450 million**

Munich, July 26, 2018 – MTU Aero Engines generated revenues of € 2,148.6 million in the first six months of 2018, up 9 % on the previous year (1-6/17: € 1,977.0 million). The group's operating profit¹ increased by 13 % from € 296.3 million to € 334.6 million, resulting in an EBIT margin increase from 15.0 % to 15.6 %. Earnings after tax² also increased by 13 % to € 237.0 million (1-6/17: € 210.1 million).

“In the first half of the year, the commercial spare parts and commercial MRO business in particular developed better than expected,” said Reiner Winkler, CEO of MTU Aero Engines AG. “We are expecting this trend to continue and are therefore able to substantiate and at the same time raise our forecast today.” MTU anticipates that its commercial spare parts business will see organic growth of around 10 % in 2018. So far, the company had projected a mid-single-digit increase. In the commercial maintenance business, revenues expressed in U.S. dollars are forecast to increase by around 20 %. Initially, MTU had anticipated a growth rate in the high teens. The outlook for the other segments remains unchanged, with the commercial series production business looking set to achieve the highest organic growth with around 30 %. MTU expects revenues from military business to be at the 2017 level.

“Overall, group revenues should reach around € 4.2 billion in 2018, slightly higher than previously assumed,” said Winkler. “Despite the enormous increase in low-margin series production business, earnings should also rise more strongly than initially expected.” MTU now expects EBIT adjusted of approximately € 640 million for 2018 (2017: € 572.5 million). This again corresponds to a significant increase in earnings compared with the previous year. In its original forecast, MTU had anticipated only moderate earnings growth. Net income adjusted is expected to increase accordingly to around € 450 million (net income adjusted, 2017: € 404.9 million). The company has specified the outlook for the cash conversion rate – the ratio of free cash flow to net income adjusted – at 40 to 50 %.

MTU recorded the highest revenue growth in the first six months in the commercial engine business. Here, revenues grew by 15 % from € 643.2 million to € 738.9 million. The V2500 engine for the A320 and the GENx for the Boeing 787 and 747-8 accounted for the greatest share of these revenues. Regarding deliveries for the Geared Turbofan™ programs, CFO Peter Kameritsch commented: “We fully met our GTF delivery target in the first half of the year. In the second half of the year, the ramp-up will again intensify significantly. We are confident that we can also successfully master this challenge.”

¹ EBIT adjusted = Earnings before interest and tax, calculated on a comparable basis

² Net Income adjusted = Earnings after tax, calculated on a comparable basis



In the commercial MRO business, revenues rose by 9 % to € 1,288.5 million (1-6/17: € 1,181.0 million). “In U.S.-dollar terms, the increase in revenues was, at 22 %, far more pronounced and once again demonstrates the high demand for maintenance services. We are meeting this demand both by expanding and adding to the portfolio of our worldwide MRO locations,” Kameritsch added. The main revenue driver in the commercial maintenance segment was the V2500.

Revenues in the military engine business remained stable at € 198.8 million (1-6/17: € 201.1 million). The main source of these revenues was the EJ200 Eurofighter engine.

At € 15.5 billion, the order backlog reached a new record level at the end of June 2018 (December 31, 2017: € 14.9 billion). Most of these orders relate to the V2500 and to the Geared Turbofan™ engines of the PW1000G family, foremost among them the PW1100G-JM for the A320neo. “With the Geared Turbofan™ programs we also scored at last week's Farnborough International Airshow,” said Winkler. The trade fair orders of around € 800 million according to list price are not yet included in the order backlog.

In the OEM business, MTU increased its half-year earnings by 19 % from € 192.3 million to € 228.9 million. The EBIT margin rose from 22.8 % to 24.4 %. In the MRO segment earnings increased to € 105.5 million, after € 103.7 million in the comparative period. The EBIT margin in this segment amounted to 8.2 % (1-6/17: 8.8 %).

MTU spent € 99.2 million on research and development in the first six months of 2018 (1-6/17: € 110.7 million). These R&D activities mainly focused on the Geared Turbofan™ programs and future enhancements, the GE9X engine for the Boeing 777X long-haul airliner, various technology studies and R&D projects relating to next-generation engine design.

MTU's free cash flow reached € 132.7 million, exceeding the comparable figure by 59 % (1-6/17: € 83.6 million).

MTU increased its investment in property, plant and equipment by 76 % to € 88.8 million (1-6/17: € 50.6 million). The funds were used mainly for the expansion of MTU's international locations.

MTU's workforce increased by 5 % to 9,264 employees compared with the end of 2017 (December 31, 2017: 8,846 employees). “New hires were taken on above all in the context of the ramp-up of Geared Turbofan™ programs and in commercial maintenance. In addition, the increase in the number of employees took account of increasing digitalization,” Winkler explained. The CEO continued: “We will continue to focus on these areas in the further course of the year when it comes to personnel planning.”



MTU Aero Engines – Key financial data for January through June 2018

(Figures stated in € million, calculated on a comparable basis. First-time application of IFRS 15)

MTU Aero Engines	Q2 2017	Q2 2018	At end June 2017	At end June 2018	Change
Revenues	978.0	1,132.2	1,977.0	2,148.6	+ 8.7 %
of which OEM business	412.3	510.5	844.3	937.7	+ 11.1 %
of which commercial engine business	312.2	403.0	643.2	738.9	+ 14.9 %
of which military engine business	100.1	107.5	201.1	198.8	- 1.1 %
of which commercial maintenance	592.6	670.3	1,181.0	1,288.5	+ 9.1 %
EBIT (adjusted)	117.9	159.5	296.3	334.6	+ 12.9 %
of which OEM business	66.5	105.5	192.3	228.9	+ 19.0 %
of which commercial maintenance	51.6	54.0	103.7	105.5	+ 1.7 %
<i>EBIT margin (adjusted)</i>	<i>12.1 %</i>	<i>14.1 %</i>	<i>15.0 %</i>	<i>15.6 %</i>	
<i> for OEM business</i>	<i>16.1 %</i>	<i>20.7 %</i>	<i>22.8 %</i>	<i>24.4 %</i>	
<i> for commercial maintenance</i>	<i>8.7 %</i>	<i>8.1 %</i>	<i>8.8 %</i>	<i>8.2 %</i>	
Net income (adjusted)	83.7	113.7	210.1	237.0	+ 12.8 %
Net income (reported)	81.3	112.3	200.1	218.5	+ 9.2 %
Earnings per share (undiluted, reported)	1.56	2.15	3.87	4.19	+ 8.3 %
Free cash flow	22.6	49.4	83.6	132.7	+ 58.7 %
Research and development expenses	54.6	46.1	110.7	99.2	- 10.4 %
of which company-funded	45.9	39.9	90.8	87.3	- 3.9 %
of which outside-funded	8.7	6.1	19.9	11.9	- 40.1 %
<i>Company-funded R&D expenditure</i>	<i>11.4</i>	<i>13.1</i>	<i>21.2</i>	<i>26.4</i>	<i>+ 24.5 %</i>
Investment in property, plant and equipment (net)	31.0	54.3	50.6	88.8	+ 75.5 %
			December 31, 2017	June 30, 2018	Change
Balance sheet key figures					
Intangible assets			1,032.5	1,052.3	+ 1.9 %
Cash and cash equivalents			106.1	86.9	- 18.1 %
Pension provisions			870.7	887.2	+ 1.9 %
Equity			1,841.3	1,889.8	+ 2.6 %
Net financial debt			827.0	818.8	- 1.0 %
Total assets and liabilities			6,359.1	6,665.9	+ 4.8 %
Order backlog			14,893.0	15,482.8	+ 4.0 %
Employees			8,846	9,264	+ 4.7 %

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.

Geared Turbofan is a trademark application of Pratt & Whitney.

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