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**Financial year 2018: MTU Aero Engines AG once again posts record figures**

- **Forecast for 2018 fully met**
- **Outlook for 2019: Sustained revenue and earnings growth**

*- Provisional figures – subject to approval by the Supervisory Board -*

Munich, February 20, 2019 – MTU Aero Engines AG once again set new records in the financial year 2018. Revenues increased by 17 % from € 3,897.4 million in 2017 to a new high of € 4,567.1 million. The group's operating profit<sup>1</sup> reached a new record level of € 671.4 million, similarly beating the previous year's result by 17 % (2017: € 572.5 million). Net income<sup>2</sup> also surpassed the previous record of € 404.9 million, set in 2017, growing by 18 % to € 479.1 million.

“MTU Aero Engines AG continued to drive profitable growth in 2018. By not only achieving our target figures, but even slightly surpassing them, we reliably met our commitments to the capital market,” said Reiner Winkler, CEO of MTU Aero Engines AG, summing up the provisional annual results for 2018 at a presentation on Wednesday, February 20, 2019. MTU revised its earnings forecasts upwards twice in the course of the year, for the second time in October, targeting revenues of around € 4.4 billion in 2018. The earnings forecasts were for an EBIT adjusted of approximately € 660 million and net income adjusted of approximately € 470 million in 2018. “We successfully strengthened our already good market position in both of our operating segments – OEM and MRO – in 2018, thus establishing a basis for future growth. In 2019, we are aiming at new record figures,” said Winkler.

**Outlook for 2019**

MTU expects to generate revenues of around € 4.7 billion in 2019. “All business units are geared for growth,” added CFO Peter Kameritsch. In 2019, the commercial series production business looks set to become the fastest growing segment with an organic revenue increase in the low teens. Revenue growth in the mid- to high-single-digit percentage range is projected for the spare parts business in 2019, while revenues in the military engine business are expected to grow by 10 %. MTU's revenue forecast for its commercial maintenance business is for an organic growth rate in the high-single-digit percentage range. MTU expects its EBIT margin adjusted to reach around 15.5 % in 2019 (2018: 14.7 %). Operating profit and net income adjusted are expected to increase in equal measure (EBIT adjusted, 2018: € 671.4 million, net income adjusted, 2018: € 479.1 million). The cash conversion rate, defined as the ratio between free cash flow and net income adjusted, is projected between 50 and 60 % (2018: 42 %).

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<sup>1</sup> EBIT adjusted = Earnings before interest and tax, calculated on a comparable basis

<sup>2</sup> Net income adjusted = Earnings after tax, calculated on a comparable basis



### **Rise in OEM and MRO revenues**

In the financial year 2018, revenues increased in both the commercial engine business and the commercial maintenance business.

Revenues in the commercial engine business grew by 24 % to € 1,602.8 million (2017: € 1,289.9 million). The major part of these revenues was attributable to the V2500 engine for the classic A320 family as well as the PW1100G-JM for the A320neo and the GEnx engine that powers the Boeing 787 and 747-8.

In the commercial maintenance business, revenues rose by 23% from € 2,285.3 million to € 2,799.8 million. This growth was driven by the V2500 engine and the CF34 family of regional and business jet engines.

Revenues in the military engine business decreased by 3 % from € 444.9 million to € 431.3 million. The main source of these revenues was the EJ200 Eurofighter engine. “In the military engine business we see potential above all in an engine for a next-generation European fighter jet. MTU is preparing intensively for a participation in the new engine program,” added Winkler.

### **Order backlog at € 17.6 billion**

At € 17.6 billion, MTU’s order backlog in 2018 was 18 % higher than the previous year’s level of € 15.0 billion. “This, too, sets a new record. In purely mathematical terms, this translates into a capacity utilization of roughly four years, once again underscoring MTU’s excellent prospects,” commented Kameritsch. The V2500 engine and the Geared Turbofan™ engines in the PW1000G family, in particular the PW1100G-JM, account for the highest number of orders in the current backlog.

### **Higher earnings in all business units**

The increase in earnings in the financial year 2018 was mainly attributable to the significant growth in EBIT adjusted in the commercial maintenance business of 23 % to € 239.7 million (2017: € 194.4 million). The EBIT margin stood at 8.6 % compared with 8.5 % in the previous year. “To enable us to continue to participate in the growth of the MRO market moving forward, we are continuously optimizing our product and services portfolio and significantly expanding our capacities – for example with EME Aero, our 50:50 joint venture with Lufthansa Technik and the world’s largest and most advanced MRO shop for Geared Turbofan™ engines,” added Winkler.

Earnings in the OEM segment grew by 14 % to € 431.4 million (2017: € 378.1 million). “Thus, despite almost doubling the number of GTF deliveries in partnership with Pratt & Whitney in 2018, the margin remained at a high level,” said Winkler. The EBIT margin adjusted for the OEM segment came to 21.2 % in 2018 compared with 21.8 % in 2017.



### **2018: Effects from the first-time application of IFRS 15**

MTU Aero Engines applied the IFRS 15 accounting standard for the first time in the financial year 2018. “MTU has elected to use the full retrospective approach when applying IFRS 15 for the first time,” explained Kameritsch. “This means comparative data for the previous year is presented in compliance with IFRS 15 to improve comparability. This results in deviations from the figures reported for the previous year.” The scope and, above all, the impacts of IFRS 15 on MTU’s financial reporting are described in the 2017 Annual Report on pages 174 to 176. A reconciliation of performance indicators stated on a comparable basis for 2017 can be downloaded from the MTU website under Investor Relations > Publications and Events > Financial Reports > Final Key Figures 2017 - Restatement to IFRS 15.

### **Dividend proposal to be announced on February 26**

“We intend to continue offering our investors an appropriate share of our earnings this year,” said Kameritsch. “We will therefore recommend that at its meeting of February 26 to approve the financial statements of the company, the Supervisory Board propose that the Annual General Meeting pass a resolution to pay a dividend of € 2.85 per share for the financial year 2018.” MTU distributed a dividend of € 2.30 per share for 2017.

### **Research and development**

At € 201.2 million, MTU’s R&D expenditure matched the previous year’s level (2017: € 199.7 million). Research and development activities focused on the Geared Turbofan™ programs and future enhancements, R&D work for the GE9X engine for the Boeing 777X as well as technology studies relating to future-generation engine design and digitalization in engine construction.

### **Free cash flow of € 202.9 million**

MTU’s free cash flow increased by 34 % from € 151.1 million in 2017 to € 202.9 million in 2018. “We have thus also achieved our cash conversion rate target for the year,” commented Kameritsch. The company had forecast a target range for the cash conversion rate of 40 to 50 %.

### **Capital expenditure on property, plant and equipment**

In 2018, MTU invested € 184.4 in property, plant and equipment. This compared with € 166.5 in 2017.

### **Employee numbers up 10 %**

At year end, MTU had 9,731 employees on its payroll, or 10 % more than in 2017 (Dec. 31, 2017: 8,846 employees). New hires were taken on above all at the company’s headquarters in Munich, at MTU Aero Engines Polska and at the maintenance sites in Hannover and Ludwigsfelde.

MTU Aero Engines will publish its 2018 Annual Report on February 26, 2019.



## MTU Aero Engines – Key financial data for 2018

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

MTU Aero Engines	Q4 2017	Q4 2018	Dec. 31, 2017	Dec. 31, 2018	Change
Revenues	996.6	1,248.4	3,897.4	4,567.1	+ 17.2 %
of which OEM business	486.5	527.1	1,734.8	2,033.9	+ 17.2 %
of which commercial engine business	346.8	399.1	1,289.9	1,602.8	+ 24.3 %
of which military engine business	139.7	128.0	444.9	431.1	- 3.1 %
of which commercial maintenance	557.8	780.1	2,285.3	2,799.8	+ 22.5 %
EBIT (adjusted)	132.6	162.5	572.5	671.4	+ 17.3 %
of which OEM business	85.5	90.7	378.1	431.4	+ 14.1 %
of which commercial maintenance	47.6	71.8	194.4	239.7	+ 23.3 %
<i>EBIT margin (adjusted)</i>	<i>13.3 %</i>	<i>13.0 %</i>	<i>14.7 %</i>	<i>14.7 %</i>	
<i>for OEM business</i>	<i>17.6 %</i>	<i>17.2 %</i>	<i>21.8 %</i>	<i>21.2 %</i>	
<i>for commercial maintenance</i>	<i>8.5 %</i>	<i>9.2 %</i>	<i>8.5 %</i>	<i>8.6 %</i>	
Net income (adjusted)	92.1	116.3	404.9	479.1	+ 18.3 %
Net income (reported)	68.6	116.5	358.7	453.3	+ 26.4 %
Earnings per share (undiluted, reported)	1.30	2.22	6.90	8.67	+ 25.7 %
Free cash flow	32.0	39.6	151.1	202.9	+ 34.3 %
Research and development expenses	37.3	53.5	199.7	201.2	+ 0.7 %
of which company-funded	31.7	45.4	167.8	177.3	+ 5.6 %
of which outside-funded	5.6	8.1	31.9	23.9	- 25.1 %
<i>Company-funded R&amp;D expenditure</i>	<i>19.1</i>	<i>18.1</i>	<i>51.7</i>	<i>60.7</i>	<i>+ 17.4 %</i>
Investment in property, plant and equipment (net)	84.5	50.4	166.5	184.4	+ 10.8 %
			<b>Dec. 31, 2017</b>	<b>Dec. 31, 2018</b>	<b>Change</b>
<b>Balance sheet key figures</b>					
Intangible assets			1,032.5	1,072.7	+ 3.9 %
Cash and cash equivalents			106.1	99.0	- 6.7 %
Pension provisions			870.7	879.0	+ 1.0 %
Equity			1,841.3	2,144.2	+ 16.5 %
Net financial debt			827.0	854.0	+ 3.3 %
Total assets and liabilities			6,225.2	6,850.8	+ 10.0 %
<b>Order backlog</b>			14,893.0	17,572.8	+ 18.0 %
<b>Employees</b>			8,846	9,731	+ 10.0 %

### 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.

Geared Turbofan is a trademark application of Pratt & Whitney.

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*Investor Relations News:* <http://www.mtu.de/investor-relations/latest-news/>

**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. Actual results, performance or events may differ materially from those in such statements due to, without limitation, competition from other companies in MTU Aero Engines' industry and MTU Aero Engines' ability to retain or increase its market share, the cyclical nature of the airline industry, risks related to MTU Aero Engines' participation in consortia and risk and revenue sharing agreements for new aero engine programs, risks associated with the capital markets, currency exchange rate fluctuations, regulations affecting MTU Aero Engines' business and MTU Aero Engines' ability to respond to changes in the regulatory environment, and other factors. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences. MTU Aero Engines assumes no obligation to update any forward-looking statement.