**Another record year for MTU Aero Engines AG in 2019**

* **Earnings forecast fully met**
* **Free cash flow at the expected level**
* **Outlook for 2020: sustained revenue and earnings growth**

*- preliminary figures – pending the approval of the Supervisory Board -*

Munich, February 20, 2020 – MTU Aero Engines AG had another record year: revenue in 2019 reached a new high of €4,628.4 million (2018: €4,567.1 million). Operating profit**[[1]](#footnote-1)** came in at €756.9 million, surpassing the previous high of €671.4 million in 2018 by 13%. The EBIT margin rose from 14.7% to 16.4%. Net income**[[2]](#footnote-2)** increased by 12%, from €479.1 million to €537.6 million.

“MTU’s course of profitable growth thus continues unabated. We fully met our ambitious earnings forecast,” said Reiner Winkler, CEO of MTU Aero Engines AG, summing up the provisional annual results for 2019 at a presentation on Thursday, February 20, 2020. MTU had raised its forecast at half-year and confirmed it after nine months. The company had forecast an adjusted EBIT margin of about 16% and expected both operating profit and adjusted net income to increase. Revenue in 2019 came in slightly below the target of approximately €4.7 billion due to shifts in commercial series production business and the military engine business, as well as to lower material usage in the MRO segment. Winkler added: “In 2020, we want to raise the bar even higher and once again outperform our own records.”

**Outlook for 2020**

Revenues in the commercial series production business are predicted to increase organically by a high single-digit percentage in 2020. In the commercial spare parts business, MTU expects revenue to increase by a mid- to high-single-digit percentage. Revenue in the MRO business is expected to grow in the low twenties. “We anticipate a high-single-digit percentage revenue increase in the MRO core business. The remaining revenue increase results from the retrofit program for the Geared Turbofan™, which is likely to hold back our margin in commercial maintenance,” explained CFO Peter Kameritsch. Revenue in the military business is forecast to increase by a mid-single-digit percentage in 2020. MTU predicts a high-single-digit percentage improvement in operating profit. The cash conversion rate – that is, the ratio of free cash flow to net income adjusted – is expected to be around 70% in 2020 (2019: 67%). MTU is observing the potential impact of the coronavirus issue and will, if necessary, adjust its forecast in the course of the year.

**Revenue increase in the OEM business**

In 2019, revenue increased above all in the OEM business – both in the commercial engine business and in the military sector.

Revenue in the commercial engine business rose by 10%, from €1,395.6 million to €1,536.9 million. The major part of this revenue 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.

Revenue in the military engine business grew by 6% to €458.7 million (2018: €431.1 million), mainly due to the EJ200 Eurofighter engine. “In 2019, we set the course for the future in the military business: we’ve secured a strong role in development, production and aftersales support of the Next European Fighter Engine for Europe’s next generation of fighter planes,” added Winkler.

In the commercial maintenance business, revenue declined from €2,799.8 million to €2,711.4 million. “Revenue was impacted by changes in the ordering and billing process for V2500 maintenance services,” explained Kameritsch. “In organic terms, MRO revenue improved by 7%. This shows the ongoing high demand in this area as well as the fact that we posted a record U.S.$7.5 billion in MRO contract wins in 2019.” The largest shares of revenue in commercial maintenance were generated by the V2500 and the CF34, which is used in business and regional jets.

**Order backlog at €19.8 billion**

The order backlog at MTU in 2019 was 13% higher than in the previous year, at €19.8 billion (2018: €17.6 billion). This is equivalent to a full capacity utilization of just over four years. “We received new orders particularly for the Geared Turbofan™ programs, and especially the A320neo engine PW1100G-JM,” explained Kameritsch. “This shows once again that we have successfully aligned our product portfolio to future-oriented programs.”

**Higher earnings in all business units**

Earnings in 2019 rose significantly, particularly in the OEM business, where there was a gain of 15% to €495.6 million (2018: €431.4 million). “Despite the continuing strong increase in deliveries of the Geared Turbofan™, we succeeded in raising the EBIT margin in the OEM business to 24.8%,” said Winkler. MTU posted a margin of 23.6% in the OEM business in 2018.

Earnings in the commercial maintenance business grew by 9% to €260.9 million (2018: €239.7 million). The margin advanced by 1 percentage point, from 8.6% to 9.6%. “To further optimize our market position, we are expanding both our capacities and the product and service portfolio. For example, in 2019, we included the Leap engine in our service offering. EME Aero, our joint venture with Lufthansa Technik for the maintenance of the Geared Turbofan™, was granted certification as a maintenance organization and subsequently launched operations. And we are establishing a new MTU repair shop in Serbia,” reported Winkler.

**Dividend proposal on March 17**

“We intend to offer our investors an appropriate share of our record earnings once again this year,” said Kameritsch. “We will therefore recommend to the Supervisory Board at its meeting to adopt the company’s financial statements on March 17 that it propose to the Annual General Meeting a resolution to pay a dividend of €3.40 per share.” MTU distributed a dividend of €2.85 per share for 2018.

**Research and development**

Research and development expenditure of MTU came in at €214.3 million in 2019, compared with €201.2 million in 2018. 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 up by 77%**

MTU’s free cash flow increased by 77%, from €202.9 million in 2018 to €358.3 million in 2019. The cash conversion rate was therefore 67%. “This number is within the target range we had forecast for 2019,” said Kameritsch. MTU had expected a cash conversion rate for 2019 of between 60 and 70%.

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

Capital expenditure on property, plant and equipment at MTU was €298.7 million in 2019, which was 62% more than in the previous year (2018: €184.4 million). “We used these funds primarily to drive forward automation and digitalization and to expand our capacities for the Geared Turbofan™ programs,” explained Winkler.

**Employee numbers up 10%**

The number of employees at MTU rose by 10% in 2019 to 10,660 (December 31, 2018: 9,731 employees). New hires were taken on above all in Munich, Hannover and at MTU Aero Engines Polska.

MTU Aero Engines will publish its 2019 Annual Report on March 25, 2020.

**MTU Aero Engines – Key financial data for 2019**

*(Figures stated in € million)*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **MTU Aero Engines** | **Q4 2018** | **Q4 2019** | **as of Dec. 2018** | **as of Dec. 2019** | **Change** |
| Revenue | 1,248.4 | 1,224.7 | 4,567.1 | 4,628.4 | +1.3% |
| thereof: OEM business | 486.6 | 534.2 | 1,826.7 | 1,995.6 | +9.2% |
| thereof: commercial engine business | 358.6 | 399.1 | 1,395.6 | 1,536.9 | +10.1% |
| thereof: military engine business | 128.0 | 135.1 | 431.1 | 458.7 | +6.4% |
| thereof: commercial maintenance | 780.1 | 715.5 | 2,799.8 | 2,711.4 | -3.2% |
| EBIT (adjusted) | 162.5 | 199.2 | 671.4 | 756.9 | +12.7% |
| thereof: OEM business | 90.7 | 125.7 | 431.4 | 495.6 | +14.9% |
| thereof: commercial maintenance | 71.8 | 73.5 | 239.7 | 260.9 | +8.8% |
| *EBIT margin (adjusted)* | *13.0%* | *16.3%* | *14.7%* | *16.4%* |  |
| *for OEM business* | *18.6%* | *23.5%* | *23.6%* | *24.8%* |  |
| *for commercial maintenance* | *9.2%* | *10.3%* | *8.6%* | *9.6%* |  |
| Net income (adjusted) | 116.3 | 145.9 | 479.1 | 537.6 | +12.2% |
| Net income (reported) | 116.5 | 133.6 | 453.3 | 488.4 | +7.7% |
| Earnings per share (undiluted, reported) | 2.23 | 2.47 | 8.67 | 9.23 | +6.5% |
| Free cash flow | 39.6 | 55.8 | 202.9 | 358.3 | +76.6% |
| Research and development expenses | 53.5 | 47.6 | 201.2 | 214.3 | +6.5% |
| of which company-funded | 45.4 | 39.1 | 177.3 | 183.3 | +3.4% |
| of which externally funded | 8.1 | 8.5 | 23.9 | 31.0 | +29.7% |
| *Company-funded R&D expenses (income statement)* | 18.1 | 20.4 | 60.7 | 65.8 | +8.4% |
| Investment in property, plant and equipment (net) | 50.4 | 132.7 | 184.4 | 298.7 | +62.0% |
|  | | |  | | |
|  |  |  | **Dec. 31, 2018** | **Dec. 31, 2019** | **Change** |
| **Balance sheet key figures** |  |  |  |  |  |
| Intangible assets |  |  | 1,072.7 | 1,162.5 | +8.4% |
| Cash and cash equivalents |  |  | 99.0 | 139.5 | +40.9% |
| Pension provisions |  |  | 879.0 | 976.2 | +11.1% |
| Equity |  |  | 2,144.2 | 2,421.2 | +12.9% |
| Net financial debt |  |  | 854.0 | 960.7 | +12.5% |
| Total assets and liabilities |  |  | 6,850.8 | 7,765.3 | +13.3% |
|  |  |  |  |  |  |
| **Order backlog** |  |  | 17,572.8 | 19,820.5 | +12.8% |
|  |  |  |  |  |  |
| **Employees** |  |  | 9,731 | 10,660 | +9.5% |

**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 3 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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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 cyclicality 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.

1. **adjusted EBIT = earnings before interest and tax, calculated on a comparable basis** [↑](#footnote-ref-1)
2. **adjusted net income = earnings after tax, calculated on a comparable basis** [↑](#footnote-ref-2)