
MTU Aero Engines AG gives more precise guidance after the first six months

- **New revenue target between €4.3 and €4.5 billion**
- **Adjusted EBIT margin expected to be between 10% and 10.5%**
- **CCR expected to be in the mid to high double-digit percentage range**

Munich, July 30, 2021 – In the first six months of 2021, MTU Aero Engines AG generated revenue of €2,004 million; in the first half of 2020, revenue was €2,049 million. The operating profit¹ was €190 million (1-6/2020: €224 million) and the adjusted EBIT margin was 9.5% (1-6/2020: 10.9%). Net income² developed in line with operating profit and was €135 million, compared with €161 million in the prior-year period. “MTU continued to operate profitably in the first half of this year. Based on this performance and the improved visibility up to year-end, we can now give a more precise guidance for the 2021 fiscal year,” said Reiner Winkler, CEO of MTU Aero Engines AG. “We are somewhat more optimistic than previously about the commercial series business and the military business, but have slightly reduced our forecast for commercial maintenance. Overall, we are slightly increasing the lower end of our target ranges for both revenue and earnings.”

MTU now expects full-year revenue to be around €4.3 to €4.5 billion. Previously, the company’s guidance was for a revenue range of between €4.2 and €4.6 billion. Revenue should develop better than previously expected in the military business and the commercial series business: Revenue from the military business should rise in the mid to high single-digit percentage range. In the commercial series business, MTU expects growth in revenue to be in the low to mid single-digit percentage range. So far, the company only expected a slight revenue increase in both of these business units. The expectations for revenue in the commercial spare parts business are unchanged, with the company forecasting a rise in the low to mid single-digit percentage range. Revenue from commercial maintenance should increase by between 15% and 20% in 2021; previously, MTU assumed growth of between 15% and 25%. The adjusted EBIT margin is expected to be between 10% and 10.5% in 2021; the previous guidance was between 9.5% and 10.5%. Adjusted net income is likely to develop in line with the operating profit.

MTU posted higher revenue in both the commercial maintenance business and the military business in the first six months of the year.

In commercial maintenance, revenue rose 6% from €1.27 billion to €1.35 billion. “In the core MRO business, revenue was below the prior-year level. However, we were able to offset this thanks to sustained high demand for maintenance services for Geared Turbofan™ engines,” reported Winkler. MTU is well-positioned for the future. In the first six months, the company won MRO contracts worth U.S.\$3 billion; the value in the comparable prior-year period was U.S.\$1.7 billion. “That fuels our

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

² **Adjusted net income = adjusted income after income taxes, calculated on a comparable basis**



confidence that the downturn has bottomed out and a sustained recovery has started on the aftermarket,” said Winkler. The most important revenue generators in the commercial maintenance business were the PW1100G-JM, which is used in the A320neo, and the V2500 for the classic A320 aircraft family.

Revenue from the military business increased from €183 million in the first half of 2020 to €187 million. The main source of revenue was the EJ200 engine for the Eurofighter.

In the commercial engine business, revenue declined from €631 million to €515 million. “The decline in revenue was particularly sharp in the commercial series business. Here, the decrease in organic revenue was in the 20-percent range. The organic drop in revenue in the spare parts business was in the high single-digit percentage range,” reported Winkler. The main revenue generator in the commercial engine business was the PW1100G-JM for the A320neo.

The order backlog at the end of the first six months was €20.5 billion, an increase of 10% compared with year-end 2020 (December 31, 2020: €18.6 billion). The majority of these orders were for the V2500 engine for the A320 and the PW1000G family of Geared Turbofan™ engines, especially the PW1100G-JM for the A320neo.

In the first six months, earnings declined faster in the MRO business than in the OEM business: In the commercial maintenance business, adjusted EBIT decreased by 20% from €96 million to €77 million. The adjusted EBIT margin was 5.7%, compared with 7.6% in the prior-year period. CFO Peter Kameritsch: “The EBIT margin in the commercial maintenance business was influenced by the higher proportion of work on Geared Turbofan™ engines.”

In the OEM business, earnings declined by 12% from €128 million to €113 million. The adjusted EBIT margin was 16.0% (1-6/2020: 15.7%).

Kameritsch commented as follows on the adjusted net income: “In the second quarter, we provide for the international structure of our value creation and therefore the expected growth in our business and earnings by adjusting our normalized tax rate to 26%. We use this to derive adjusted net income for the 2021 fiscal year.” In the first half of 2020, the normalized tax rate was 29%.

MTU’s research and development expenses were €102 million in the first half of 2021, compared with €98 million in the first half of 2020. “Our R&D activities are still focused on continually improving our products, services and production activities, so that we can make our contribution to a sustainable and ultimately emissions-free aviation,” said Winkler. MTU’s focus is on improving the performance of the Geared Turbofan™ programs, technology studies for future engine generations, especially hydrogen and flying fuel cells, and the digitalization of engine production.



The free cash flow was €187 million as of June 2021 (1-6/2020: €125 million). Kameritsch: “In view of this positive development, we are increasing our CCR guidance for the full year. We now expect the cash conversion rate, which is the ratio of free cash flow to adjusted net income, to be in the mid to high double-digit percentage range.” Previously, MTU expected the cash conversion rate in 2021 to be in the mid double-digit percentage range. In 2020, the cash conversion rate was 36%.

Net capital expenditure on property, plant and equipment was €63 million in the first half of 2021, as in the first half of 2020.

MTU had 10,210 employees at the end of June 2021. At year-end 2020, the headcount was 10,313.

MTU Aero Engines – Key data for the first half of 2021

(Amounts in € million unless stated otherwise)

MTU Aero Engines	Q2 2020	Q2 2021	As of June 2020	As of June 2021	Change
Revenue	776	1,015	2,049	2,004	- 2%
thereof OEM business	317	365	814	701	- 14%
thereof commercial engine business	231	265	631	515	- 18%
thereof military engine business	86	100	183	187	+ 2%
thereof commercial maintenance	477	674	1,272	1,352	+ 6%
Adjusted EBIT	42	103	224	190	- 15%
thereof OEM business	12	66	128	113	- 12%
thereof commercial maintenance	31	38	96	77	- 20%
<i>Adjusted EBIT margin</i>	<i>5.5%</i>	<i>10.2%</i>	<i>10.9%</i>	<i>9.5%</i>	
<i>in the OEM business</i>	<i>3.8%</i>	<i>18.0%</i>	<i>15.7%</i>	<i>16.0%</i>	
<i>in commercial maintenance</i>	<i>6.4%</i>	<i>5.7%</i>	<i>7.6%</i>	<i>5.7%</i>	
Adjusted net income	33	77	161	135	- 16%
Net income (reported)	13	54	125	103	- 18%
Earnings per share (basic, reported)	0.20	0.98	2.30	1.89	- 18%
Free cash flow	56	81	125	187	+ 49%
Research and development expenses	39	55	98	102	+ 4%
thereof company-funded	34	39	84	75	- 10%
thereof customer-funded	5	16	14	27	+ 88%
<i>Company-funded R&D expenses as stated in the income statement</i>	<i>9</i>	<i>21</i>	<i>24</i>	<i>37</i>	<i>+ 55%</i>
Net capital expenditure on property, plant and equipment	25	39	63	63	- 1%



			Dec. 31, 2020	June 30, 2021	Change
Balance sheet key figures					
Intangible assets			1,135	1,154	+ 2%
Cash and cash equivalents			773	695	- 10%
Pension provisions			1,009	968	- 4%
Equity			2,635	2,667	+ 1%
Net financial debt			781	698	- 11%
Total assets and liabilities			8,104	8,099	- 0%
Order backlog					
			18,608	20,505	+ 10%
Employees					
			10,313	10,210	- 1%

Outlook for 2021

	Old	New
Revenue	Between €4.2 and €4.6 billion	Between €4.3 and €4.5 billion
<i>thereof: organic revenue development</i>		
<i>Military engine business</i>	<i>Slight increase</i>	<i>Increase in the mid to high single-digit percentage range</i>
<i>Commercial series business</i>	<i>Slight increase</i>	<i>Increase in the low to mid single-digit percentage range</i>
<i>Commercial spare parts business</i>	<i>Increase in the low to mid single-digit percentage range</i>	<i>Increase in the low to mid single-digit percentage range</i>
<i>Commercial maintenance</i>	<i>Increase of around 15 to 25%</i>	<i>Increase of around 15 to 20%</i>
Adjusted EBIT margin	9.5% to 10.5%	10% to 10.5%
Adjusted net income	Development in line with adjusted EBIT	Development in line with adjusted EBIT
Cash conversion rate	Mid double-digit percentage range	Mid to high double-digit percentage range

About MTU Aero Engines

MTU Aero Engines AG is Germany's leading engine manufacturer. The company is a technological leader in low-pressure turbines, high-pressure compressors, turbine center frames as well as manufacturing processes and repair techniques. In the commercial OEM business, the company plays a key role in the development, manufacturing and marketing of high-tech components together with international partners. Some 30 percent of today's active aircraft in service worldwide have MTU components on board. In the commercial maintenance sector the company ranks among the top 3 service providers for commercial aircraft engines and industrial gas turbines. The activities are combined under the roof of MTU Maintenance. In the military arena, MTU Aero Engines is Germany's industrial lead company for practically all engines operated by the country's military. MTU operates a network of locations around the globe; Munich is home to its corporate headquarters.



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