
MTU Aero Engines raises earnings and cash flow forecast at half-year

- **Adjusted EBIT margin for 2019 expected to reach around 16 %**
- **Cash conversion rate projected to increase to between 65 and 70 %**

Munich, July 25, 2019 – At half-year, MTU Aero Engines AG has raised its forecast for 2019. The company is now projecting an adjusted EBIT margin in the region of 16 %. The original forecast had been 15.5 % (2018: 14.7 %). “The increase in the earnings outlook mainly reflects two factors: One is that our MTU Maintenance Zhuhai site in China developed somewhat more positively than anticipated. In addition, changes in the product mix also had a positive effect,” said Reiner Winkler, CEO of MTU Aero Engines AG. Net income adjusted is expected to increase in line with EBIT adjusted (EBIT adjusted, 2018: € 671.4 million, net income adjusted, 2018: € 479.1 million). The cash conversion rate – that is, the ratio of free cash flow to net income adjusted – is expected to lie between 65 and 70 % in 2019. MTU’s previous forecast specified a target range between 55 and 65 % (2018: 42 %).

In the first six months of 2019, MTU generated revenues of € 2,243.0 million, which is 4 % higher than in the first six months of 2018 (1-6/2018: € 2,148.6 million). Adjusted for one-time effects arising from internal changes in contracting and invoicing processes, the growth in revenues expressed in euros would have amounted to around 12 %. The group’s operating profit¹ increased by 9 % from € 334.6 million to €365.2 million. The EBIT margin rose from 15.6 % to 16.3 %. Net income² increased by 10 % to € 261.0 million (1-6/2018: € 237.0 million). Winkler: “Thus MTU is on track for new records.”

MTU has maintained its forecast for an increase in revenues to around € 4.7 billion (2018: € 4.6 billion), based on the expectation that the commercial series production business will grow organically by a percentage in the low teens, and that spare parts sales will increase by a percentage in the mid-to-high single digits. Revenues in the military engine business are expected to increase by around 10 %. A high single-digit percentage organic growth rate is expected in the commercial maintenance business.

The area in which MTU recorded the highest revenue growth in the first six months of 2019 was the commercial engine business, where revenues increased by 13 % from € 687.0 million to € 773.0 million. The major part of these revenues was attributable to the V2500 engine for the classic A320 family and the PW1100G-JM for the A320neo.

Revenues in the military engine business increased by 9 % to € 216.0 million (1-6/2018: € 198.8 million). The main source of these revenues was the EJ200 Eurofighter engine.

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 maintenance business, revenues remained stable at € 1,287.3 million (1-6/2018: € 1,288.5 million). “In terms of organic growth, revenue in the commercial MRO segment has increased by around 7 %,” added CFO Peter Kameritsch. “This reflects the steady growth of this segment, from which we also benefit through the further expansion of our portfolio and our locations.” The main revenue driver in the commercial MRO segment was the V2500.

At € 18.5 billion, the order backlog again reached record levels at the end of June 2019 (December 31, 2018: € 17.6 billion). “The OEM and the MRO operating segments both contributed to this sustained strong result. This is also reflected in the composition of the order backlog, in which the V2500 and the Pratt & Whitney Geared Turbofan™ (GTF) engines play the key role,” said Winkler. With the GTF programs in particular, MTU also scored points at the recent Paris Air Show where it generated trade fair orders worth around U.S. \$ 1.3 billion. These orders are not yet included in the current order backlog figure.

MTU’s earnings growth in the first half-year 2019 was particularly high in the commercial maintenance business, where EBIT adjusted increased by 16 % from € 105.5 million to € 122.3 million. The EBIT margin rose by 1.3 percentage points from 8.2 % to 9.5 %. “MTU Maintenance Zhuhai contributed in particular to this positive margin development,” Kameritsch added. In the OEM segment, MTU increased its half-year earnings by 6 % to € 242.5 million (1-6/2018: € 228.9 million). The EBIT margin stood at 24.5 % compared with 25.8 % at the end of June 2018. Kameritsch continued: “Despite the strong increase in series production business, the margin remained at a high level.”

At € 112.0 million, MTU’s R&D expenditure was 13 % higher than the previous year’s level (1-6/2018: € 99.2 million). With its research and development activities, MTU is proactively preparing for the future. R&D activities mainly focused on the Geared Turbofan™ programs and future enhancements and looked intensively at various technology studies and R&D projects relating to next-generation engine design. “The most recent example from our technology roadmap is our involvement in the new hybrid electric Silent Air Taxi light aircraft,” Winkler added.

MTU’s free cash flow amounted to € 235.4 million, which represents an increase of 77 % compared with June 30, 2018 (€ 132.7 million).

MTU increased its net capital expenditure on property, plant and equipment by 12 % from € 88.8 million to € 99.0 million.

MTU's workforce increased by 5 % to 10,206 employees compared with the end of 2018 (December 31, 2018: 9,731 employees). “In the context of our global site expansion, we have increased the number of employees across the entire MTU group. New hires were taken on above all at the company’s locations in Munich, Hannover and Poland,” Winkler said.



MTU Aero Engines – Key financial data for January through June 2019:

(Figures stated in € million)

MTU Aero Engines	Q2 2018	Q2 2019	At June 2018	At June 2019	Change
Revenues	1,132.2	1,111.8	2,148.6	2,243.0	+ 4.4 %
of which OEM business	475.8	498.3	885.8	989.0	+ 11.7 %
of which commercial engine business	368.3	387.4	687.0	773.0	+ 12.5 %
of which military engine business	107.5	110.9	198.8	216.0	+ 8.7 %
of which commercial maintenance	670.3	632.2	1,288.5	1,287.3	- 0.1 %
EBIT (adjusted)	159.5	177.6	334.6	365.2	+ 9.1 %
of which OEM business	105.5	112.0	228.9	242.5	+ 5.9 %
of which commercial maintenance	54.0	65.5	105.5	122.3	+ 15.9 %
<i>EBIT margin (adjusted)</i>	<i>14.1 %</i>	<i>16.0 %</i>	<i>15.6 %</i>	<i>16.3 %</i>	
<i> for OEM business</i>	<i>22.2 %</i>	<i>22.5 %</i>	<i>25.8 %</i>	<i>24.5 %</i>	
<i> for commercial maintenance</i>	<i>8.1 %</i>	<i>10.4 %</i>	<i>8.2 %</i>	<i>9.5 %</i>	
Net income (adjusted)	113.7	127.5	237.0	261.0	+ 10.1 %
Net income (reported)	112.3	102.8	218.5	229.3	+ 4.9 %
Earnings per share (undiluted, reported)	2.15	1.92	4.19	4.34	+ 3.6 %
Free cash flow	49.4	94.0	132.7	235.4	+ 77.4 %
Research and development expenses	46.1	54.0	99.2	112.0	+ 12.9 %
of which company-funded	40.0	43.9	87.3	95.9	+ 9.9 %
of which outside-funded	6.1	10.1	11.9	16.1	+ 35.3 %
<i>Company-funded R&D expenses</i>	<i>13.1</i>	<i>11.3</i>	<i>26.4</i>	<i>28.4</i>	<i>+ 7.6 %</i>
Net Capital expenditure on property, plant and equipment	54.3	61.6	88.8	99.0	+ 11.5 %
			December 31, 2018	June 30, 2019	Change
Balance sheet key figures					
Intangible assets			1,072.7	1,113.8	+ 3.8 %
Cash and cash equivalents			99.0	134.7	+ 36.1 %
Pension provisions			879.0	988.0	+ 12.4 %
Equity			2,144.2	2,194.3	+ 2.3 %
Net financial debt			854.0	901.5	+ 5.6 %
Total assets and liabilities			6,850.8	7,245.2	+ 5.8 %
Order backlog			17,572.8	18,487.6	+ 5.2 %
Employees			9,731	10,206	+ 4.9 %

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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