
MTU Aero Engines gives more precise guidance in the wake of stable nine-month figures

- Revenue forecast to be between €4.3 and €4.4 billion in 2021
- Adjusted EBIT margin expected to be around 10.5%
- CCR should be in the high double-digit percentage range

Munich, October 29, 2021 – In the first nine months of 2021, MTU Aero Engines AG generated stable revenue and earnings. Revenue was €3,008 million, compared with €2,957 million in the first nine months of 2020. The operating profit¹ was €307 million; in the prior-year period it was €311 million. The adjusted EBIT margin was 10.2% (1-9/2020: 10.5%). Net income² was almost unchanged year-on-year at €220 million (1-9/2020: €219 million).

“We managed to deliver stable earnings in persistently volatile market conditions. On this basis, we can now give more precise guidance for the full year,” said Reiner Winkler, CEO of MTU Aero Engines AG. “We now assume that revenue will be between €4.3 and €4.4 billion at year-end. The adjusted EBIT margin should be around 10.5%, which is the upper end of the range forecast to date.” In its guidance at the end of July, MTU gave a slightly broader range of €4.3 to €4.5 billion for revenue and predicted an adjusted EBIT margin of between 10% and 10.5%. The company expects adjusted net income to develop in line with the operating profit.

In the first nine months, revenue was affected by the U.S. dollar exchange rate. CFO Peter Kameritsch: “There was some headwind from the exchange rate. In dollars, revenue grew by 8% in the first nine months.”

In euros, MTU registered higher revenue from both commercial maintenance and the military business in the first nine months of 2021.

In the commercial maintenance business, revenue rose by 8% to €2.010 million (1-9/2020: €1,866 million). “As in the previous quarters, the commercial maintenance mix was around 60% MRO for our core business and 40% maintenance on the Geared Turbofan™,” said Winkler. The most important revenue drivers in the commercial maintenance business were the PW1100G-JM, which is used in the A320neo, and the V2500 for the classic A320 aircraft family. Winkler: “In the third quarter, some engine programs had slightly lower MRO content than expected. This affects the figures for the full year: The revenue from the commercial maintenance business is expected to grow in the mid-teen percentage range in 2021.” After the first six months, MTU had assumed that revenue from the commercial MRO business would rise by between 15% and 20%.

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



Revenue from the military engine business increased from €296 million to €310 million. The principal source of revenue was the EJ200 engine for the Eurofighter. Winkler: “Minor supply chain delays could mean that deliveries in the military business are pushed back to next year. We are therefore revising our revenue guidance for the 2021 financial year to a mid single-digit increase.” Previously, MTU had expected revenue growth in the mid to high single-digit percentage range.

In the commercial engine business, revenue declined by 10% from €850 million to €765 million in the first nine months. “The organic drop in revenue was in the low teens percentage range in the commercial series business and the low single-digit percentage range in the spare parts business,” reported Winkler. A quarterly view shows an organic improvement in both businesses – by about 20% in the series business and in the low teens percentage range in the spare parts business. The PW1100G-JM for the A320neo was the main revenue driver in the commercial engine business. The full-year guidance for the commercial series business and the spare parts business remains unchanged: Both businesses are expected to report organic growth in the low to mid single-digit percentage range in 2021.

The order backlog was €20.7 billion at the end of the third quarter (December 31, 2020: €18.6 billion). The majority of these orders are for the V2500 and the PW1000G family of Geared Turbofan™ engines, especially the PW1100G-JM.

In the first nine months, MTU posted higher earnings in the OEM business and lower earnings in the MRO segment. The operating profit from the OEM business increased from €194 million to €202 million. The adjusted EBIT margin was 18.8%, compared with 16.9% in the prior-year period. In the commercial maintenance business, the operating profit dropped from €116 million to €105 million. The adjusted EBIT margin was 5.2% (1-9/2020: 6.2%). “In the OEM business, the revenue mix and our cost-saving programs had a positive influence on earnings. In the commercial maintenance business, earnings were held back principally by the high proportion of work on the Geared Turbofan™,” reported Kameritsch.

Spending on research and development was €162 million in the first nine months of 2021 compared with €139 million in the comparable period of 2020. MTU’s R&D activities are focused on emissions-free aviation, especially hydrogen and flying fuel cells. In addition to these R&D activities and technology studies for future engine generations, MTU’s activities concentrated on the Geared Turbofan™ programs and their ongoing development and the digitalization of engine production.

The free cash flow was €205 million as of end-September 2021, a year-on-year rise of 41% (1-9/2020: €145 million). “In view of this positive development, we are increasing our forecast for the cash conversion rate,” said Kameritsch. “We now expect the cash conversion rate to be in the high double-digit percentage range.” Previously, MTU expected the CCR to be in the mid to high double-digit percentage range.



Net capital expenditure on property, plant and equipment increased by 25% to €117 million in the first nine months (1-9/2020: €93 million).

MTU had 10,298 employees at the end of the third quarter. At year-end 2020, the headcount was 10,313 employees.

MTU Aero Engines – Key data for the third quarter of 2021

(Amounts in € million)

| MTU Aero Engines | Q3 2020 | Q3 2021 | As of Sept. 2020 | As of Sept. 2021 | Change |
|--|--------------|--------------|------------------|------------------|--------------|
| Revenue | 908 | 1,004 | 2,957 | 3,008 | + 2% |
| thereof OEM business | 333 | 373 | 1,146 | 1,075 | - 6% |
| thereof commercial engine business | 220 | 251 | 850 | 765 | - 10% |
| thereof military engine business | 113 | 123 | 296 | 310 | + 4% |
| thereof commercial maintenance | 594 | 658 | 1,866 | 2,010 | + 8% |
| Adjusted EBIT | 87 | 117 | 311 | 307 | - 1% |
| thereof OEM business | 66 | 89 | 194 | 202 | + 4% |
| thereof commercial maintenance | 20 | 28 | 116 | 105 | - 9% |
| <i>Adjusted EBIT margin</i> | <i>9.5%</i> | <i>11.7%</i> | <i>10.5%</i> | <i>10.2%</i> | |
| <i> in the OEM business</i> | <i>19.9%</i> | <i>23.9%</i> | <i>16.9%</i> | <i>18.8%</i> | |
| <i> in commercial maintenance</i> | <i>3.3%</i> | <i>4.2%</i> | <i>6.2%</i> | <i>5.2%</i> | |
| Adjusted net income | 58 | 85 | 219 | 220 | + 0% |
| Net income (reported) | 16 | 87 | 141 | 190 | + 35% |
| Earnings per share (basic, reported) | 0.28 | 1.62 | 2.58 | 3.50 | + 36% |
| Free cash flow | 20 | 18 | 145 | 205 | + 41% |
| Research and development expenses | 41 | 60 | 139 | 162 | + 16% |
| thereof company-funded | 35 | 41 | 119 | 116 | - 2% |
| thereof customer-funded | 7 | 19 | 21 | 46 | + 120% |
| <i>Company-funded R&D expenses as stated in the income statement</i> | <i>16</i> | <i>22</i> | <i>41</i> | <i>60</i> | <i>+ 48%</i> |
| Net capital expenditure on property, plant and equipment | 30 | 54 | 93 | 117 | + 25% |



| | | | Dec. 31, 2020 | Sept. 30, 2021 | Change |
|----------------------------------|--|--|------------------|-------------------|--------|
| Balance sheet key figures | | | | | |
| Intangible assets | | | 1,135 | 1,156 | + 2% |
| Cash and cash equivalents | | | 773 | 719 | - 7% |
| Pension provisions | | | 1,009 | 969 | - 4% |
| Equity | | | 2,635 | 2,727 | + 4% |
| Net financial debt | | | 781 | 674 | - 14% |
| Total assets and liabilities | | | 8,104 | 8,070 | - 0% |
| Order backlog | | | | | |
| | | | 18,608 | 20,659 | + 11% |
| Employees | | | | | |
| | | | 10,313 | 10,298 | - 0% |

Outlook for 2021

| | Old | New |
|---|--|---|
| Revenue | Between €4.3 and €4.5 billion | Between €4.3 and €4.4 billion |
| <i>thereof: organic revenue development</i> | | |
| <i>Military engine business</i> | <i>Increase in the mid to high single-digit percentage range</i> | <i>Increase in the mid single-digit percentage range</i> |
| <i>Commercial series 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 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 20%</i> | <i>Increase in the mid teens percentage range</i> |
| Adjusted EBIT margin | 10% to 10.5% | ~10.5% |
| Adjusted net income | Development in line with adjusted EBIT | Development in line with adjusted EBIT |
| Cash conversion rate | Mid to high double-digit percentage range | 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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