
Nine-month results 2018: MTU Aero Engines raises forecast

- Revenue forecast revised to € 4.4 billion
- Operating profit set to reach around € 660 million, net income some € 470 million

Munich, October 25, 2018 – In the first nine months of 2018, MTU Aero Engines generated revenues of € 3,318.7 million, up 14% on the previous year (1-9/2017: € 2,900.8 million). The group's operating profit¹ increased by 16% from € 439.9 million to € 508.9 million. The EBIT margin stood at 15.3% (1-9/2017: 15.2%). Earnings after tax² rose by 16% to € 362.8 million (1-9/2017: € 312.8 million).

“MTU continues to benefit from a favorable tailwind, in both the OEM and MRO segments,” said Reiner Winkler, CEO of MTU Aero Engines. “Above all the aftermarket for spare parts and commercial maintenance has again surpassed our expectations. This has a positive effect on our forecast for this year, which we are raising today.” As a result of the strong aftermarket business and taking exchange rate effects into account, group revenues are now expected to reach around € 4.4 billion in 2018. Initially, MTU had anticipated revenues of around € 4.2 billion (revenues in 2017: € 3.9 billion). MTU is also raising the forecast for EBIT adjusted – from around € 640 million to around € 660 million (EBIT adjusted, 2017: € 572.5 million). Net income adjusted, originally targeted at € 450 million, is expected to increase to around € 470 million in 2018 (net income adjusted, 2017: € 404.9 million). The outlook for the cash conversion rate – the ratio of free cash flow to net income adjusted – remains unchanged at 40 to 50%.

The strongest increase in MTU's revenues in the period January to September 2018 was attributable to the commercial engine business, where revenues grew by 28% from € 943.1 million to € 1,203.7 million. The main source of these revenues was 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 17% from € 1,727.5 million to € 2,019.7 million. This growth was driven mainly by the V2500 engine, followed by the CF34 family of regional and business jet engines. “Our engine leasing and asset management business, which is constantly being expanded to include new services, is also gaining importance,” CFO Peter Kameritsch said. MTU is addressing the growing future demand for maintenance services by expanding its MRO network: “At the end of September, we laid the foundation stone for our EME Aero joint venture with Lufthansa Technik in Poland for the maintenance of Geared Turbofan™ aircraft engines,” said Winkler.

Revenues in the military engine business remained stable at € 303.1 million (1-9/2017: € 305.2 million). The EJ200 Eurofighter engine was the main source of these revenues.

¹ EBIT adjusted = Earnings before interest and tax, after adjustments

² Net income adjusted = Earnings after tax, after adjustments



At September 30, MTU had an order backlog of € 15.3 billion, compared with € 14.9 billion at December 31, 2017. The majority of these orders relate to the V2500 and the Geared Turbofan™ engines of the PW1000G family, in particular the PW1100G-JM for the A320neo.

MTU reported higher earnings in both the OEM and the MRO operating segments in the first nine months of 2018. In the OEM segment, operating profit climbed 16% to € 340.7 million (1-9/2017: € 292.6 million), while the EBIT margin stood at 22.6% compared with 23.4% in the same period of the previous year. “The margin levels reflect the increase in deliveries for the Geared Turbofan™ programs,” Kameritsch added. Earnings in the commercial maintenance business grew by 14 % to € 167.9 million (1-9/2017: € 146.8 million), resulting in an EBIT margin of 8.3% (1-9/2017: 8.5%).

In the nine months to the end of September 2018, MTU spent € 147.7 million on research and development (1-9/2017: € 162.4 million). These R&D activities mainly focused on the Geared Turbofan™ programs and future enhancements, the GE9X engine for the Boeing 777X long-haul airliner, various technology studies and R&D projects relating to next-generation engine design.

MTU's free cash flow amounted to € 163.3 million, which represents an increase of 37% year-on-year (1-9/2017: € 119.1 million).

Capital expenditure on property, plant and equipment in the first nine months of 2018 amounted to € 134.0 million, compared with € 82.0 million in the corresponding period in 2017.

MTU had 9,531 employees on its payroll at September 30, 2018, an increase of 8% over the end of 2017 (December 31, 2017: 8,846 employees). Additional personnel were recruited above all at the company's main site in Munich, at MTU Aero Engines Polska, and at the maintenance sites in Hannover and Ludwigsfelde.



MTU Aero Engines – Key financial data for January through September 2018

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

MTU Aero Engines	Q3 2017	Q3 2018	at Sep. 2017	at Sept. 2018	Change
Revenues	923.8	1,170.1	2,900.8	3,318.7	+ 14.4 %
of which OEM business	404.0	569.1	1,248.3	1,506.8	+ 20.7 %
of which commercial engine business	299.9	464.8	943.1	1,203.7	+ 27.6 %
of which military engine business	104.1	104.3	305.2	303.1	- 0.7 %
of which commercial maintenance	546.5	731.2	1,727.5	2,019.7	+ 16.9 %
EBIT (adjusted)	143.6	174.3	439.9	508.9	+ 15.7 %
of which OEM business	100.3	111.8	292.6	340.7	+ 16.4 %
of which commercial maintenance	43.1	62.4	146.8	167.9	+ 14.4 %
<i>EBIT margin (adjusted)</i>	<i>15.5 %</i>	<i>14.9 %</i>	<i>15.2 %</i>	<i>15.3 %</i>	
<i> for OEM business</i>	<i>24.8 %</i>	<i>19.6 %</i>	<i>23.4 %</i>	<i>22.6 %</i>	
<i> for commercial maintenance</i>	<i>7.9 %</i>	<i>8.5 %</i>	<i>8.5 %</i>	<i>8.3 %</i>	
Net income (adjusted)	102.7	125.8	312.8	362.8	+ 16.0 %
Net income (reported)	90.0	118.3	290.1	336.8	+ 16.1 %
Earnings per share (undiluted, reported)	1.73	2.25	5.60	6.44	+ 15.0 %
Free cash flow	35.5	30.6	119.1	163.3	+ 37.1 %
Research and development expenses	51.7	48.5	162.4	147.7	- 9.1 %
of which company-funded	45.3	44.6	136.1	131.9	- 3.1 %
of which outside-funded	6.4	3.9	26.3	15.8	- 39.9 %
<i>Company-funded R&D expenditure</i>	<i>11.5</i>	<i>16.2</i>	<i>32.6</i>	<i>42.6</i>	<i>+ 30.7 %</i>
Investment in property, plant and equipment (net)	31.4	45.2	82.0	134.0	+ 63.4 %
			Dec. 31, 2017	Sep. 30, 2018	Change
Balance sheet key figures					
Intangible assets			1,032.5	1,060.7	+ 2.7 %
Cash and cash equivalents			106.1	61.2	- 42.3 %
Pension provisions			870.7	891.1	+ 2.3 %
Equity			1,841.3	2,038.8	+ 10.7 %
Net financial debt			827.0	792.7	- 4.1 %
Total assets and liabilities			6,359.1	6,920.1	+ 8.8 %
Order backlog			14,893.0	15,292.2	+ 2.7 %
Employees			8,846	9,531	+ 7.7 %

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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