
MTU Aero Engines AG reports revenue and earnings growth after first nine months of 2019

- Revenue up by 3 % to € 3.4 billion
- Operating profit rises by 10 % to € 557.7 million, net income by 8 % to € 391.7 million
- Forecast for 2019 confirmed

Munich, October 25, 2019 – In the first nine months of 2019, MTU Aero Engines generated revenues of € 3,403.7 million, up 3 % on the previous year (1-9/2018 € 3,318.7 million). The group's operating profit¹ increased by 10 % from € 508.9 million to € 557.7 million. The EBIT margin rose from 15.3 % to 16.4 %. Net income² increased by 8 % to € 391.7 million (1-9/2018: € 362.8 million).

“With this result, we are on track to achieve our targets for 2019 and therefore confirm our forecast for the year,” said Reiner Winkler, CEO of MTU Aero Engines. “2019 looks set to become another record-breaking financial year for MTU. We are thus continuing with the company's positive and sustainable development, which was rewarded with a listing on the DAX in the past quarter.”

The area in which MTU recorded the highest revenue growth in the first nine months of 2019 was the commercial engine business, where revenues increased by 10 % from € 1,037.0 million to € 1,137.8 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.

Revenues in the military engine business increased by 7 % to € 323.6 million (1-9/2018: € 303.1 million). The EJ200 Eurofighter engine was the main source of these revenues.

In the commercial maintenance business, revenues in the first nine months of 2019 remained at the previous year's level at € 1,995.9 million (1-9/2018: € 2,019.7 million). “In terms of organic growth, revenue in the commercial MRO segment has increased by around 8 %,” added CFO Peter Kameritsch. This growth was driven mainly by the V2500 engine, followed by the CF34 family of regional and business jet engines.

At September 30, MTU had an order backlog of € 20.8 billion (December 31, 2018: € 17.6 billion). “That is a new record and clearly underscores MTU's excellent prospects,” commented Kameritsch. “In purely arithmetical terms, the order backlog corresponds to a production workload of more than four years.” 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 segment in the first nine months of 2019. In the OEM segment, operating profit increased by 9 % to € 369.9 million (1-9/2018: € 340.7 million),

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



while, at 25.3 %, the EBIT margin matched the previous year's level (1-9/2018: 25.4 %). Earnings in the commercial maintenance business grew by 12 % to € 187.4 million (1-9/2018: € 167.9 million). The EBIT margin stood at 9.4 % compared with 8.3 % at the end of September 2018.

In the nine months to the end of September 2019, MTU spent € 166.7 million on research and development, up 13 % on the same period of 2018 (1-9/2018: € 147.7 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. "In our R&D work, we are continually seeking ways to optimize current generations of aircraft engines, as well as develop technologies that reach far into the coming decades. This enables us to safeguard MTU's long-term viability," added Winkler.

MTU's free cash flow amounted to € 302.5 million, an increase of 85 % year-on-year (1-9/2018: € 163.3 million). "The cash conversion rate after the first nine months is thus higher than forecast. On this background we feel well with our outlook," said Kameritsch.

Kameritsch added: "In addition, we initiated measures in the third quarter to optimize our capital structure." In September, MTU issued a convertible bond for a total nominal amount of € 500 million and an original maturity until 2027 and repurchased outstanding convertible bonds with a total nominal value of € 275 million.

Net cash outflows for property, plant and equipment increased in the first nine months of 2019 by 24 % from € 134.0 million to € 166.0 million.

MTU had 10,500 employees on its payroll at September 30, 2019, an increase of 8 % over the end of 2018 (December 31, 2018: 9,731 employees). "Expansion of our worldwide capacities entails increasing staffing levels at all company locations. New hires were taken on above all in Munich, Hannover and Poland," Winkler said.

MTU confirmed its positive forecast for the financial year 2019, which it raised at half-year, with group revenues expected to reach around € 4.7 billion (2018: € 4.6 billion). This is based on the expectation that revenue in 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. In the military engine business, an increase in revenues of around 10 % is anticipated, and the company expects its commercial maintenance segment to see an organic growth rate in the high single-digit percentage range. MTU forecasts an adjusted EBIT margin for 2019 of around 16 % (2018: 14.7 %). Net income is expected to increase in line with operating profit (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 (2018: 42 %).



MTU Aero Engines – Key financial data for January through September 2019

(Figures stated in € million)

MTU Aero Engines	Q3 2018	Q3 2019	at Sep. 2018	at Sep. 2019	Change
Revenues	1,170.1	1,160.7	3,318.7	3,403.7	+ 2.6 %
of which OEM business	454.3	472.4	1,340.1	1,461.4	+ 9.1 %
of which commercial engine business	350.0	364.8	1,037.0	1,137.8	+ 9.7 %
of which military engine business	104.3	107.6	303.1	323.6	+ 6.8 %
of which commercial maintenance	731.2	708.6	2,019.7	1,995.9	- 1.2 %
EBIT (adjusted)	174.3	192.5	508.9	557.7	+ 9.6 %
of which OEM business	111.8	127.4	340.7	369.9	+ 8.6 %
of which commercial maintenance	62.4	65.1	167.9	187.4	+ 11.6 %
<i>EBIT margin (adjusted)</i>	<i>14.9 %</i>	<i>16.6 %</i>	<i>15.3 %</i>	<i>16.4 %</i>	
<i>for OEM business</i>	<i>24.6 %</i>	<i>27.0 %</i>	<i>25.4 %</i>	<i>25.3 %</i>	
<i>for commercial maintenance</i>	<i>8.5 %</i>	<i>9.2 %</i>	<i>8.3 %</i>	<i>9.4 %</i>	
Net income (adjusted)	125.8	130.7	362.8	391.7	+ 8.0 %
Net income (reported)	118.3	125.5	336.8	354.8	+ 5.3 %
Earnings per share (undiluted, reported)	2.25	2.41	6.44	6.76	+ 5.0 %
Free cash flow	30.6	67.1	163.3	302.5	+ 85.2 %
Research and development expenses	48.5	54.7	147.7	166.7	+ 12.9 %
of which company-funded	44.6	48.4	131.9	144.2	+ 9.3 %
of which outside-funded	3.9	6.4	15.8	22.5	+ 42.4 %
<i>Company-funded R&D expenses</i>	<i>16.2</i>	<i>17.0</i>	<i>42.6</i>	<i>45.4</i>	<i>+ 6.6 %</i>
Net Capital expenditure on property, plant and equipment	45.2	67.0	134.0	166.0	+ 23.9 %
			Dec. 31, 2018	Sep. 30, 2019	Change
Balance sheet key figures					
Intangible assets			1,072.7	1,125.3	+ 4.9 %
Cash and cash equivalents			99.0	132.8	+ 34.1 %
Pension provisions			879.0	991.4	+ 12.8 %
Equity			2,144.2	2,091.5	- 2.5 %
Net financial debt			854.0	1,111.0	+ 30.1 %
Total assets and liabilities			6,850.8	7,571.4	+ 10.5 %
Order backlog			17,572.8	20,803.8	+ 18.4 %
Employees			9,731	10,500	+ 7.9 %

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.

Contacts:

Eckhard Zanger
Senior Vice President Corporate Communications
and Public Affairs
Phone: + 49 (0)89 14 89-91 13
Mobile: + 49 (0) 176-1000 6158
Email: Eckhard.Zanger@mtu.de

Eva Simon
Press Officer Finance

Phone: +49 (0)89 14 89-43 32
Mobile: +49 (0) 176-1008 4162
Email: Eva.Simon@mtu.de

Press archive and photos: <http://www.mtu.de>

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