Half-Year Financial Report

January 1 to June 30, 2018

Contents

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Key facts and figures

Key facts and figures for the group - Prior year amounts adjusted

in € million (unless stated otherwise)	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017	Change against previous year in € million	Change against previous year in %
Income statement				
Revenues	2,148.6	1,977.0	171.6	8.7
Gross profit	422.3	353.7	68.6	19.4
Earnings before interest and tax (EBIT)	308.9	270.6	38.3	14.2
Earnings before interest and tax adjusted (EBIT adjusted)	334.6	296.3	38.3	12.9
Earnings before tax	304.2	256.1	48.1	18.8
Earnings after tax adjusted	218.5	200.1	18.4	9.2
Adjusted earnings after tax	237.0	210.1	26.9	12.8
Basic earnings per share (in €)	4.19	3.87	0.32	8.3
Diluted earnings per share (in €)	3.92	3.62	0.30	8.3
Revenue margins in %				
Earnings before interest and tax (EBIT)	14.4	13.7		
Earnings before interest and tax adjusted (EBIT adusted)	15.6	15.0		
Earnings before tax	14.2	13.0		
Earnings after tax	10.2	10.1		
Earnings after tax adjusted	11.0	10.6		
Cash flow				
Cash flow from operating activities	330.1	202.9	127.2	62.7
Cash flow from investing activities	-199.3	-103.9	-95.4	-91.8
Free cash flow	132.7	83.6	49.1	58.7
Cash flow from financing activities	-147.5	-337.4	189.9	56.3
Change in cash and cash equivalents	-19.2	-240.5	221.3	92.0

in € million (unless stated otherwise)	June 30, 2018	Dec. 31, 2017	Change against previous year in € million	Change against previous year in %
Balance sheet				
Intangible assets	1,052.3	1,032.5	19.8	1.9
Cash and cash equivalents	86.9	106.1	-19.2	-18.1
Pension provisions	887.2	870.7	16.5	1.9
Equity	1,889.8	1,841.3	48.5	2.6
Net financial debt	818.8	827.0	-8.2	-1.0
Order backlog	**15,482.8**	**14,893.0**	**589.8**	**4.0**
Number of employees	**9,264**	**8,846**	**418**	**4.7**
Commercial and military engine business (OEM)	5,839	5,599	240	4.3
Commercial maintenance business (MRO)	3,425	3,247	178	5.5

Interim group management report

The enterprise MTU

MTU Aero Engines AG, Munich, together with its consolidated group of companies, is Germany's leading engine manufacturer and one of the biggest international players in the industry. In the following, the MTU group is also referred to simply as MTU AG, MTU, or the group.

The prior-year figures at December 31, 2017 and June 30, 2017 have been adjusted to aid comparison with the current data, compiled in accordance with IFRS 15. For more detailed information, please refer to the section headed „General information“ that precedes the Notes to the consolidated interim financial statements, under the heading „IFRS 15, Revenue from Contracts with Customers (adjustment of comparative prior-year data).“

Research and development

Technological changes within the aviation sector take place at an extremely rapid pace and require a continuous source of innovation. Development activities at MTU are currently dominated by work on the PW1000G family of geared turbofan engines and on the GE9X and PW800 engine programs:

MTU - Geared Turbofan® engine programs

Engine	MTU program share	Aircraft manufacturer	Aircraft type
PW1100G-JM	18 %	Airbus	A320neo
PW1200G	15 %	Mitsubishi	MRJ
PW1400G-JM	18 %	Irkut	MS-21
PW1500G	17 %	Airbus	A220
PW1700G	15 %	Embraer	E-Jet E175-E2
PW1900G	17 %	Embraer	E-Jet E190-E2 / E195-E2

Research and development (R&D) expenditure will remain at a high level during the financial year 2018. In the first six months of 2018, this developed as follows:

Research and development expenditure - Prior year amounts adjusted

			Change against previous year	
in € million	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017	in € million	in %
Commercial engine business (OEM)	92.0	102.0	-10.0	-9.8
Military engine business (OEM)	5.0	6.9	-1.9	-27.5
Commercial maintenance business (MRO)	2.2	1.8	0.4	22.2
Total research and development expenditure	**99.2**	**110.7**	**-11.5**	**-10.4**
Customer-funded R&D expenditure	-11.9	-19.9	8.0	40.2
Company-funded R&D expenditure	**87.3**	**90.8**	**-3.5**	**-3.9**
Expenditure meeting recognition criteria for intangible assets				
Commercial engine business (OEM)	-42.9	-59.4	16.5	27.8
Commercial maintenance business (MRO)	-0.3	-0.4	0.1	25.0
Research and development costs recognized as expense	**44.1**	**31.0**	**13.1**	**42.3**
Amortization of capitalized development costs	7.1	5.7	1.4	24.6
R&D expenditure impact on EBIT adjusted	**51.2**	**36.7**	**14.5**	**39.5**
Thereof amounts accounted for as revenue or cost of sales	24.8	15.5	9.3	60.0
Thereof amounts accounted for as research and development expenses	26.4	21.2	5.2	24.5

Research and development expenditure is subdivided into two categories for accounting purposes: company-funded R&D, which the group finances from its own resources, and externally funded R&D, which is contract-based and financed by the customer. Company-funded R&D expenditure is disclosed in the condensed interim consolidated financial statements (Note 3. Research and development expenses).

Costs of self-generated or externally acquired development services (resulting in cash adjustments) amounting to € 43.2 million were capitalized in the first six months of 2018 (January to June 2017: € 59.8 million). This represents 49.5% of all company-funded R&D expenditure (January to June 2017: 65.9%) and reflects the advanced stage of development work on engines of the GTF family and on the PW800 and GE9X projects. An amount of € 7.1 million was recognized in profit or loss in respect of these intangible assets (January to June 2017: € 5.7 million), which primarily relate to the GTF programs that have already entered service. Consequently, the group's adjusted earnings before interest and tax (EBIT adjusted) include a total amount of € 51.2 million (January to June 2017: € 36.7 million) for expenses arising from research and development activities.

Business environment

Macroeconomic factors

The global economy is gaining momentum: trade is recovering, investments are increasing and jobs are rising, with the support of accommodating monetary policies and the relaxation of fiscal restraints (source: OECD).

The U.S. economy is thriving. The unemployment rate has dropped and the tax reform has created a positive mood. In the United States, GDP increased in the first quarter of 2018 by 2.8% compared with the same quarter of the previous year (or by 2.6% when the fourth quarter of 2017 is compared with the fourth quarter of 2016).

Despite a number of disruptive political factors, the economy in the euro zone sustained its robust growth trajectory, with, gross domestic product (GDP) increasing by 2.5% in the first three months of 2018 compared with the first quarter of 2017.

Despite the punitive tariffs on Chinese exports to the USA that might lead to an escalation of the trade war, the Chinese economy is holding fast. According to the State Statistical Bureau in Beijing, the world's second-largest economy grew by 6.8% in the first quarter of 2018, compared with the first quarter of 2017. This means that, at this point in the year, the Chinese economy is growing faster than the government's forecast of around 6.5%.

Microeconomic factors in the aviation industry

The aviation industry had a good start to 2018. Global passenger air traffic increased by 6.8% in the first 5 months of the year, significantly above the long-term forecast.

In May 2018, the average price for a barrel of Brent crude was U.S. $ 77. This is its highest level since November 2014 (source: EIA, June 2018). Contributing factors include the USA's withdrawal from the JCPOA nuclear deal with Iran, OPEC production cuts, geopolitical tension in the Middle East, and a stronger global economy. In view of the high demand for air transportation, the increased cost of petroleum is unlikely to have any negative impact on the operation and maintenance of older aircraft. Airbus and Boeing delivered a total of 661 commercial aircraft to customers in the first six months of 2018, an increase of 3.3% compared with the same period of the previous year. At the end of June 2018, the two manufacturers had a combined order backlog of 13,731 aircraft. This is 3.7% higher than at the end of June 2017.

Financial situation

Information on exchange rates

Changes in the value of the U.S. dollar are particularly important for MTU's international business. Since the beginning of the year, the U.S. dollar has weakened further against the euro. At June 30, 2018, the euro was worth 1.17 U.S. dollars (at December 31, 2017: 1.20 U.S. dollars to the euro.) The average exchange rate for the period from January 1 to June 30, 2018 was U.S. $1.21 to the euro (January to June 2017: U.S. $ 1.08 to the euro).

Operating results

Reconciliation to adjusted key performance indicators

The adjustments applied to reconcile earnings before interest and tax with adjusted earnings before and after interest and tax are presented below:

Reconciliation to adjusted key performance figures - Prior year amounts adjusted

in € million	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017	Change against previous year in € million	Change against previous year in %
Earnings before interest and tax (EBIT)	**308.9**	**270.6**	**38.3**	**14.2**
Depreciation/amortization effects of purchase price allocation / IAE-V2500 stake increase	25.7	25.7		
Earnings before interest and tax adjusted (EBIT adjusted)	**334.6**	**296.3**	**38.3**	**12.9**
Interest result	-1.2	-3.1	1.9	61.3
Interest cost on pension provisions	-6.8	-6.1	-0.7	-11.5
Earnings before tax adjusted	**326.6**	**287.1**	**39.5**	**13.8**
Income taxes	-89.6	-77.0	-12.6	-16.4
Earnings after tax adjusted	**237.0**	**210.1**	**26.9**	**12.8**

For the financial year 2018, an average tax rate of 29.0% has been estimated on the basis of the expected pre-tax earnings of the MTU group's German and foreign entities. Because the profit/loss of companies accounted for using the equity method is recognized as a post-tax amount, the profit/loss of these companies does not form part of the tax basis used to calculate the group tax rate of 29.0%. The comparative prior-period amount of income taxes is based on the average tax rate of 29.0% for 2017, which was calculated using the same method.

Order backlog

MTU's order backlog consists of firm customer orders that commit the group to delivering products or providing services, plus the contractual value of service agreements. This order backlog is measured on the basis of the list price of firm orders placed by customers, amounts to approximately € 15.5 billion, and corresponds to a production workload of around three and a half years.

Revenues

Group revenues in the first six months of 2018 amounted to € 2,148.6 million, which is € 171.6 million (8.7%) higher than in the first six months of 2017. Revenues in the OEM segment (commercial and military engine business) increased by € 93.4 million (11.1%) to € 937.7 million, while revenues in the MRO segment (commercial maintenance business) increased by € 107.5 million (9.1%) to € 1,288.5 million.

Cost of sales and gross profit

In correlation to revenues, the cost of sales increased year on year by € 103.0 million (6.3%) to € 1,726.3 million in the first six months of 2018. In the same reporting period, gross profit increased by € 68.6 million (19.4%) to € 422.3 million, with much of this significant increase accounted for by the current product mix. This raised the gross profit margin to 19.7% (January to June 2017: 17.9%).

Earnings before interest and tax (EBIT)

Earnings before interest and tax increased by € 38.3 million (14.2%) to € 308.9 million in the first six months of 2018 (January to June 2017: € 270.6 million). Adjusted earnings before interest and tax improved to € 334.6 million (January to June 2017: € 296.3 million), resulting in an adjusted EBIT margin of 15.6% (January to June 2017: 15.0%).

Financial result

MTU's financial result for the reporting period to the end of June 2018 was a net loss of € 4.7 million (January to June 2017: € 14.5 million). The main reason for this outcome was exchange-rate gains from currency holdings amounting to € 4.5 million (January to June 2017: exchange-rate losses of € 4.0 million).

Earnings before tax

Earnings before tax increased by € 48.1 million to € 304.2 million in the first six months of 2018 (January to June 2017: € 256.1 million).

Earnings after tax

Earnings after tax increased to € 218.5 million (January to June 2017: € 200.1 million), of which € 216.0 million (January to June 2017: € 198.9 million) was allocated for distribution to the owners of MTU Aero Engines AG. Adjusted earnings after tax amounted to € 237.0 million (January to June 2017: € 210.1 million), which represents an increase of € 26.9 million compared with the first six months of 2017.

Consolidated statement of comprehensive income

In the consolidated statement of comprehensive income, earnings after tax of € 218.5 million (January to June 2017: € 200.1 million) are reconciled to the comprehensive income for the period, in the amount of € 146.1 million (January to June 2017: € 325.8 million).

Income and expenses recognized directly in other comprehensive income in the first six months of 2018, net of deferred taxes, include fair-value losses of € 60.7 million (January to June 2017: fair-value gains of € 110.2 million) on financial instruments designated as cash flow hedges, net losses of € 9.9 million (January to June 2017: € 6.2 million) attributable to translation differences arising from the financial statements of foreign entities, and actuarial losses on plan assets and pension obligations resulting from changes in the discount rate amounting to € 1.8 million (January to June 2017: actuarial gains amounting to € 21.7 million).

Of the total comprehensive income for the period, amounting to € 146.1 million (January to June 2017: € 325.8 million), € 142.6 million (January to June 2017: € 324.6 million) was allocated for distribution to the owners of MTU Aero Engines AG.

Financial position

The principles and objectives of financial management, as applied today and in the future by MTU, are described in the 2017 Annual Report on page 84 et seq.

The group's main borrowing sources are credit agreements, bank loans and corporate bonds and notes.

As at June 30, 2018, the group had access to a revolving credit facility with five banks, totaling € 600.0 million. A total of € 131.2 million had been drawn down under this facility at June 30, 2018, of which € 31.2 million in the form of guarantees in favor of third parties (December 31, 2017: € 90.6 million of which € 12.7 in the form of guarantees in favor of third parties).

Free cash flow

MTU determines its free cash flow by combining its cash flow from operating activities with its cash flow from investing activities and eliminating components of the latter (non-recurring cash outflows) that lie outside the control of operations management and do not form part of the group's core activities. The free cash flow calculated for the first six months of 2018 therefore excludes payments in connection with expenditure on stakes in engine programs and aircraft and engine financing agreements amounting on balance to € 1.9 million (January to June 2017: € 9.6 million). The comparative prior-period information additionally excludes an amount of € 25.0 million recognized in respect of the sale of securities held for the purpose of liquidity management. No such adjustment was necessary in the current reporting period.

Free cash flow in the first six months of 2018 amounted to € 132.7 million (January to June 2017: € 83.6 million).

Financial position (prior-year data adjusted)

in € million	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017	Change against previous year in € million	Change against previous year in %
Cash flow from operating activities	330.1	202.9	127.2	62.7
Cash flow from investing activities	-199.3	-103.9	-95.4	-91.8
+ Non-recurring cash outflows	1.9	-15.4	17.3	>100
Free cash flow	**132.7**	**83.6**	**49.1**	**58.7**
- Non-recurring cash outflows	-1.9	15.4	-17.3	<-100
Cash flow from financing activities	-147.5	-337.4	189.9	56.3
Translation differences	-2.5	-2.1	-0.4	-19.0
Change in cash and cash equivalents	**-19.2**	**-240.5**	**221.3**	**92.0**
Cash and cash equivalents at				
the beginning of the reporting period	106.1	322.4		
the end of the reporting period	86.9	81.9		

Cash flow from operating activities
Cash flow from operating activities in the first six months of the financial year 2018 amounted to € 330.1 million (January to June 2017: € 202.9 million). The increase compared with the previous year was mainly attributable to positive business developments.

Cash flow from investing activities
The cash outflow from investing activities in the first six months of the financial year 2018 amounted to € 199.3 million (January to June 2017: € 103.9 million). Capital expenditure on intangible assets accounted for € 37.2 million (January to June 2017: € 32.3 million), and mainly comprised payments in connection with development costs for the PW1000G family of Geared Turbofan™ engines and for the PW800 and GE9X engine programs.

Capital expenditure on property, plant and equipment in the reporting period from January to June 2018 amounted to € 92.8 million (January to June 2017: € 52.8 million). As well as being used to purchase new plant and machinery, production resources and tools for the series-production phase of the new programs and in preparation for the maintenance of the Geared Turbofan™ engines, this capital expenditure also included replacement investments for existing plant and machinery. Proceeds of € 4.0 million were also recognized on the disposal of property, plant and equipment (January to June 2017: € 2.2 million).

Cash outflows for investment in financial assets amounted to € 69.7 million (January to June 2017: € 33.0 million). This item principally comprises payments into equity of PW1100-JM Engine Leasing LLC., East Hartford, U.S.A., the purpose of which is to support leasing activities in connection with the PW1100-JM engine program.

Expenditure on other assets in the first six months of 2018 amounted to € 6.0 million (January to June 2017: € 18.7 million). This cash outflow mainly relates to program assets (the acquisition cost of new or additional program shares) and acquired development services for the current engine programs in which MTU is a consortium member.

Cash flow from financing activities
In the period from January 1 to June 30, 2018, the net cash outflow from financing activities amounted to € 147.5 million (January to June 2017: € 337.4 million). The principal source of this capital outflow was the dividend paid to shareholders for the financial year 2017 in the amount of € 118.4 million.

Change in cash and cash equivalents
Taking the effects of currency translation into account, cash flow developments resulted in a decrease in cash and cash equivalents of € 19.2 million (January to June 2017: € 240.5 million).

Net financial debt
Net financial debt serves as an indicator of the MTU group's financial position and is defined as the difference between gross financial debt and current financial assets. MTU's net financial debt at June 30, 2018 decreased to € 818.8 million (December 31, 2017: € 827.0 million).

Net financial debt

in € million	June 30, 2018	Dec. 31, 2017	Change against previous year in € million	in %
Bonds and notes	98.3	100.0	-1.7	-1.7
Convertible bond	480.2	478.5	1.7	0.4
Financial liabilities to banks	130.2	108.2	22.0	20.3
thereof: Note purchase agreement	30.2	30.1	0.1	0.3
thereof: Revolving credit facility	100.0	77.9	22.1	28.4
thereof: Other liabilities to banks		0.2	-0.2	-100.0
Financial liabilities to related companies	0.5		0.5	
Loans from third parties		18.2	-18.2	-100.0
Finance lease liabilities	10.7	11.5	-0.8	-7.0
Financial liabilities arising from program participations	343.0	370.5	-27.5	-7.4
thereof: Financial liabilities arising from IAE-V2500 stake increase	309.9	320.0	-10.1	-3.2
Gross financial debt	**1,062.9**	**1,086.9**	**-24.0**	**-2.2**
less:				
Cash and cash equivalents	86.9	106.1	-19.2	-18.1
Loans to third parties	137.8	133.5	4.3	3.2
Loan to related companies	19.4	20.3	-0.9	-4.4
Financial assets	**244.1**	**259.9**	**-15.8**	**-6.1**
Net financial debt	**818.8**	**827.0**	**-8.2**	**-1.0**

For more detailed information on the corporate bonds, the note purchase agreement and the financial liabilities arising from the IAE-V2500 stake increase, please refer to page 215 et seq. of the MTU Aero Engines AG Annual Report 2017.

Net assets

Changes in balance sheet items

The group's total assets, equity and liabilities increased by € 306.8 million from € 6,359.1 million at December 31, 2017 to € 6,665.9 million at June 30, 2018. The structure of assets and liabilities has changed due to the application of IFRS 15. For more detailed information, please refer to the section headed "General information" that precedes the Notes to the consolidated interim financial statements, under the heading "IFRS 15, Revenue from Contracts with Customers (adjustment of comparative prior-year data)."

Compared with the reported amounts at December 31, 2017, non-current assets increased by € 18.8 million to € 3,560.6 million while current assets increased by € 288.0 million to € 3,105.3 million.

In the first six months of 2018, the group capitalized intangible assets totaling € 34.7 million (January to June 2017: € 33.2 million). This reflects, in particular, the progress made in development work on the GE9X and PW800 engine programs and the PW1000G engine family. Additions to property, plant and equipment in the first six months of 2018 amounted to € 92.9 million (January to June 2017: € 52.8 million).

Acquired program assets, capitalized development costs and other assets decreased by € 38.7 million to € 1,220.6 million, in particular due to scheduled amortization costs.

In the first six months of 2018, inventories increased by € 83.1 million to € 928.2 million, trade receivables by € 98.4 million to € 1,012.9 million and contract assets by € 176.8 million to € 943.5 million. By contrast, other current financial assets decreased by € 18.7 million to € 94.5 million, other current assets by € 28.1 million to € 12.3 million and cash and cash equivalents by € 19.2 million to € 86.9 million.

Between December 31, 2017 and June 30, 2018, group equity increased by € 48.5 million to € 1,889.8 million.

Factors that contributed to the increase in equity in the first six months of 2018 included higher earnings after tax, which amounted to € 218.5 million compared with € 200.1 million in the period from January to June 2017. The sale of treasury shares through the MAP employee stock option program generated proceeds of € 16.3 million (January to June 2017: € 14.3 million), while a further amount of € 4.5 million (January to June 2017: € 3.6

million) was added to equity through the sale of treasury shares under the Restricted Stock Plan. Fair-value losses on financial instruments designated as cash flow hedges, amounting to € 60.7 million (January to June 2017: fair-value gains of € 110.2 million), along with actuarial losses on pension obligations and plan assets resulting from changes in the discount rate amounting to € 1.8 million (January to June 2017: actuarial gains of € 21.7 million), led to a corresponding reduction in equity, as did the dividend payment for the financial year 2017, amounting to € 118.4 million (dividend payment for the financial year 2016: € 97.6 million) and translation differences arising from the financial statements of international entities, amounting to a net loss of € 9.9 million (January to June 2017: € 6.2 million).

The equity ratio was 28.4% (December 31, 2017: 29.0%).

Pension provisions increased by € 16.5 million compared with December 31, 2017, owing to the lower discount rate applicable in the reporting period and to the allocation of service costs. The decrease of € 5.7 million in other provisions to € 206.8 million relates primarily to the sales-related deferral of sales allowances and lower subsequent expenses.

Compared with the amount reported at December 31, 2017, financial liabilities changed only slightly by € 4.6 million to € 1,172.7 million. While certain financial liabilities were repaid, a higher amount was drawn down under the revolving credit facility.

Trade payables amounted to € 342.9 million at June 30, 2018, which is € 35.8 million higher than at December 31, 2017.

Contract liabilities increased between December 31, 2017 and June 30, 2018 by € 8.9 million to € 715.4 million. This total includes advance payments from customers insofar as they exceeded the corresponding amount of contract assets.

Other liabilities increased by € 4.7 million compared with the amount reported at December 31, 2017, to € 71.2 million. This increase in the first half of 2018 is due mainly to the recognition of benefits payable to employees in connection with unutilized vacation entitlements owing to seasonal effects.

Employees
MTU's workforce comprised 9,264 employees at June 30, 2018 (December 31, 2017: 8,846).

Subsequent events

Events after the end of the interim reporting period (June 30, 2018)

No significant events with a material impact on the net assets, financial position or operating results of the MTU group have occurred after the end of the interim reporting period and prior to the date this half-year financial report was drawn up (July 23, 2018).

Report on forecasts, risks and opportunities

In order to take best advantage of market opportunities and to identify and manage the risks involved, the Executive Board has set up an integrated opportunity and risk management system, which is linked to the group's value-oriented performance indicators and its organizational structure. The system is based on the internationally recognized COSO II Enterprise Risk Management Framework. It also incorporates the group's internal control system with respect to financial reporting processes pursuant to Section 289 (5) and 315 (2) no. 5 of the German Commercial Code (HGB). For a detailed description of the main features of the system and the methods used, please refer to page 122 et seq. of the Annual Report 2017.

Forecasts

Macroeconomic factors

According to the forecast published by the Economist Intelligence Unit (EIU) in July, global economic performance is expected to grow by 3.0% in 2018. This optimistic outlook is mainly based on to the stabilization of economic growth in China in the first quarter of 2018, the robust economy in the United States and the positive development in the euro area.

The euro zone made a robust start to the year. The EIU expects to see growth of 2.1% in this region, with a return to growth rates on a par with those before the financial crisis. Unemployment and budgetary deficits are continuing to fall, and investment activity is beginning to rise again.

For the United States, the EIU predicts a growth rate of 2.7%. Through his tax reforms and other measures, President Trump aims to push this rate up to 3% or higher. The Federal Reserve Banks are of the opinion that the trade disputes sparked by the U.S. President will not have a lasting effect on the country's economic prospects.

Economic growth in China is expected to reach 6.7% according to the EIU. The new focus on the service industry and domestic consumption is having the desired effect.

According to the EIU, the greatest risks derive from geopolitical tensions, the erection of trade barriers and rising interest rates in the United States.

Microeconomic factors in the aviation industry
In its June forecast, the International Air Transport Association (IATA) estimated 2018 airline profits at U.S. $ 33.8 billion, on the basis of the expected increase in demand for passenger air travel, which IATA expects to grow by 7% in 2018. Freight traffic is expected to remain on a stable trajectory, growing by 4.0% over the year according to IATA's predictions.

Expanding markets and good business prospects are encouraging airlines to continue investing in fleet modernization. Of this year's planned deliveries of 1,900 new aircraft (source: IATA), around one half are destined to replace existing aircraft. In this way, the global fleet is becoming progressively more cost-efficient while at the same time generating lower emissions per passenger-kilometer.

Oil prices have risen to their highest level since 2014. But energy analysts don't expect this trend to continue for long. The OPEC nations have agreed to increase their output, and oil prices are also likely to fall as a result of the increased extraction of shale oil by fracking companies in the United States. The U.S. Energy Information Administration (EIA) predicts an average price per barrel of Brent crude of U.S. $ 71 for 2018.

Future development of MTU
MTU has firmed up its forecasts for the financial year 2018 compared to the outlook presented in the Annual Report 2017.

Growth predictions for the commercial spare parts business, as well as for the commercial maintenance business were adjusted slightly upward, which has a positive effect on earnings potential.

MTU expects growth in its commercial OEM business to be slightly higher than originally forecast, due to a more positive trend in spare part sales. The main growth driver in the spare parts business is the V2500 program.

Growth in the new engine business is expected to accelerate in the second half of the year, in which deliveries for the PW1000G programs are set to double.

Revenues from the military engine business are expected to remain stable in 2018.

MTU's full-year forecast for its commercial maintenance business is now for revenues expressed in U.S. $ to grow by around 20% in 2018.

For the group as a whole, assuming an exchange rate of U.S. $ 1.20 to the euro, MTU forecasts an increase in revenues to approximately € 4,200 million (2017: € 3,897 million).

MTU expects the group's operating profit (EBIT adjusted) for 2018 to increase to around € 640 million (2017: € 573 million). In its original forecast, MTU had anticipated only moderate earnings growth.

Changes in the product mix in the commercial OEM business, which compared to the previous year may have a negative impact on operating profit, are likely to be more than compensated for by growth in the commercial spare parts and maintenance business.

Adjusted earnings after tax are expected to rise in 2018 to around € 450 million (2018: € 405 million).

2018 will again be another year of substantial investment spending. However, MTU plans to compensate for this cash outflow through its operating activities and achieve a higher free cash flow conversion rate (ratio of free cash flow to net income adjusted) compared with the 2017 financial year. The current forecast foresees a cash flow conversation rate in the order of 40 to 50% (2017: 37%).

Risks

MTU's operating environment in the global market, economic factors and relationships with business partners and consortia give rise to risks that can have an impact on the group's business performance. The market launch of new engine programs (e.g. PW1100G-JM and PW1500G) not only involves up-front investments to set up and stabilize the entire supply chain but also typically entails technical risks which in turn call for continuous product development. However, the deliberately chosen portfolio approach with engines in various lifecycle phases (e.g. V2500) enables MTU to reduce risk exposure over the group as a whole.

In addition to the introduction of new products in the commercial engine business, the transformation of the commercial maintenance business continues apace. The changing nature of the MRO market, which is moving away from separate, independent providers of maintenance services and toward closer ties between engine manufacturers and downstream maintenance services, presents MTU with both risks and opportunities. Whereas it will be necessary for MTU to offer greater price concessions – especially for spare parts – in order to maintain its market share, this situation also creates advantages in the form of a guaranteed volume of orders for spare parts, higher capacity utilization of MRO locations, and the financial benefits of belonging to a worldwide MRO network.

Beyond these, the areas of risk to which MTU is exposed are the same as those presented in the Annual Report 2017. For a detailed description of these risks, please refer to pages 122 et seq. (Risk report) and page 135 (SWOT analysis) of the Annual Report 2017.

Opportunities

MTU's balanced product portfolio combined with a business model that rests securely on three pillars, namely commercial engines, military engines and commercial maintenance, ensures that the company remains well positioned in the market. At the same time, MTU opens up new opportunities through a policy of continuous investment in research, development and new technologies, increasing its stakes in risk- and revenue-sharing partnerships, and expanding its maintenance business..

In the commercial engine business, MTU sees opportunities for benefiting from the positive development of the aviation industry markets, both with recently launched new engines and with engines currently at the development stage. By constantly enhancing its products and as one of the early adopters of Geared Turbofan™ technology, MTU has been able to build up a wealth of technological expertise that can be exploited for the development of new generations of aircraft engines.

In the military engine business, export campaigns for engine programs, especially for the EJ200 Eurofighter engine, present opportunities to benefit from additional sales and from the ensuing maintenance business.

In the commercial maintenance business, the steadily increasing volume of air traffic offers opportunities for MTU to intensify existing customer relationships and form new partnerships

Over and above these specific cases, MTU's current assessment of its potential opportunities is the same as that presented in the Annual Report 2017. For a detailed description of these opportunities, please refer to the Annual Report 2017, page 132 et seq. (Risk report) and page 135 (SWOT analysis) of the Annual Report 2017.

Overall assessment of MTU's risk exposure and potential opportunities

Thanks to its integrated risk and opportunity management system, MTU is in a position to identify areas of risk and potential opportunities at an early stage and take suitable proactive measures to address them.

The MTU group's risk exposure and potential opportunities have changed only insignificantly compared with the assessment made at December 31, 2017. Additional risks have arisen in particular from the wider-scale ramp-up of new engine programs. However, due to the portfolio approach in the product mix, these risks are countered by short-term opportunities for spare parts sales in programs at a late stage in their lifecycle. These risks therefore remain limited and manageable. From the present vantage point, the MTU group's continuing existence as a going concern is not endangered.

Significant transactions with related parties

Information regarding significant transactions with related companies and persons is provided in Note 38 to the condensed interim consolidated financial statements (Transactions with related companies and persons).

Condensed interim consolidated financial statements

Consolidated income statement

Consolidated income statement (unaudited) (prior-year data adjusted)

in € million	(Note)	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017
Revenues	**(1.)**	**2,148.6**	**1,977.0**
Cost of sales	(2.)	-1,726.3	-1,623.3
Gross profit		**422.3**	**353.7**
Research and development expenses	(3.)	-26.4	-21.2
Selling expenses	(4.)	-55.8	-46.8
General administrative expenses	(5.)	-41.4	-39.1
Other operating income		4.3	4.3
Other operating expenses		-12.4	-2.2
Profit/loss of companies accounted for using the equity method	(7.)	17.8	21.6
Profit/loss of equity investments		0.5	0.3
Earnings before interest and tax (EBIT)		**308.9**	**270.6**
Interest result	(8.)	-1.2	-3.1
Financial result on other items	(9.)	-3.5	-11.4
Financial result		**-4.7**	**-14.5**
Earnings before tax		**304.2**	**256.1**
Income taxes	(10.)	-85.7	-56.0
Earnings after tax		**218.5**	**200.1**
Thereof :			
Owners of MTU Aero Engines AG		216.0	198.9
Non-controlling interests		2.5	1.2
Earnings per share in €			
Basic (EPS)	(11.)	4.19	3.87
Diluted (DEPS)	(11.)	3.92	3.62

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income (unaudited) (prior-year data adjusted)

in € million	(Note)	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017
Earnings after tax		**218.5**	**200.1**
Translation differences arising from the financial statements of international entities		-9.9	-6.2
Financial instruments designated as cash flow hedges		-60.7	110.2
Items that may subsequently be recycled to profit or loss		-70.6	104.0
Actuarial gains and losses on pension obligations and plan assets		-1.8	21.7
Items that will not be recycled to profit or loss		-1.8	21.7
Other comprehensive income / loss	**(24.)**	**-72.4**	**125.7**
Total comprehensive income		**146.1**	**325.8**
Thereof attributable to:			
Owners of MTU Aero Engines AG		142.6	324.6
Non-controlling interests		3.5	1.2

Consolidated balance sheet – assets

Assets (unaudited) (prior-year data adjusted)

in € million	(Note)	June 30, 2018	Dec. 31, 2017	Jan. 1, 2017
Non-current assets				
Intangible assets	(14.)	1,052.3	1,032.5	1,007.6
Property, plant and equipment	(15.)	764.6	735.5	672.5
Financial assets accounted for using the equity method	(16.)	326.8	291.5	201.9
Other financial assets	(16.)	140.8	167.8	130.2
Aquired program assets, capitalized development costs and other assets	(17.)	1,220.6	1,259.3	1,228.6
Deferred tax assets		55.5	55.2	92.8
Total non-current assets		**3,560.6**	**3,541.8**	**3,333.6**
Current assets				
Inventories	(18.)	928.2	845.1	922.6
Trade receivables	(19.)	1,012.9	914.5	827.5
Contract assets	(20.)	943.5	766.7	708.7
Income tax receivables		27.0	31.3	21.1
Other financial assets	(16.)	94.5	113.2	42.9
Other assets	(20.)	12.3	40.4	43.8
Cash and cash equivalents	(22.)	86.9	106.1	322.4
Total current assets		**3,105.3**	**2,817.3**	**2,889.0**
Total assets		**6,665.9**	**6,359.1**	**6,222.6**

Consolidated balance sheet – equity and liabilities

Equity and liabilities (unaudited) (prior-year data adjusted)

in € million	(Note)	June 30, 2018	Dec. 31, 2017	Jan. 1, 2017
Equity	**(24.)**			
Subscribed capital		52.0	52.0	52.0
Capital reserves		465.8	451.2	435.5
Revenue reserves		1,600.6	1,503.0	1,245.5
Treasury shares		-16.9	-23.1	-25.3
Accumulated other equity		-251.5	-178.1	-332.8
Owners of MTU Aero Engines AG		**1,850.0**	**1,805.0**	**1,374.9**
Non-controlling interests		39.8	36.3	0.2
Total equity		**1,889.8**	**1,841.3**	**1,375.1**
Non-current liabilities				
Pension provisions		864.1	847.6	860.6
Other provisions	(27.)	44.9	37.6	23.4
Refund liabilities	(31.)	39.6	1.4	2.0
Financial liabilities	(28.)	927.2	935.2	1,054.4
Contract liabilities	(30.)	16.9	16.9	
Other liabilities	(32.)	0.8		
Deferred tax liabilities		8.4	16.9	0.2
Total non-current liabilities		**1,901.9**	**1,855.6**	**1,940.6**
Current liabilities				
Pension provisions		23.1	23.1	22.7
Income tax liabilities		2.1	3.6	6.8
Other provisions	(27.)	161.9	174.9	135.2
Refund liabilities	(31.)	1,329.8	1,155.3	1,207.2
Financial liabilities	(28.)	245.5	242.1	522.9
Trade payables		342.9	307.1	244.7
Contract liabilities	(30.)	698.5	689.6	725.3
Other liabilities	(32.)	70.4	66.5	42.1
Total current liabilities		**2,874.2**	**2,662.2**	**2,906.9**
Total equity and liabilities		**6,665.9**	**6,359.1**	**6,222.6**

Consolidated statement of changes in equity

For more information on equity components, please refer to Note 24 of the selected explanatory notes (Equity).

Consolidated statement of changes in equity (unaudited) (prior-year data adjusted)

in € million	Subscribed capital	Capital reserves	Revenue reserves	Treasury shares	Accumulated other equity: Translation differences arising from the financial statements of international entities	Accumulated other equity: Actuarial gains and losses [1]	Accumulated other equity: Financial instruments designated as cash flow hedges	**Owners of MTU Aero Engines AG**	Non-controlling interests	Total equity
Carrying amount at Jan. 1, 2017	**52.0**	**435.5**	**1,245.5**	**-25.3**	**25.2**	**-258.7**	**-99.3**	**1,374.9**	**0.2**	**1,375.1**
Earnings after tax			198.9					198.9	1.2	200.1
Other comprehensive income					-6.2	21.7	110.2	125.7		125.7
Total comprehensive income			**198.9**		**-6.2**	**21.7**	**110.2**	**324.6**	**1.2**	**325.8**
Dividend payment			-97.6					-97.6		-97.6
Restricted Stock Plan		3.1		0.5				3.6		3.6
MAP employee stock option program		12.6		1.7				14.3		14.3
Carrying amount at June 30, 2017	**52.0**	**451.2**	**1,346.8**	**-23.1**	**19.0**	**-237.0**	**10.9**	**1,619.8**	**1.4**	**1,621.2**
Carrying amount at Jan. 1, 2018	**52.0**	**451.2**	**1,503.0**	**-23.1**	**16.1**	**-245.9**	**51.7**	**1,805.0**	**36.3**	**1,841.3**
Earnings after tax			216.0					216.0	2.5	218.5
Other comprehensive income					-10.9	-1.8	-60.7	-73.4	1.0	-72.4
Total comprehensive income			**216.0**		**-10.9**	**-1.8**	**-60.7**	**142.6**	**3.5**	**146.1**
Dividend payment			-118.4					-118.4		-118.4
Restricted Stock Plan		2.9		1.6				4.5		4.5
MAP employee stock option program		11.7		4.6				16.3		16.3
Carrying amount at June 30, 2018	**52.0**	**465.8**	**1,600.6**	**-16.9**	**5.2**	**-247.7**	**-9.0**	**1,850.0**	**39.8**	**1,889.8**

[1] Refers to pension obligations and plan assets

Consolidated cash flow statement

Consolidated cash flow statement (unaudited) - Prior year amounts adjusted

in € million	(Note)	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017
Operating activities			
Net Income		**218.5**	**200.1**
Non-cash amortization of capitalized program assets and purchased development		24.4	21.2
Depreciation / appreciation, amortization and impairment of non-current assets		71.2	69.6
Profit/loss of companies accounted for using the equity method	(7.)	-17.8	-21.6
Profit/loss of equity investments		-0.5	-0.3
Gains/losses on the disposal of assets		-0.2	-0.1
Change in pension provisions		13.7	14.0
Change in other provisions	(27.)	-5.7	25.4
Change in refund liabilities (not included in working capital)		28.0	35.4
Change in working capital		-52.1	-118.7
Other non-cash items		14.6	-33.9
Interest result	(8.)	1.2	3.1
Interest paid		-6.0	-13.3
Interest received		2.5	2.5
Dividends received		19.4	7.7
Income taxes	(10.)	85.7	56.0
Income taxes paid		-66.8	-44.2
Cash flow from operating activities		**330.1**	**202.9**
Investing activities			
Capital expenditure on:			
Intangible assets	(14.)	-37.2	-32.3
Property, plant and equipment	(15.)	-92.8	-52.8
Financial assets	(16.)	-69.7	-33.0
other assets (program assets, purchased development)		-6.0	-18.7
Proceeds from disposal of:			
Intangible assets / property, plant and equipment	(14.)/(15.)	4.0	2.2
Financial assets	(16.)	2.4	30.7
Cash flow from investing activities		**-199.3**	**-103.9**
Financing activities			
Repayment of corporate bond	(28.)		-250.0
Increase in / Repayment of liabilities to banks	(28.)	21.9	36.1
Dividend payment		-118.4	-97.6
Settlement of contingent purchase price liabilities for PW1000G program shares, PW800 program shares, V2500 stake increase	(28.)	-49.0	-40.4
Sale of shares under the MAP employee stock option program		16.3	14.3
Increase in /Repayment of other financial liabilities	(28.)	-18.3	0.2
Cash flow from financing activities		**-147.5**	**-337.4**
Net change in cash and cash equivalents during the period		**-16.7**	**-238.4**
Effect of translation differences on cash and cash equivalents		-2.5	-2.1
Cash and cash equivalents at beginning of the year (January 1)		106.1	322.4
Cash and cash equivalents at end of period (June 30)		**86.9**	**81.9**

[1] After transaction costs

Notes to the interim consolidated financial statements

Group segment reporting

Segment information

A description of the activities of the individual operating segments is provided on page 242 of the Annual Report 2017.

No changes were made to the composition of the operating segments during the first six months of 2018.

Segment information was as follows:

Reporting by operating segment - Prior year amounts adjusted

	Commercial and military engine business (OEM)		Commercial maintenance business (MRO)		Total reportable segments		Consolidation / reconciliation		MTU group	
in € million	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2016
External revenues	920.2	826.3	1,228.4	1,150.7	2,148.6	1,977.0			2,148.6	1,977.0
Revenues from intersegment sales	17.5	18.0	60.1	30.3	77.6	48.3	-77.6	-48.3		
Total revenues	**937.7**	**844.3**	**1,288.5**	**1,181.0**	**2,226.2**	**2,025.3**	**-77.6**	**-48.3**	**2,148.6**	**1,977.0**
Gross profit	**286.5**	**234.3**	**135.5**	**118.6**	**422.0**	**352.9**	**0.3**	**0.8**	**422.3**	**353.7**
Amortization	14.7	13.0	3.4	5.2	18.1	18.2			18.1	18.2
Non-cash amortization of capitalized program assets and purchased development	24.4	21.2			24.4	21.2			24.4	21.2
Depreciation	40.0	37.5	13.1	13.9	53.1	51.4			53.1	51.4
Total amortization / depreciation / impairment losses	**79.1**	**71.7**	**16.5**	**19.1**	**95.6**	**90.8**			**95.6**	**90.8**
Earnings before interest and tax (EBIT)	**204.4**	**167.8**	**104.3**	**102.5**	**308.7**	**270.3**	**0.2**	**0.3**	**308.9**	**270.6**
Special impact purchase price allocation	9.3	9.4	1.2	1.2	10.5	10.6			10.5	10.6
Special impact IAE-V2500 stake increase	15.2	15.1			15.2	15.1			15.2	15.1
Earnings before interest and tax adjusted (EBIT adjusted)	**228.9**	**192.3**	**105.5**	**103.7**	**334.4**	**296.0**	**0.2**	**0.3**	**334.6**	**296.3**
Profit / loss of companies accounted for using the equity method	4.4	3.1	13.4	18.5	17.8	21.6			17.8	21.6
Carrying amount of companies accounted for using the equity method (June 30, 2018, Dec 31, 2017)	170.4	137.9	156.4	153.6	326.8	291.5			326.8	291.5
Assets (June 30, 2018 / Dec 31, 2017)	**5,704.0**	**5,544.0**	**1,708.6**	**1,609.2**	**7,412.6**	**7,153.2**	**-746.7**	**-794.1**	**6,665.9**	**6,359.1**
Liabilities (June 30, 2018 / Dec 31, 2017)	**4,051.0**	**3,886.2**	**1,130.9**	**1,084.7**	**5,181.9**	**4,970.9**	**-405.8**	**-453.1**	**4,776.1**	**4,517.8**
Significant non-cash items	**17.8**	**-28.7**	**-3.1**	**-5.2**	**14.7**	**-33.9**	**-0.1**		**14.6**	**-33.9**
Capital expenditure:										
Intangible assets	34.3	32.6	0.4	0.6	34.7	33.2			34.7	33.2
Property, plant and equipment	53.1	36.0	39.8	16.8	92.9	52.8			92.9	52.8
Aquired program assets, capitalized development costs and other assets	12.3	36.0			12.3	36.0			12.3	36.0
Capital expenditure on intangible assets, on property, plant and equipment and other assets	**99.7**	**104.6**	**40.2**	**17.4**	**139.9**	**122.0**			**139.9**	**122.0**
Key segment data:										
EBIT in % of revenues	21.8	19.9	8.1	8.7	13.9	13.3	0.3	0.6	14.4	13.7
EBIT adjusted in % of revenues	24.4	22.8	8.2	8.8	15.0	14.6	0.3	0.6	15.6	15.0

The significant non-cash items relate in particular to gains and losses arising from foreign currency translation, which have no impact on cash flows.

Reconciliation to MTU consolidated earnings before tax (prior-year data adjusted)

in € million	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017
Earnings before interest and tax (EBIT)	**308.9**	**270.6**
Interest income	3.2	3.0
Interest expense	-4.4	-6.1
Financial result on other items	-3.5	-11.4
Earnings before tax	**304.2**	**256.1**

General information

MTU Aero Engines AG, Munich, together with its consolidated group of companies, counts among the world's largest manufacturers of engine modules and components and is one of the world's leading providers of maintenance services for commercial aircraft engines.

The group's business activities encompass the entire lifecycle of an engine program – from development, structural design, testing and manufacturing of new commercial and military engines and spare parts through to the maintenance, repair and overhaul of commercial and military engines. MTU divides its activities into two operating segments: the commercial and military engine business (OEM) and the commercial maintenance business (MRO).

MTU's commercial and military engine business, or OEM segment, covers the development and manufacturing of modules, components and spare parts for engine programs, and in some cases final assembly. The military engine business additionally includes the provision of maintenance services. The MRO segment consists of the commercial maintenance business, which covers all activities relating to the maintenance, repair and overhaul of commercial engines and associated logistical support.

The parent company, MTU Aero Engines AG, registered office Dachauer Str. 665, 80995 Munich, is registered under reference HRB 157206 in the commercial registry of the district court of Munich.

The condensed interim consolidated financial statements were approved for publication by the Executive Board of MTU Aero Engines AG on July 23, 2018.

Financial reporting

In accordance with the provisions of Section 115 of the German Securities Trading Act (WpHG), MTU's half-year financial report consists of condensed interim consolidated financial statements, an interim group management report and a statement by the legal representatives.
The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) relevant for interim financial reporting, as endorsed by the European Union (EU). The interim group management report has been drawn up in accordance with the applicable provisions of the German Securities Trading Act (WpHG).

Statement of compliance

The condensed interim consolidated financial statements at June 30, 2018 have been drawn up in compliance with IAS 34. In preparing these statements, MTU has applied all International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and effective at the date on which the condensed interim consolidated financial statements were approved for publication, insofar as they have been endorsed by the European Commission for use in the EU.

The accounting methods applied when preparing the condensed interim consolidated financial statements are the same as those used to prepare the annual consolidated financial statements at December 31, 2017 and additionally the following new and amended standards and interpretations:

New and amended standards and interpretations

Standard	Title
IFRS 2	Amendments to Classification and Measurement of Share-Based Payment Transactions
IFRS 4	Amendments to Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IAS 40	Amendments to Transfers of Investment Property
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Annual improvements to IFRSs 2014-2016	IFRS 1 – First-time Adoption of International Financial Reporting Standards IAS 28 – Investments in Associates and Joint Ventures

These standards and interpretations are effective for annual periods beginning on or after January 1, 2018. However, except in the case of the transition to IFRS 15, they had no significant impact on MTU's condensed interim consolidated financial statements. The effects of the transition to IFRS 15 are described below.

The condensed interim consolidated financial statements do not contain all the information and disclosures required for year-end consolidated financial statements and should therefore be read in conjunction with the MTU consolidated financial statements at December 31, 2017.

From the perspective of management, the half-year financial report contains all customary accounting adjustments necessary for a fair presentation of the group's operating results, financial position and net assets. The fundamental accounting principles and methods applied are described in the Notes to the consolidated financial statements at December 31, 2017, on page 176 et seq.

IFRS 9, Financial Instruments
IFRS 9, Financial Instruments, issued in July 2014, supports the legislator's aim of introducing simpler, principles-based rules for the accounting treatment of financial instruments. MTU has been applying the new standard since January 1, 2018.

IFRS 9 introduces a new classification and measurement model for debt instruments which is oriented toward the structure of contractual cash flows and the nature of the business model. As a result loans and receivables, trade receivables, and cash and cash equivalents, which were classified as loans and receivables according to IAS 39, are now allocated to the category „measured at amortized cost."

Equity investments, which under the previous rules had to be measured at cost, are now measured at fair value in accordance with IFRS 9. An analysis of the fair value of the equity investments in question at the reporting date led to the conclusion that there was no need to adjust their carrying amount.

IFRS 9 moreover introduces a new impairment model that constitutes a shift away from the previously utilized incurred loss model as defined in IAS 39. The new expected loss model now requires expected losses to be accounted for at inception of a contract, except in the case of financial assets that were already impaired at the time of acquisition. No changes have arisen for MTU as a result of utilizing the expected loss model because, as a matter of course in both the OEM and MRO segments, products and services are not delivered to the customer until collection of payment is reasonably assured. For this reason, there have been no relevant cases of unrecoverable payments in the past and, in MTU's considered opinion, it is unlikely that such cases will arise in the future, given the precautions taken in this respect as part of its delivery and payment processes.

Through the introduction of IFRS 9, the legislator has also made provision for a more differentiated designation of hedging relationships. However, MTU does not make use of these new designations at present,

As a result of the application of IFRS 9, the cost of effective hedging instruments designated as cash flow hedges in connection with forecast transactions (cash flow hedging) must from now on be recognized in other comprehensive income rather as a revenue item. Otherwise, MTU sees no significant impact on its net assets, financial situation or operating results arising from initial application of IFRS 9. Accordingly, in line with the transitional provisions, MTU is not currently planning to adjust prior period figures.

IFRS 15, Revenue from Contracts with Customers (adjustment of prior-year data)
IIFRS 15, Revenue from Contracts with Customers, was issued in May 2014 and provides a five-step model framework for accounting for revenue from contracts with customers. The new standard for the recognition of revenue replaces all currently applicable standards and interpretations for revenue recognition from contracts with customers. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2018. When first applying IFRS 15, entities may opt either to apply the standard in full to prior periods (full retrospective approach) or to retain prior-period figures as reported under the previous standards (modified retrospective approach).

In mid-April 2016, the International Accounting Standards Board (IASB) published additional clarifications to IFRS 15, which are intended to resolve a number of implementation issues. The amendments are effective for annual reporting periods beginning on or after January 1, 2018 (same effective date as IFRS 15 itself).

IFRS 15 introduces an extensive framework for the measurement and recognition of revenue from contracts with customers. The core principle is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services (the transaction price as defined by IFRS 15). The transaction price determined for a contract is allocated to the performance obligations identified in the contract by reference to their relative standalone selling prices. MTU calculates these standalone selling prices on the basis of observable standalone selling prices or on the cost of acquisition/construction, plus a reasonable, market-based margin. Revenue is recognized when control of the goods or services is passed to the customer, either over time or at a point in time. Revenues may only be recognized over time if the customer simultaneously receives and consumes all of the benefits provided by MTU during the fulfillment of its performance obligations, if MTU's performance creates or enhances an asset that the customer controls, or if MTU's performance creates an asset for which the group itself has no alternative use and MTU has an enforceable right to payment for performance completed to date. The method chosen to recognize revenues over time must be consistent with the pattern of transfer of control to the customer of the distinct goods and services. Application of IFRS 15 has no impact on the amount of net cash flows in either direction.

For MTU as an engine manufacturer and maintenance provider, the following significant changes result from applying IFRS 15:

The criteria for recognizing revenue over time by measuring the progress towards complete satisfaction of the performance obligation differ fundamentally from the criteria applied up to now, and focus on the right to payment for performance completed to date in the event that the customer terminates the contract. This may also result in changes to the way in which progress toward complete satisfaction of a performance obligation is measured.

Payments to customers are usually accounted for as a reduction of revenue unless such payments are in consideration of distinct goods or services that are clearly not linked to the payments made to the customer for goods delivered or services performed.

Based on these considerations, MTU has identified the following significant changes to recognition methods resulting from the application of IFRS 15:

Commercial engine business
In its commercial engine business, MTU has contracted agreements with engine manufacturing customers - mainly in the form of risk- and revenue-sharing partnerships - for the development, production and delivery of engine components and for the assembly and delivery of entire engines. In this context, expenses for marketing engines, especially in the form of indirect payments to airlines and leasing companies and, where they concern the pro rata reimbursement of costs related to the engine program, to the consortium leader (OEM), were previously recognized under cost of sales. Under IFRS 15, such payments to the consortium leader (OEM) qualify as a payment to the customer, and are consequently recognized as a reduction of revenue. Payments to the consortium leader (OEM) in respect of the acquisition of program assets and the pro rata assumption of costs, in particular for program development work, were until now capitalized as intangible assets and amortized on a straight-line basis over their expected useful lives (lifetime of the program). The underlying payment obligations qualify under IFRS 15 as "program-lifetime-related" payments to the customer. Consequently, such payments are presented in the balance sheet under other non-current assets in the line item "acquired program assets, capitalized development costs and other assets" and they are accounted for as a reduction of revenue rather than as cost of sales.

With respect to program-related development activities, IFRS 15 implies an adjustment to the presentation of costs by function for MTU. In particular, in the case of payments to the customer (OEM) in consideration of acquired development services, the expense is recognized as a reduction of revenue. Self-generated development costs, on the other hand, are recognized as a cost-of-sales item. MTU accounts for the identifiable consideration received in respect of its own technologies utilized when working on behalf of an engine consortium in the same way as license revenue. Consequently, such revenues are realized on the basis of the statement of due payments drawn up by the consortium leader (OEM) at the end of each accounting period.

With regard to the time of revenue recognition, application of IFRS 15 allows MTU to bring this forward to the time of delivery to the OEM, and hence transfer of ownership, in the case of engine programs in which engine modules and components are supplied to the consortium leader (OEM) for marketing (in particular consignment warehouse stocks). Previously, revenues were recognized when the OEM utilized the deliveries (in particular withdrawal from the consignment warehouse).

Military engine business
IIn its military engine business, MTU has contracted agreements with manufacturers of military aircraft, European defense agencies, and one engine manufacturer, for the development, production and delivery of engine components and for the assembly and delivery of entire engines. This operating segment also includes the delivery of spare parts and maintenance services for military engines, which form an integral part of the contracts signed with government agencies. Given that the criteria for recognizing revenue over time are not met, MTU has complied with the requirements of IFRS 15

by adopting the principle of recognizing revenues from specific military engine development and manufacturing contracts at a point in time. Until now, such revenues were recognized over time using the percentage-of-completion method. As a result, adjustments were necessary with regard to the time of revenue recognition.

Commercial maintenance business (MRO)
In the commercial maintenance business, the group overhauls and repairs aircraft engines and industrial gas turbines and provides related services. MTU performs this work in the context of agreements contracted with engine manufacturers and airlines. In view of the customer-specific nature of such services, revenue from engine maintenance contracts is currently recognized over time, based on the fulfillment of performance obligations (shop visits), mostly using the cost-to-cost method. MTU will be required under IFRS 15 to recognize revenue from some long-term service agreements over time on the basis of the full term of the contract rather than individual shop visits. However, the transition to IFRS 15 does not lead to any changes in the presentation of MTU's net assets, financial position and operating results for the current reporting period, nor for comparative prior periods.

Initial application
MTU has elected to use the full retrospective approach when applying IFRS 15 for the first time. Under this approach, all transition effects at the beginning of the comparative prior-year period were recognized directly in equity as an adjustment to retained earnings carried forward. Thus, in the 2018 interim consolidated financial statements, comparative data for the prior-year periods (both annual and half-year) is presented in compliance with IFRS 15, which improves comparability of the consolidated income statement in particular. On initial application, MTU made use of the disclosure exemptions under IFRS 15 relating to modified and completed contracts. According to IFRS 15, if a right to consideration for an identified, satisfied performance obligation is conditional on something other than the passage of time, it must be recognized as a contract asset and not as a receivable. Similarly, according to IFRS 15, an amount of consideration received for a performance obligation that has not yet been satisfied at the reporting date must be recognized as a contract liability. Accordingly, to comply with the requirements of IFRS 15, MTU has reclassified certain items and now presents construction contract and service business receivables as contract assets and the balance of construction contract and service business receivables and payables as contract assets or contract liabilities.

If a contract allows a customer to be reimbursed for previously paid considerations (advance payments) within a defined period of time, IFRS 15 requires this contingent liability to be recognized as a repayment liability. This has resulted in the reclassification of relevant amounts previously recognized under other provisions or trade payables.

The adjustments are presented in the tables below in the column labelled „Reclassification of contract assets/liabilities and repayment obligations“.

Consolidated income statement

	Adjusted amount	Adjustments				Reported amount
in € million	Jan. 1 – June 30, 2017	Payments to customers	Program-life-time-related payments to customers	Expenses incurred for program-specific development work	Time of revenue recognition	Jan. 1 – June 30, 2017
Revenues	**1,977.0**	**−580.0**	**−18.8**	**−8.0**	**35.8**	**2,548.0**
Cost of sales	−1,623.3	580.0	18.8	−1.8	−60.3	−2,160.0
Total revenues	**353.7**			**−9.8**	**−24.5**	**388.0**
Research and development expenses	−21.2			9.8		−31.0
Selling expenses	−46.8					−46.8
General administrative expenses	−39.1					−39.1
Other operating income	4.3					4.3
Other operating expenses	−2.2					−2.2
Profit/loss of companies accounted for using the equity method	21.6					21.6
Profit/loss of equity investments	0.3					0.3
Earnings before interest and tax (EBIT)	**270.6**				**−24.5**	**295.1**
Interest result	−3.1					−3.1
Financial result on other items	−11.4					−11.4
Financial result	**−14.5**					**−14.5**
Earnings before tax	**256.1**				**−24.5**	**280.6**
Income taxes	−56.0				7.9	−63.9
Earnings after tax	**200.1**				**−16.6**	**216.7**
Thereof :						
Owners of MTU Aero Engines AG	198.9				−16.6	215.5
Non-controlling interests	1.2					1.2
Earnings per share in €						
Basic (EPS)	3.87				−0.32	4.19
Diluted (DEPS)	3.62				−0.30	3.92

Consolidated statement of comprehensive income

	Adjusted amount	Adjustments				Reported amount
in € million	Jan. 1 – June 30, 2017	Payments to customers	Program-life-time-related payments to customers	Expenses incurred for program-specific development work	Time of revenue recognition	Jan. 1 – June 30, 2017
Earnings after tax	**200.1**				**−16.6**	**216.7**
Translation differences arising from the financial statements of international entities	−6.2					−6.2
Financial instruments designated as cash flow hedges	110.2					110.2
Items that may subsequently be recycled to profit or loss	104.0					104.0
Actuarial gains and losses on pension obligations and pension assets	21.7					21.7
Items that will not be recycled to profit or loss	21.7					21.7
Other comprehensive income / loss	**125.7**					**125.7**
Total comprehensive income	**325.8**				**−16.6**	**342.4**
Thereof attributable to:						
Owners of MTU Aero Engines AG	324.6				−16.6	341.2
Non-controlling interests	1.2					1.2

Adjustments as of January 1, 2017

Assets

	Adjusted amount	Adjustments			Reported amount
in € million	Jan. 1, 2017	Reclassification of contract assets/liabilities and repayment liabilities	Program-lifetime-related payments to customers	Time of revenue recognition	Jan. 1, 2017
Non-current assets					
Intangible assets	1,007.6		–1,226.6		2,234.2
Property, plant and equipment	672.5			–9.0	681.5
Financial assets accounted for using the equity method	201.9				201.9
Other financial assets	130.2				130.2
Aquired program assets, capitalized development costs and other assets	1,228.6		1,226.6		2.0
Deferred tax assets	92.8			36.2	56.6
Total non-current assets	**3,333.6**			**27.2**	**3,306.4**
Current assets					
Inventories	922.6			–100.1	1,022.7
Trade receivables	827.5	224.1		–88.7	692.1
Construction contract and service business receivables		–621.0		227.8	393.2
Contract assets	708.7	708.7			
Income tax receivables	21.1				21.1
Other financial assets	42.9				42.9
Other assets	43.8				43.8
Cash and cash equivalents	322.4				322.4
Prepayments					
Total current assets	**2,889.0**	**311.8**		**39.0**	**2,538.2**
Total assets	**6,222.6**	**311.8**		**66.2**	**5,844.6**

Adjustments as of January 1, 2017

Equity and liabilities

	Adjusted amount	Adjustments			Reported amount
in € million	Jan. 1, 2017	Reclassification of contract assets/liabilities and repayment liabilities	Program-lifetime-related payments to customers	Time of revenue recognition	Jan. 1, 2017
Equity					
Subscribed capital	52.0				52.0
Capital reserves	435.5				435.5
Revenue reserves	1,245.5			-125.4	1,370.9
Treasury shares	-25.3				-25.3
Accumulated other equity	-332.8				-332.8
Owners of MTU Aero Engines AG	**1,374.9**			**-125.4**	**1,500.3**
Non-controlling interests	0.2				0.2
Total equity	**1,375.1**			**-125.4**	**1,500.5**
Non-current liabilities					
Pension provisions	860.6				860.6
Other provisions	23.4				23.4
Refund liabilities	2.0	2.0			
Financial liabilities	1,054.4	-2.0			1,056.4
Deferred tax liabilities	0.2			-23.3	23.5
Total non-current liabilities	**1,940.6**			**-23.3**	**1,963.9**
Current liabilities					
Pension provisions	22.7				22.7
Income tax liabilities	6.8				6.8
Other provisions	135.2	-638.6		89.5	684.3
Refund liabilities	1,207.2	1,207.2			
Financial liabilities	522.9	-122.3			645.2
Trade payables	244.7	-396.7		6.5	634.9
Construction contract and service business payables		-463.1		118.9	344.2
Contract liabilities	725.3	725.3			
Other liabilities	42.1				42.1
Total current liabilities	**2,906.9**	**311.8**		**214.9**	**2,380.2**
Total equity and liabilities	**6,222.6**	**311.8**		**66.2**	**5,844.6**

Adjustments as of December 31, 2017

Assets

	Adjusted amount	Adjustments			Reported amount
in € million	Dec. 31, 2017	Reclassification of contract assets/liabilities and repayment liabilities	Program-lifetime-related payments to customers	Time of revenue recognition	Dec. 31, 2017
Non-current assets					
Intangible assets	1,032.5		–1,257.6		2,290.1
Property, plant and equipment	735.5			–27.9	763.4
Financial assets accounted for using the equity method	291.5				291.5
Other financial assets	167.8				167.8
Aquired program assets, capitalized development costs and other assets	1,259.3		1,257.6		1.7
Deferred tax assets	55.2				55.2
Total non-current assets	**3,541.8**			**–27.9**	**3,569.7**
Current assets					
Inventories	845.1			–152.8	997.9
Trade receivables	914.5	239.9		–62.3	736.9
Construction contract and service business receivables		–294.0		–160.0	454.0
Contract assets	766.7	419.6		347.1	
Income tax receivables	31.3				31.3
Other financial assets	113.2				113.2
Other assets	40.4				40.4
Cash and cash equivalents	106.1				106.1
Prepayments					
Total current assets	**2,817.3**	**365.5**		**–28.0**	**2,479.8**
Total assets	**6,359.1**	**365.5**		**–55.9**	**6,049.5**

Adjustments as of December 31, 2017

Equity and liabilities

	Adjusted amount	Adjustments			Reported amount
in € million	Dec. 31, 2017	Reclassification of contract assets/liabilities and repayment liabilities	Program-lifetime-related payments to customers	Time of revenue recognition	Dec. 31, 2017
Equity					
Subscribed capital	52.0				52.0
Capital reserves	451.2				451.2
Revenue reserves	1,503.0			-148.5	1,651.5
Treasury shares	-23.1				-23.1
Accumulated other equity	-178.1				-178.1
Owners of MTU Aero Engines AG	**1,805.0**			**-148.5**	**1,953.5**
Non-controlling interests	36.3				36.3
Total equity	**1,841.3**			**-148.5**	**1,989.8**
Non-current liabilities					
Pension provisions	847.6				847.6
Other provisions	37.6				37.6
Refund liabilities	1.4	1.4			
Financial liabilities	935.2	-1.4			936.6
Contract liabilities	16.9	16.9			
Other liabilities		-16.9			16.9
Deferred tax liabilities	16.9			-70.5	87.4
Total non-current liabilities	**1,855.6**			**-70.5**	**1,926.1**
Current liabilities					
Pension provisions	23.1				23.1
Income tax liabilities	3.6				3.6
Other provisions	174.9	-772.7		91.8	855.8
Refund liabilities	1,155.3	1,155.3			
Financial liabilities	242.1	-57.8			299.9
Trade payables	307.1	-258.3		2.6	562.8
Construction contract and service business payables		-390.6		68.7	321.9
Contract liabilities	689.6	689.6			
Other liabilities	66.5				66.5
Total current liabilities	**2,662.2**	**365.5**		**163.1**	**2,133.6**
Total equity and liabilities	**6,359.1**	**365.5**		**-55.9**	**6,049.5**

Consolidated cash flow statement (unaudited)

	Adjusted amount	Adjustments			Reported amount
in € million	Jan. 1 - June 30, 2017	Reclassification of contract assets/liabilities and repayment liabilities	Program-lifetime-related payments to customers	Time of revenue recognition	Jan. 1 - June 30, 2017
Operating activities					
Net Income	**200.1**			**-16.6**	**216.7**
Non-cash amortization of capitalized program assets and purchased development	21.2		21.2		
Depreciation / appreciation, amortization and impairment of non-current assets	69.6		-21.2	-1.2	92.0
Profit/loss of companies accounted for using the equity method	-21.6				-21.6
Profit/loss of equity investments	-0.3				-0.3
Gains/losses on the disposal of assets	-0.1				-0.1
Change in pension provisions	14.0				14.0
Change in other provisions	25.4	-35.4			60.8
Change in refund liabilities (not included in working capital)	35.4	35.4			
Change in working capital	-118.7			21.7	-140.4
Other non-cash items	-33.9				-33.9
Interest result	3.1				3.1
Interest paid	-13.3				-13.3
Interest received	2.5				2.5
Dividends received	7.7				7.7
Income taxes	56.0			-7.9	63.9
Income taxes paid	-44.2				-44.2
Cash flow from operating activities	**202.9**			**-4.0**	**206.9**
Investing activities					
Capital expenditure on:					
Intangible assets	-32.3		18.7		-51.0
Property, plant and equipment	-52.8			4.7	-57.5
Financial assets	-33.0				-33.0
Other assets (program assets and development costs)	-18.7		-18.7		
Proceeds from disposal of:					
Intangible assets / property, plant and equipment	2.2			-0.7	2.9
Financial assets	30.7				30.7
Cash flow from investing activities	**-103.9**			**4.0**	**-107.9**
Financing activities					
Repayment of corporate bond	-250.0				-250.0
Increase in / Repayment of liabilities to banks	36.1				36.1
Dividend payment	-97.6				-97.6
Settlement of contingent purchase price liabilities for PW1000G program shares, PW800 program shares, V2500 stake increase	-40.4				-40.4
Sale of shares under the MAP employee stock option program	14.3				14.3
Increase in /Repayment of other financial liabilities	0.2				0.2
Cash flow from financing activities	**-337.4**				**-337.4**
Net change in cash and cash equivalents during the period	**-238.4**				**-238.4**
Effect of translation differences on cash and cash equivalents	-2.1				-2.1
Cash and cash equivalents at beginning of the year (January 1)	322.4				322.4
Cash and cash equivalents at end of period (June 30)	**81.9**				**81.9**

Group reporting entity

At June 30, 2018, the MTU group including MTU Aero Engines AG, Munich, comprised interests in 33 companies.

There were no changes in the group reporting entity during the reporting period.

Notes to the consolidated income statement

1. Revenues

Revenues - Prior year amounts adjusted

in € million	Revenues recognized at a point in time	Revenues recognized over time	Jan. 1 - June 30, 2018	Revenues recognized at a point in time	Revenues recognized over time	Jan. 1 - June 30, 2017
Commercial engine business	686.8	52.1	738.9	615.7	27.5	643.2
Military engine business	129.2	69.6	198.8	151.7	49.4	201.1
Commercial and military engine business (OEM)	**816.0**	**121.7**	**937.7**	**767.4**	**76.9**	**844.3**
Commercial maintenance business (MRO)	**37.4**	**1,251.1**	**1,288.5**	**48.4**	**1,132.6**	**1,181.0**
Consolidation	-17.5	-60.1	-77.6	-18.0	-30.3	-48.3
Total revenues	**835.9**	**1,312.7**	**2,148.6**	**797.8**	**1,179.2**	**1,977.0**

2. Cost of sales

Cost of sales - Prior year amounts adjusted

in € million	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017
Cost of materials	-1,381.9	-1,248.3
Personnel expenses	-321.5	-295.6
Depreciation and amortization	-69.2	-67.7
Other cost of sales	3.4	-71.1
Capitalised development costs	42.9	59.4
Total cost of sales	**-1,726.3**	**-1,623.3**

The change in cost of sales relates to growth in revenues in the reporting period and is affected by the current product mix.

The amount stated under other cost of sales mainly derives from the increase in inventories of work in progress and finished products, the effect of translation differences, and the adjustment of accruals in respect of outstanding cost-of-sales items.

The amount of capitalized development costs corresponds to company-funded expenditure incurred in the OEM segment in connection with engine programs in which MTU is a shareholder.

3. Research and development expenses

Research and development expenses - Prior year amounts adjusted

in € million	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017
Cost of materials	-13.1	-12.7
Personnel expenses	-13.0	-8.7
Depreciation and amortization	-0.6	-0.2
Company-funded research and development expenditure	**-26.7**	**-21.6**
Capitalized own services	**0.3**	**0.4**
Research and development costs recognized as expense	**-26.4**	**-21.2**

4. Selling expenses

Selling expenses

in € million	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017
Cost of materials	–10.7	–9.7
Personnel expenses	–37.4	–35.6
Depreciation and amortization	–0.6	–0.7
Other selling expenses	–7.1	–0.8
Total selling expenses	**–55.8**	**–46.8**

In addition to marketing and advertising costs, selling expenses comprise costs incurred in connection with air shows, trade fairs, exhibitions and press costs as well as allowances and impairments on receivables from customers.

5. General administrative expenses

General administrative expenses

in € million	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017
Cost of materials	–3.7	–3.3
Personnel expenses	–32.2	–30.6
Depreciation and amortization	–0.8	–1.0
Other administrative expenses	–4.7	–4.2
Total general administrative expenses	**–41.4**	**–39.1**

General administrative expenses are expenses incurred in connection with administrative activities unrelated to development, production or sales activities.

7. Profit / loss of companies accounted for using the equity method

Profit / loss of companies accounted for using the equity method

in € million	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017
Associated companies	4.2	3.0
Joint ventures	13.6	18.6
Total profit / loss of companies accounted for using the equity method	**17.8**	**21.6**

8. Interest result

Interest result

in € million	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017
Interest income	**3.2**	**3.0**
Interest expense on		
Corporate bonds and notes	–1.9	–5.6
Convertible bond	–2.3	–2.3
Liabilities to banks	–0.4	–0.3
Finance lease arrangements	–0.2	–0.2
Other interest expenses	–1.3	–1.1
Capitalized borrowing costs for qualifying assets	1.7	3.4
Interest expenses	**–4.4**	**–6.1**
Interest result	**–1.2**	**–3.1**

The improvement in the net interest result is essentially due to the repayment of a corporate bond in 2017.

9. Financial result on other items

Financial result on other items

in € million	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017
Effects from currency translation: exchange rate gains / losses on		
Currency holdings	4.5	–4.0
Financing transactions	2.4	–0.6
Fair value gains / losses on derivatives		
Currency and interest rate derivatives	1.8	7.2
Forward commodity sales contracts	0.7	–0.2
Interest portion included in measurement of assets and liabilities		
relating to pensions funds	–6.8	–6.1
Receivables, other provisions and liabilities	–6.0	–7.7
Financial result on sundry other items	–0.1	
Financial result on other items	**–3.5**	**–11.4**

10. Income taxes

Analysis of current and deferred tax expenses - Prior year amounts adjusted

in € million	Jan. 1 - June 30, 2018	Jan. 1 - June 30, 2017
Current tax expense	-69.8	-74.6
Deferred tax income	-15.9	18.6
Recognized tax expense	**-85.7**	**-56.0**

11. Earnings per share

Diluted earnings per share are calculated by dividing net income by the sum obtained when the number of common shares that could potentially be issued through the granting of equity instruments is added to the weighted average number of outstanding shares.

In the first six months of 2018, the amount of earnings after tax available for distribution to the shareholders of MTU Aero Engines AG was € 216.0 million (January to June 2017: € 198.9 million). In the reporting period from January to June 2018, the weighted average number of outstanding shares was 51,527,630 (January to June 2017: 51,385,147 shares). These combined parameters resulted in a value of € 4.19 for basic earnings per share in the first six months of 2018 (January to June 2017: € 3.87).

Diluted earnings per share came to € 3.92 (January to June 2017: € 3.62) due to the dilutive effect of the 4,007,370 shares that could potentially be issued in connection with the new convertible bond, placed in May 2016 (January to June 2017: 4,007,370 shares) and of the 527 additional shares which represent the deferred portion of a former Executive Board member's share-based compensation.

Notes to the consolidated balance sheet

14. Intangible assets

Intangible assets comprise program-independent technologies, acquired development services, software for engineering applications, and acquired goodwill.

In the first six months of 2018, the group capitalized intangible assets totaling € 34.7 million (January to June 2017: € 33.2 million). These mainly related to acquired development services and allocable borrowing costs, which amounted to € 32.8 million (January to June 2017: € 32.7 million).

The amortization expense for intangible assets in the first six months of 2018 amounted to € 18.1 million (January to June 2017: € 18.2 million).

15. Property, plant and equipment

Additions to property, plant and equipment in the period from January 1 to June 30, 2018 amounted to € 92.9 million (January to June 2017: € 52.8 million), and related mainly to technical equipment, plant and machinery, operational and office equipment, and corresponding advance payments. The depreciation expense on property, plant and equipment in the first six months of 2018 amounted to € 53.1 million (January to June 2017: € 51.4 million).

16. Financial assets

Financial assets accounted for using the equity method

For information on the financial assets accounted for using the equity method, please refer to page 199 et seq. of the Annual Report 2017.

Other financial assets

Composition of other financial assets

	Total		Non-current		Current	
in € million	June 30, 2018	Dec. 31, 2017	June 30, 2018	Dec. 31, 2017	June 30, 2018	Dec. 31, 2017
Financial assets measured at cost	**192.2**	**190.2**	**130.4**	**127.0**	**61.8**	**63.2**
Loans to third parties[1]	137.8	133.5	105.0	101.6	32.8	31.9
Loans to related companies[1]	19.4	20.3	19.4	20.3		
Receivables from employees	1.7	1.1			1.7	1.1
Receivables from suppliers	4.6	2.1			4.6	2.1
Sundry other financial assets	28.7	33.2	6.0	5.1	22.7	28.1
Financial assets measured at fair value through profit or loss	**4.1**	**3.4**	**4.1**	**3.4**		
Other interests in related entities	4.1	3.4	4.1	3.4		
Derivatives without hedging relationship	**6.5**	**1.8**	**5.7**	**1.5**	**0.8**	**0.3**
Derivatives with hedging relationship	**32.5**	**85.6**	**0.6**	**35.9**	**31.9**	**49.7**
Total other financial assets	**235.3**	**281.0**	**140.8**	**167.8**	**94.5**	**113.2**

[1] Included in net financial debt

The main reason for the decrease in the carrying amount of other financial assets was the lower fair value of derivatives due to the applicable U.S.-dollar exchange rate.

17. Acquired program assets, capitalized development costs and other assets

In the reporting period, MTU spent € 1.0 million on the acquisition of program assets. The total amount of acquired program assets recognized in equity at the reporting date was € 21.6 million. In the first six months of 2018, MTU acquired development services to the value of € 11.3 million. During the reporting period, an amount of € 2.8 million was offset against revenues in respect of other assets resulting from payments to the consortium leader (OEM) in consideration of acquired development services.

18. Inventories

Inventories - Prior year amounts adjusted

in € million	June 30, 2018	Dec. 31, 2017
Raw materials and supplies	372.3	354.0
Work in progress	362.9	289.2
Finished goods	176.4	182.4
Advance payments	16.6	19.5
Total inventories	**928.2**	**845.1**

19. Trade receivables

Trade receivables - Prior year amounts adjusted

in € million	June 30, 2018	Dec. 31, 2017
Third parties	459.9	412.7
Related companies	553.0	501.8
Total trade receivables	**1,012.9**	**914.5**

20. Contract assets

Contract assets - first time reported

in € million	June 30, 2018	Dec. 31, 2017
Conditional rights to consideration for performance obligations satisfied at a point in time	429.4	347.1
Conditional rights to consideration for performance obligations satisfied over time	596.5	506.0
Thereof: Advance payments received	-82.4	-86.4
Total contract assets	**943.5**	**766.7**

21. Other assets

Other assets comprise recoverable tax payments as well as maintenance fees paid in advance, insurance premiums and rental payments.

22. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank deposits. This item also includes foreign-currency holdings with an equivalent value of € 66.0 million (December 31, 2017: € 105.8 million).

24. Equity

Changes in equity are presented in the consolidated statement of changes in equity.

The company's subscribed capital (capital stock) is unchanged at € 52.0 million and is divided into 52.0 million non-par bearer shares.

Capital reserves include premiums from the issue of shares and the equity component (net of proportional transaction costs and taxes) of the bond issued in 2007 and repaid / converted in the first quarter of 2012, as well as of the new convertible bond issued in 2016. Also included are the measurement effects from senior management share-based compensation as well as an amount representing the difference between the proceeds of treasury shares sold under the MAP employee stock option program and their original acquisition cost.

A total of 51,634,227 MTU Aero Engines AG, Munich, shares (June 30, 2017: 51,499,842 shares) were in issue at June 30, 2018. The company held 365,773 treasury shares at June 30, 2018 (June 30, 2017: 500,158 shares).

27. Other provisions

Other provisions mainly comprise outstanding warranty expenses, personnel-related liabilities, and outstanding purchase invoices - in particular subsequent costs. The decrease of € 5.7 million in other provisions to € 206.8 million is primarily due to the reduced allocation of revenue-loss provisions for non-recoverable payments and subsequent expenses for previously provided deliveries and services.

28. Financial liabilities

Financial liabilities - Prior year amounts adjusted

	Total		Non-current		Current	
in € million	June 30, 2018	Dec. 31, 2017	June 30, 2018	Dec. 31, 2017	June 30, 2018	Dec. 31, 2017
Bonds and notes	98.3	100.0	98.1	98.0	0.2	2.0
Convertible bond	480.2	478.5	480.1	478.1	0.1	0.4
Financial liabilities arising from increased or new stakes in engine programs	343.0	370.5	261.5	272.9	81.5	97.6
Financial liabilities to banks						
Note purchase agreement	30.2	30.1	30.0	30.0	0.2	0.1
Revolving credit facility	100.0	77.9			100.0	77.9
Other liabilities to banks		0.2				0.2
Loans from third parties		18.2				18.2
Financial liabilities to related companies	0.5				0.5	
Finance lease liabilities	10.7	11.5	9.3	10.0	1.4	1.5
Total gross financial debt	**1,062.9**	**1,086.9**	**879.0**	**889.0**	**183.9**	**197.9**
Derivatives without hedging relationship	1.4	0.9	1.3	0.9	0.1	
Derivatives with hedging relationship	18.6	0.1	7.5		11.1	0.1
Personnel-related financial liabilities	48.2	48.8	28.9	31.2	19.3	17.6
Repayment of grants toward development costs	18.2	22.2	10.0	13.6	8.2	8.6
Sundry other financial liabilities	23.4	18.4	0.5	0.5	22.9	17.9
Total other financial liabilities	**109.8**	**90.4**	**48.2**	**46.2**	**61.6**	**44.2**
Total financial liabilities	**1,172.7**	**1,177.3**	**927.2**	**935.2**	**245.5**	**242.1**

Registered bond
For detailed information on the registered bond, issued for a nominal amount of € 100.0 million, please refer to page 215 of the Annual Report 2017.

Convertible bond
With effect of May 17, 2016, MTU Aero Engines AG issued a convertible bond in the form of a preferential unsecured debenture, for a total nominal amount of € 500.0 million. This bond is convertible into new and/or existing registered non-par-value shares in the issuing company.

For a detailed description of the convertible bond, please refer to page 216 of the Annual Report 2017.

Financial liabilities arising from increase and acquisitions of program shares
Financial liabilities arising from IAE-V2500 stake increase
The agreement signed by MTU in the financial year 2012 in order to increase its share in the V2500 engine program by five percentage points to 16 % included a deferred purchase price component contingent upon the number of flight hours performed over the next 15 years by the V2500 engine fleet in service at time of the stake increase.

Financial liabilities arising from other program participations
The financial liabilities arising from other program participations mainly relate to deferred program entry payments for the PW1000G family of GTF engines, the PW800 and the GE cooperation agreement.

Note purchase agreement
For detailed information on the note purchase agreement issued for a nominal amount of € 30.0 million, please refer to page 216 of the Annual Report 2017.

Revolving credit facility
The company has access to a revolving credit facility of € 600.0 million with five banks, which runs until October 28, 2022. A total of € 131.2 million had been drawn down under this facility at June 30, 2018, of which € 31.2 million in the form of guarantees in favor of third parties (December 31, 2017: € 90.6 million of which € 12.7 in the form of guarantees in favor of third parties). Any credit utilized is subject to interest at the customary market reference rates plus an additional margin. Unused credit facilities are subject to a loan commitment fee.

Finance lease liabilities
Finance lease liabilities represent obligations under finance lease arrangements that are capitalized and amortized using the effective interest rate method. For information on significant leased assets, please refer to page 199 of the Annual Report 2017.

Liabilities arising out of derivatives
The derivative financial instruments with and without hedging relationship, which amounted to € 20.0 million at the interim reporting date (Dec. 31, 2017: € 1.0 million), are held for the purpose of hedging exchange-rate and commodity-price risks. The increase in these liabilities is mainly attributable to the change in the exchange rate of the U.S. dollar to the euro compared to December 31, 2017.

Personnel-related financial liabilities
Personnel-related financial liabilities mainly comprise obligations relating to company pensions and the Christmas bonus. One-time capital payments and payments by installment relating to the company pension scheme amounted to € 29.4 million (December 31, 2017: € 34.9 million). Personnel-related financial liabilities also include liabilities to group employees under the MAP employee stock option program amounting to € 4.2 million (December 31, 2017: € 7.5 million). The total expense for payments under the MAP in the first six months of 2018 amounted to € 3.5 million (January to June 2017: € 2.6 million).

Repayment of grants toward development costs
In the financial years from 1976 through 1991, MTU received grants from the German Federal Ministry of Economics and Technology toward the development costs of the PW2000 engine. Once the sales figures of PW2000 production engines for the Boeing 757 and C-17 as set down in the grant notice have been reached, MTU is obliged to reimburse the full sum of the grants received within a timeframe of ten years. In the financial years 2011 through 2017, a total amount of € 43.7 million was repaid, followed by a further € 4.4 million in the first six months of 2018.

Sundry other financial liabilities
The sundry other financial liabilities totaling € 23.4 million (December 31, 2017: € 18.4 million) include customer credit balances amounting to € 5.4 million (Dec. 31, 2017: € 3.3 million) and numerous other smaller amounts relating to diverse contractual obligations.

30. Contract liabilities

Contract liabilities - First time reported

	Total		Non-current		Current	
in € million	June 30, 2018	Dec. 31, 2017	June 30, 2018	Dec. 31, 2017	June 30, 2018	Dec. 31, 2017
Advance payments received for performance obligations to be satisfied at a point in time	518.8	525.1	16.9	16.9	501.9	508.2
Advance payments received for performance obligations to be satisfied over time	279.0	267.8			279.0	267.8
Advance payments received offset against the corresponding amount of contract assets	-82.4	-86.4			-82.4	-86.4
Total contract liabilities	**715.4**	**706.5**	**16.9**	**16.9**	**698.5**	**689.6**

A part of the contract liabilities represents the excess amount after advance payments received have been offset against the corresponding assets, measured using the percentage-of-completion method (see Note 20, Contract assets Other contract liabilities relate to advance payments forwarded to MTU by the consortium leader (OEM) in the context of long-term service agreements within commercial engine consortia.

31. Repayment liabilities

Repayment liabilities - First time reported

	Total		Non-current		Current	
in € million	June 30, 2018	Dec. 31, 2017	June 30, 2018	Dec. 31, 2017	June 30, 2018	Dec. 31, 2017
Warranty and liability risks	336.8	309.5			336.8	309.5
Invoice corrections	422.8	364.4			422.8	364.4
Subsequent costs	609.8	482.8	39.6	1.4	570.2	481.4
Total Refund liabilities	**1,369.4**	**1,156.7**	**39.6**	**1.4**	**1,329.8**	**1,155.3**

Subsequent costs are expected costs payable to the consortium leader (OEM) in respect of ongoing engine programs.

32. Other liabilities

Other liabilities - Prior year amounts adjusted

	Total		Non-current		Current	
in € million	June 30, 2018	Dec. 31, 2017	June 30, 2018	Dec. 31, 2017	June 30, 2018	Dec. 31, 2017
Personnel-related liabilities						
Social security	0.6	0.6			0.6	0.6
Other personnel-related liabilities	49.2	33.3			49.2	33.3
Other tax liabilities	19.4	30.2			19.4	30.2
Sundry other liabilities	2.0	2.4	0.8		1.2	2.4
Total other liabilities	**71.2**	**66.5**	**0.8**		**70.4**	**66.5**

Personnel-related liabilities

Other personnel-related liabilities principally concern vacation entitlements and flex-time credits.

Other tax liabilities

The other tax liabilities amounting to € 19.4 million (December 31, 2017: € 30.2 million) comprise outstanding personal income tax and church tax payments, solidarity surcharges and domestic and foreign transactional taxes.

33. Additional disclosures relating to financial instruments

Carrying amounts, measurement / recognition methods and fair values

The following tables present the carrying amounts of financial instruments, irrespective of whether or not they fall within the scope of IFRS 7 or IFRS 9. Additionally, the carrying amounts are set opposite the fair values for comparison.

Disclosures relating to financial instruments
Carrying amounts, measurement / recognition methods and fair values at June 30, 2018

in € million	Carrying amount June 30, 2018	Amount carried in balance sheet: Measured at amortized cost	Amount carried in balance sheet: Fair value recognized in equity	Amount carried in balance sheet: Fair value recognized in income statement	Amount carried in balance sheet IAS 17	Financial instruments not within the scope of IFRS 9 or IFRS 7	Total	Fair value June 30, 2018
ASSETS								
Other financial assets								
Loans and receivables	192.2	187.6				4.6	192.2	192.2
Other interests in related entities	4.1			4.1			4.1	4.1
Trade receivables	1,012.9	1,012.9					1,012.9	1,012.9
Contract assets	943.5	943.5					943.5	943.5
Derivative financial assets								
Derivatives without hedging relationship	6.5			6.5			6.5	6.5
Derivatives with hedging relationship	32.5		32.5				32.5	32.5
Cash and cash equivalents	86.9	86.9					86.9	86.9
EQUITY AND LIABILITIES								
Refund liabilities	1,369.4	1,369.4					1,369.4	1,369.4
Trade payables	342.9	342.9					342.9	342.9
Financial liabilities								
Bonds and notes	98.3	98.3					98.3	114.9
Convertible bond	480.2	480.2					480.2	692.2
Financial liabilities arising from increased or new stakes in engine programs	343.0	343.0					343.0	338.7
Financial liabilities to banks	130.2	130.2					130.2	130.2
Financial liabilities to related companies	0.5	0.5					0.5	0.5
Finance lease liabilities	10.7				10.7		10.7	10.7
Derivative financial liabilities								
Derivatives without hedging relationship	1.4			1.4			1.4	1.4
Derivatives with hedging relationship	18.6		18.6				18.6	18.6
Other financial liabilities	89.8	41.6				48.2	89.8	90.7

Disclosures relating to financial instruments - Prior year amounts adjusted
Carrying amounts, measurement / recognition methods and by category 2017

in € million	Carrying amount Dec. 31, 2017	Amount carried in balance sheet: Measured at amortized cost	Fair value recognized in equity	Fair value recognized in income statement	Amount carried in balance sheet IAS 17	Financial instruments not within the scope of IFRS 9 or IFRS 7	Total	Fair value Dec. 31, 2017
ASSETS								
Other assets								
Loans, receivables, other financial assets	190.2	187.2				3.0	190.2	190.2
Other interests in related entities	3.4	3.4					3.4	3.4
Trade receivables	914.5	914.5					914.5	914.5
Contract assets	766.7	766.7					766.7	766.7
Derivative financial assets								
Derivatives without hedging relationship	1.8			1.8			1.8	1.8
Derivatives with hedging relationship	85.6		85.6				85.6	85.6
Cash and cash equivalents	106.1	106.1					106.1	106.1
EQUITY AND LIABILITIES								
Refund liabilities	1,156.7	1,156.7					1,156.7	1,156.7
Trade payables	307.1	307.1					307.1	307.1
Financial liabilities								
Bonds and notes	100.0	100.0					100.0	121.6
Convertible bond	478.5	478.5					478.5	675.4
Financial liabilities arising from increased or new stakes in engine programs	370.5	370.5					370.5	374.7
Financial liabilities to banks	108.2	108.2					108.2	108.2
Loans from third parties	18.2	18.2					18.2	18.2
Finance lease liabilities	11.5				11.5		11.5	11.5
Derivative financial liabilities								
Derivatives without hedging relationship	0.9			0.9			0.9	0.9
Derivatives with hedging relationship	0.1		0.1				0.1	0.1
Sundry other financial liabilities	89.4	40.6				48.8	89.4	90.7

Financial instruments not within the scope of IFRS 7 or IFRS 9 mainly relate to personnel-related liabilities and the corresponding plan assets accounted for in accordance with IAS 19.

Cash and cash equivalents, trade receivables, and other receivables are generally due within a short time. The same is usually true for trade payables and other liabilities as well; the carrying amounts of these assets therefore correspond approximately to their fair value.

Classification of fair-value measurements of financial assets and liabilities according to the fair-value hierarchy
In order to comply with the rules governing the fair-value measurement of financial assets and liabilities, MTU assigns these assets and liabilities to three levels of a fair-value hierarchy.

The three levels of the fair-value hierarchy are described below, together with their utilization when measuring financial assets and liabilities:

Level 1 Quoted prices in active markets for identical assets or liabilities (unadjusted input);

Level 2 Prices of assets or liabilities that can be observed directly or indirectly (derived);

Level 3 Unobservable inputs used to measure prices of assets or liabilities.

The following tables show the allocation of financial assets and liabilities measured at fair value to the three levels of the fair-value hierarchy for 2018 and 2017:

Classification within the fair-value hierarchy at June 30, 2018

in € million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial instruments		39.0		39.0
Available-for-sale financial assets			4.1	4.1
Total financial assets		**39.0**	**4.1**	**43.1**
Financial liabilities measured at fair value				
Derivative financial instruments		20.0		20.0
Total financial liabilities		**20.0**		**20.0**

Classification within the fair-value hierarchy for the financial year 2017

in € million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial instruments		87.4		87.4
Total financial assets		**87.4**		**87.4**
Financial liabilities measured at fair value				
Derivative financial instruments		1.0		1.0
Total financial liabilities		**1.0**		**1.0**

The fair value of the derivative financial instruments and securities assigned to level 2 is measured using the discounted cash flow (DCF) method. Equity investments, which are allocated to level 3, are also measured using the discounted cash flow (DCF) method, based on internal planning figures.

Within the scope of its partnerships as a consortium member in commercial engine programs, MTU is a party to aircraft financing agreements for the purpose of promoting sales. Such loan commitments are only ever entered into jointly with other partners in the engine consortium. They are provided in two basic forms: predelivery payment (PDP) and backstop commitments. In both cases, any funds made available to the purchaser are always transferred directly to the aircraft manufacturer solely by the consortium leader.

MTU classifies loan commitments offered up to the reporting date totaling a nominal amount, translated into euros, of € 545.6 million (December 31, 2017: € 535.8 million) as part of its gross risk in accordance with the requirements of IFRS 7. However, based on experience, it is considered to be very unlikely that these notional loan amounts will actually be utilized to their full extent. In the event that loan commitments are utilized, MTU considers the associated liquidity and credit risks to be manageable. For more information, especially concerning the terms of the loan agreements, please refer to page 226 of the Annual Report 2017.

37. Contingent liabilities and other financial obligations

At June 30, 2018, contingent liabilities amounted to € 60.6 million (December 31, 2017: € 42.0 million). Contingent liabilities and other financial obligations are not material to the financial position of the MTU group. As in previous periods, with the exception of certain obligations in connection with leasing arrangements, no amounts fell due for payment during the reporting period. Similarly, no significant amounts are expected to be paid during the rest of the financial year 2018. For information concerning the composition and nature of contingent liabilities and other financial obligations, please refer to page 236 of the Annual Report 2017.

Purchase commitments for intangible assets and property, plant and equipment amounted to € 98.4 million at June 30, 2018 (December 31, 2017: € 70.7 million).

38. Transactions with related companies and persons

Related companies

Transactions between group companies and joint ventures or associated companies were, without exception, conducted in the context of their normal business activities and made on terms equivalent to those that prevail in arm‘s length transactions.

Business transactions between companies included in the consolidated financialfinancial statements were eliminated in the course of consolidation and are therefore not subject to any separate disclosure.

Business with related companies

During the course of the reporting period, intra-group transactions involving the supply of goods and services were conducted by group companies as part of their normal operating activities (e.g. development, repairs, assembly, IT support).

Trade receivables from these companies at June 30, 2018 amounted to € 553.0 million (December 31, 2017: € 501.8 million), while trade payables totaled € 54.1 million (December 31, 2017: € 72.6 million). Income arising from intra-group transactions in the first six months of 2018 amounted to € 1,045.1 million (January to June 2017: € 621.8 million), and the corresponding expenses amounted to € 515.7 million (January to June 2017: € 408.1 million).

Related persons

No group company has conducted any significant transactions with members of the group's Executive Board or Supervisory Board, or with any other individuals holding key management positions, or with companies in which these persons hold a seat on the managing or supervisory board. The same applies to close members of the families of those persons.

Events after the end of the interim reporting period (June 30, 2018)

No significant events with a material impact on the net assets, financial position or operating results of the MTU group have occurred after the end of the interim reporting period and prior to the date this half-year financial report was drawn up (July 23, 2018).

Publication of the half-year financial report

The half-year financial report of MTU Aero Engines AG, Munich, for the period from January 1 to June 30, 2018 will be published on the company's website on July 26, 2018.

Sworn statement by the legal representatives

We hereby affirm that, to the best of our knowledge, the condensed interim consolidated financial statements present a true and fair view of the group's net assets, financial position and operating results in accordance with the applicable financial reporting standards, and that the interim group management report provides a faithful and accurate review of the group's business performance, including operating results and situation, and outlines the significant risks and opportunities of the group's likely future development.

Munich, July 23, 2018

Reiner Winkler
Chief Executive Officer

Peter Kameritsch
Chief Financial Officer and
Chief Information Officer

Michael Schreyögg
Chief Program Officer

Lars Wagner
Chief Operating Officer

Auditor's opinion

Addressed to: MTU Aero Engines AG

We have reviewed the condensed interim consolidated financial statements prepared by MTU Aero Engines AG, Munich, comprising the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and selected explanatory notes, together with the interim group management report similarly prepared by MTU Aero Engines AG, Munich, for the interim reporting period from January 1, 2018 to June 30, 2018. These documents form part of the half-year report pursuant to Section 37w of the German Securities Trading Act (WpHG). The preparation of the condensed interim consolidated financial statements in accordance with IFRSs as endorsed for application in the EU, and the preparation of the interim group management report in accordance with the applicable requirements of the German Securities Trading Act (WpHG), are the responsibility of the group's legal representatives. Our responsibility is to express an opinion on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and of the interim group management report in accordance with German generally accepted standards for the auditing of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the review such that we obtain reasonable assurance that the condensed interim consolidated financial statements do not deviate significantly from the IFRS requirements concerning the presentation of interim reports, as endorsed for application in the EU, and that the interim group management report does not deviate from the applicable requirements of the German Securities Trading Act (WpHG), based on our critical evaluation of these documents. In a review as opposed to a full audit, our evaluation is based principally on interviews with employees of the company and on analytical assessments. Its findings are therefore less reliable than those of a full audit. Since our review does not constitute an audit in the strict legal sense, we are unable to pronounce a certified opinion.

Nonetheless, based on our review, no findings have come to light that might lead us to conclude that the condensed interim consolidated financial statements do not comply with the IFRS requirements for interim financial reporting, as endorsed for application in the EU, nor that the interim group management report does not comply with the applicable requirements of the German Securities Trading Act (WpHG).

Munich, July 24, 2018

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Keller	Westermeier
German Public Auditor	German Public Auditor

Additional information

Financial calendar

Interim financial report at June 30, 2018	July 26, 2018
Quarterly Statement at September 30, 2018	October 25, 2018
MTU analysts and investors conference 2018	November 30, 2018

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MTU Aero Engines AG online

- For more information about MTU Aero Engines AG, please visit our website at www.mtu.de.
- For direct access to the section devoted to investor relations, follow this link: www.mtu.de/de/investor-relations.
- Information on products made by MTU Aero Engines AG can be found at: www.mtu.de/engines

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