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Half-Year Financial Report

MTU AERO ENGINES AG

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Half-Year Financial Report 2024

January 1 to June 30, 2024

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Key facts and figures

Key facts and figures for the Group

in € million (unless stated otherwise)	Jan. 1 - June 30, 2024	Jan. 1 - June 30, 2023	Year-on-year change in € million	Year-on-year change in %
Income statement				
Revenue	3,389	3,093	296	9.6
Adjusted revenue	3,429	3,123	306	9.8
Gross profit	569	520	49	9.5
Adjusted gross profit	619	539	80	14.8
Earnings before interest and taxes (EBIT)	421	383	38	9.8
Adjusted earnings before interest and taxes (adjusted EBIT)	470	405	65	16.1
Earnings before tax	399	362	37	10.2
Net income	288	256	32	12.5
Adjusted net income	342	300	42	14.0
Basic earnings per share (in €)	5.30	4.75	0.55	11.6
Diluted earnings per share (in €)	5.20	4.65	0.55	11.8
Adjusted earnings per share (in €)	6.31	5.60	0.71	12.7
Revenue margins in %				
Earnings before interest and taxes (EBIT)	12.4	12.4		
Adjusted earnings before interest and taxes (adjusted EBIT)	13.7	13.0		
Earnings before tax	11.8	11.7		
Net income	8.5	8.3		
Adjusted net income	10.0	9.6		
Cash flow				
Cash flow from operating activities	350	307	43	14.1
Cash flow from investing activities	–225	–177	–48	–27.0
Free cash flow (adjusted)	105	135	–30	–22.2
Cash flow from financing activities	131	–181	311	>100
Change in cash and cash equivalents	262	–52	314	>100

in € million (unless stated otherwise)	June 30, 2024	Dec 31, 2023	Year-on-year change in € million	Year-on-year change in %
Balance sheet				
Intangible assets & goodwill	1,207	1,200	8	0.6
Cash and cash equivalents	1,146	883	262	29.7
Pension provisions	724	743	–19	–2.6
Equity	3,116	2,933	183	6.2
Net financial debt	711	631	81	12.8
Order backlog	**25,216**	**24,393**	**823**	**3.4**
Number of employees	**12,366**	**12,170**	**196**	**1.6**
Commercial and military engine business (OEM)	7,632	7,544	88	1.2
Commercial maintenance business (MRO)	4,734	4,626	108	2.3

Interim Group management report

The MTU Group

MTU's portfolio covers the entire lifecycle of commercial and military aircraft engines and aero-derivative industrial gas turbines. The company's activities range from development, manufacturing and marketing to maintenance.

Research and development

The pace of technological development in the aviation sector is very high and requires continual innovation. Alongside ongoing development of the commercial and military engine programs in which MTU is currently involved, development work at MTU includes work on German and EU development programs for future engine programs.

Research and development expenses developed as follows in the reporting period:

Research and development expenses

in € million	Jan. 1 - June 30, 2024	Jan. 1 - June 30, 2023	Year-on-year change in € million	Year-on-year change in %
Commercial engine business (OEM)	138	122	15	12.4
Military engine business (OEM)	39	28	11	38.5
Commercial maintenance business (MRO)	2	7	-4	-63.5
Total research and development expenses	**179**	**158**	**22**	**13.9**
Refund of research and development expenses	-52	-39	-12	-32.0
Research and development expenses - own contribution	**128**	**119**	**9**	**7.9**
Expenditure meeting recognition criteria for intangible assets				
Commercial and military engine business (OEM)	-62	-47	-15	-31.6
Amortization of previously capitalized development costs	17	15	2	12.3
Research and development expenses - effect on profit or loss	**83**	**86**	**-4**	**-4.3**
thereof: in gross profit	34	32	2	5.3
thereof: in functional costs - research and development	49	54	-5	-10.0

A distinction is made between company- and customer-funded research and development expenses. Company-funded projects are funded out of the Group‘s own resources, while customer-funded projects are ordered and paid for by customers. The company-funded research and development expenses are presented in Note 3 to the condensed consolidated interim financial statements (“Research and development expenses”). On the other hand, the customer-funded projects and the compensation payments made in connection with stakes in commercial engine programs are reported within revenue.

No impairment losses were recognized in this connection in either the reporting period or the comparative prior-year period.

Economic report

Macroeconomic conditions

Global economic sentiment is cautiously optimistic despite continued modest growth rates and the shadow of geopolitical tensions. On the one hand, the labor market situation has developed very positively in the industrialized countries, with employment rates close to record lows, and global consumption ratios and purchasing managers' indices have recovered. On the other hand, prospects are clouded by the ongoing tense inflation situation, combined with the fact that interest rates are still very high. The persistently high inflation is still preventing the Federal Reserve in the USA from implementing an interest rate turnaround. Interest remained at an unchanged high level of 5.25% (as of June 27, 2024), the highest level since 2001 (NY FED). Following a slight drop in inflation rates, the ECB reversed the interest trend and recently lowered interest rates by 25 basis points to 3.75% (ECB; as of June 12, 2024).

Global economic growth recently exceeded expectations, driven by stronger growth rates in key emerging markets. In the Eurozone, growth was 0.3% in the first quarter of 2023 compared with the fourth quarter of 2023, while growth in the prior-year quarter was still negative (Eurostat, April 2024). China also posted growth. The rise of 1.6% in the first quarter of 2024 was stronger than had been expected (OECD G20 GDP Growth, June 2024). The economic outlook for Europe and Central Asia has improved slightly since the beginning of the year (OECD Economic Outlook, May 2024).

However, there are signs that economic growth in the USA is slowing slightly following an extremely positive development in the previous quarters. In the first quarter, the U.S. economy grew by just 0.3% instead of the projected 0.6%. Nevertheless, the U.S. economy is continuing to develop solidly (OECD G20 GDP Growth, June 2024).

The Brent crude oil price was highly volatile in recent months. In May, the price averaged U.S.$82 per barrel. That was the same level as at the beginning of 2024 (U.S. Energy Information Administration, Short Term Energy Outlook June 2024). This was caused by the geopolitical situation, production constraints by OPEC, and solid macroeconomic demand. In 2023, the average price per barrel was U.S.$82 (EIA June 2024).

Sector-specific conditions within the aviation industry

While the macroeconomic conditions are only gradually improving, the aviation industry is continuing to post clearly positive growth rates in both passenger and cargo traffic. Domestic travel was back at the pre-Covid level in spring 2023 and international routes have now also caught up with pre-pandemic levels. In February 2024, total traffic measured in RPK (RPK: revenue passenger kilometers) surpassed the 2019 figures. Domestic travel in China recently grew strongly thanks to internal tourism, reaching record numbers. Travel between and Asia and Europe is still affected, in particular by the war in Ukraine, partly because European airlines no longer use Russian airspace, which greatly increases flight times (IATA Global Outlook for Air Transport, June 2024).

Growth figures in the passenger segment reflect the recovery in demand. In the first five months, passenger kilometers flown increased by 14.5% overall (IATA Air Passenger Market Analysis, May 2024). The situation in the cargo sector has also improved significantly since the middle of last year: The disruption of maritime cargo traffic, combined with the tension in the Red Sea, the drought affecting the Panama Canal and the Baltimore bridge accident, resulted in a rise in demand for air cargo in the first quarter of 2024. This also benefited cargo-only aircraft. Cargo flight movements were 30.5% higher than in 2019, before the crisis (FlightRadar 24, flight movements in calendar week 22/2024 compared with 2019).

The proportion of active aircraft with more than 100 seats increased from 88.3% in December 2023 to 89.2% in June 2024. Accordingly, the percentage of parked aircraft relative to the total fleet decreased by 1% in the past six months (Cirium Fleets Analyzer; number of active aircraft as of July 1, 2024 and December 31, 2023).

Due to the reduction in production of the Boeing 737 Max as a result of shortfalls in quality controls and the ongoing challenges in the production chain, Airbus and Boeing delivered a total of 485 aircraft in the first six months, compared with 575 in the same period in 2023. At the end of June 2023, the two aircraft manufacturers Airbus and Boeing had a total of 14,616 fixed orders on their books. That was a year-on-year increase of roughly 5% (Cirium Fleets Analyzer, deliveries in the first six months and orders on hand as of June 30).

Financial situation

Information on exchange rates

The development of the U.S. dollar is also particularly important for MTU's international business. The U.S. dollar exchange rate was U.S.$1.07 per €1 as of June 30, 2024 (December 31, 2023: U.S.$1.11 per €1). The average exchange rate in the period from January 1 through June 30, 2024 was U.S.$1.08 per €1 (H1 2023: U.S.$1.08 per €1).

Results of operations

Reconciliation to adjusted key performance figures

Reconciliation of the consolidated income statement

in € million	1.1. - 30.6.2024 As reported	Non-recurring items	Adjusted figures	1.1. - 30.6.2023 As reported	Non-recurring items	Adjusted figures
Revenue [1]	**3,389**	**40**	**3,429**	**3,093**	**30**	**3,123**
thereof: special item “Other material aperiodic contribution to earnings” - “Geared Turbofan fleet management plan”		28	28			
thereof: special item “Other material aperiodic contribution to earnings” – “consortial major litigation and claims”			0		19	19
thereof: special item “effects from increase in the stake in IAE/V2500”		12	12		11	11
Cost of goods sold [1]	-2,820	9	-2,810	-2,573	-12	-2,584
thereof: special item “effects of purchase price allocation”		9	9		9	9
thereof: special item “impairment losses” – “Russia-Ukraine war”			0		-21	-21
Gross profit	**569**	**49**	**619**	**520**	**19**	**539**
Research and development expenses	-49		-49	-54		-54
Selling expenses	-68		-68	-70		-70
General administrative expenses	-61		-61	-57		-57
Other operating income and expenses	-16		-16	3		3
Profit/loss of companies accounted for using the equity method and of equity investments	45		45	41		41
Special item “Other material aperiodic contribution to earnings” – “consortial major litigation and claims”			0		3	3
Earnings before interest and taxes (EBIT)	**421**	**49**	**470**	**383**	**22**	**405**
Net interest income/expense	-5		-5	-1		-1
Other financial income – interest included in the measurement of pensions	-13		-13	-13		-13
Other financial income/expense – miscellaneous (e.g. measurement of foreign currency holdings)	-4	4	0	-8	8	0
Earnings before income taxes	**399**	**54**	**452**	**362**	**30**	**391**
Income taxes	-111		-111	-106		-106
Adjustment based on normalized income taxes		1	1		15	15
Net income	**288**	**54**	**342**	**256**	**44**	**300**

In the reconciliation of the consolidated income statement, special items, especially amounts recognized in operating results that are material – measured using the internal materiality criterion for external reporting – and, above all, amounts relating to other periods, are factored out of the key earnings figures of the Group and its segments. The aim is to measure the success of managing operating activities in the reporting period and, at the same time, to provide information as a further point of reference for efficient comparison with different periods and companies.

Following its standard practice, the central earnings indicators reported by MTU as key performance indicators are:

- adjusted earnings before interest and taxes (adjusted EBIT) and the adjusted EBIT margin,
- adjusted net income, and
- adjusted revenue.

The adjusted figures do not come under the provisions of the International Financial Reporting Standards (IFRSs); they are to be seen as an addition to the key financial indicators reported pursuant to IFRSs.

It is standard practice for the CEO to classify items and the corresponding earnings contributions as special items to be eliminated in the reconciliation to the adjusted figures in consultation with the CFO, the Chairman of the Supervisory Board and the members of the Supervisory Board's Audit Committee.

Adjusted revenue

With a view to consistent reporting, in the reporting period revenue was adjusted for the "significant non-period earnings impacts" in connection with the Geared Turbofan fleet management plan described in the section on adjusted EBIT, the impact of the "major consortial litigation and claims," which also affect revenue, and the "effects from the increase in the stake in IAE-V2500."

Adjusted revenue was €3,429 million in the first six months of 2024 (January through June 2023: €3,123 million).

Adjusted EBIT

Following its standard practice, MTU adjusted the EBIT calculated in accordance with the IFRS for the following categories of special items:

Adjusted special items comprising recurring effects – to enhance the comparability of financial reporting within the sector:

- "Effects of the purchase price allocation": As of January 1, 2004, MTU passed into the ownership of Kohlberg Kravis Roberts & Co. Ltd. (KKR), following the latter's purchase of 100% of the MTU shares from the then DaimlerChrysler AG. In the context of the acquisition, assets, liabilities and contingent liabilities were identified in accordance with IFRS 3 and measured at fair value. Since then, the identified intangible assets, in particular, have resulted in substantial amortization. The resulting earnings impacts are eliminated as special items in the reconciliation to adjusted EBIT.

- "Effects from the increase in the stake in IAE-V2500": The increase in MTU's stake in the Pratt & Whitney IAE-V2500 program in 2012 was accounted for as the addition of a program asset. Since then, this asset has been amortized over the expected remaining useful life of the program, thereby reducing revenue, and the corresponding earnings impact is eliminated as a special item in the reconciliation to adjusted EBIT.

- "Effects from the Geared Turbofan fleet management plan": impact on profit of loss of the subsequent measurement of existing refund liabilities for warranty and liabilities risks related directly to the compensation payments to PW1100G-JM program customers in connection with the Geared Turbofan fleet management plan. The subsequent measurement effects explicitly include the effect of currency translation on profit or loss.

Special items comprising non-period effects – to enhance measurement of the Group's operating performance and the comparability of financial reporting, especially over time:

- "Impairment losses": Significant earnings impacts resulting from asset impairment losses, especially in accordance with IAS 36, are eliminated as special items in the reconciliation to adjusted EBIT. Claims to insurance compensation payments for materialized damage from the leasing of engines to Russian customers, which were impaired two years ago, were realized in the prior-year period. The corresponding other operating income was eliminated as a special item in the reconciliation to adjusted EBIT and adjusted net income in the prior year.

- “Other significant non-period earnings impacts”: In keeping with the objective of the adjusted earnings parameters (see above), analogously to the categories specified in previous periods, adjustments were made for the earnings impacts of non-period transactions, i.e., transactions that impact earnings across periods.

These effects have been eliminated as a special item in the reconciliation to adjusted revenue and adjusted EBIT.

Other categories of special items that result in adjustments in principle, but were not relevant in either the reporting period or the prior-year period, are:

- “Restructuring expenses”: Earnings impacted by restructuring measures within the meaning of IAS 37.
- “Changes in the consolidated group”: Earnings impacts resulting from the acquisition, divestment or discontinuation of material investments and processes of a comparable nature.
- “Legal and process costs”: extraordinary legal/process costs, including contributions to income from related settlements and judgments by (arbitration) courts.

Adjusted net income

Similarly, the effect of the special items outlined above is eliminated from earnings before income taxes. To establish adjusted earnings before income taxes, net interest income/expense and the interest shares in other financial income/expense, which are mainly connected with provisions for pensions and liabilities from pensions and plan assets, are added to adjusted EBIT. None of the other components of financial income/expense that are influenced by the U.S. dollar exchange rate, such as the effects of exchange-rate hedging, were taken into account.

- Adjusted net income is derived from adjusted earnings before income taxes. The “normalized” income taxes are calculated on the basis of the expected average tax rate for the Group derived in each case from the current operational planning for the Group. This is 27% (January through June 2023: 26%). The profit/loss of companies accounted for using the equity method does not form part of the tax base.

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. As of June 30, 2024, the order backlog was approximately €25.2 billion (December 31, 2023: €24.4 billion), corresponding to a theoretical production workload of a good three years.

Revenue

Revenue increased by €296 million (9.6%) year-on-year to €3,389 million in the first six months of 2024.

Revenue from commercial and military engine business rose by €75 million (7.0%) to €1,135 million. Revenue growth was driven in particular by the favorable performance of the GTF programs, the spare parts business for the GEnx program and an increase in military business. However, revenue was affected by the measurement of refund liabilities in connection with stakes in commercial engine programs on the basis of the closing-date exchange rate, which changed from U.S.$1.11 per euro on December 31, 2023, to U.S.$1.07 per euro on June 30, 2024. Another factor that reduced revenue year-on-year was the development of the CF6-80C/E program.

Revenue from commercial maintenance business increased by €223 million to €2,304 million, principally as a result of additional maintenance business for the GE90 engine and the positive development of the engine leasing business.

Adjusted revenue increased by €306 million (9.8%) year-on-year to €3,429 million.

Cost of goods sold and gross profit

As a result of the increased business volume and the product mix achieved, the cost of goods sold increased by €247 million (9.6%) year-on-year to €2,820 million in the first six months of 2024. This increase was in line with revenue growth. While inflation effects caused costs to increase, economies of scale realized in relation to the utilization of production and service capacities had the opposite effect compared to the prior-year period.

At €569 million in the first six months, gross profit was €49 million (9.5%) up on the prior year. This increase resulted principally from the positive development of business in the MRO segment. Revenue growth was also achieved in the OEM segment but this was slightly overcompensated by an increase in the cost of goods sold, especially in the GTF programs, as a result of inflation effects. The gross margin was stable compared with the first half of 2023 at 16.8%. By contrast, the adjusted gross margin increased from 17.3% to 18.0%.

Earnings before interest and taxes (EBIT)

Earnings before interest and taxes rose by €38 million (9.8%) to €421 million in the first six months of 2024 (January through June 2023: €383 million). The EBIT margin was therefore unchanged at 12.4%. In the OEM segment, the year-on-year increase in EBIT was attributable to the change gross profit and lower other function costs. In the MRO segment, EBIT is influenced not only by gross profit but also by other operating profit/loss. In the first half of the previous year, this included insurance compensation for leased engines confiscated in Russia (special item impairment losses/reversals due to Russia-Ukraine war). Other factors in the MRO segment are the higher profit/loss of companies accounted for using the equity method as a result of their business performance as well as lower other functional costs.

Adjusted earnings before interest and taxes improved to €470 million (January through June 2023: €405 million), resulting in an adjusted EBIT margin of 13.7% (January through June 2023: 13.1%) (see table “Reconciliation of the consolidated income statement”).

Net financial income/expense

Net financial expense came to €22 million in the reporting period (January through June 2023: €21 million). Higher interest income from financial investments and an improvement in the other financial result were slightly negated by higher interest expense.

Earnings before income taxes

Earnings before income taxes rose by €37 million to €399 million in the first six months of 2024 (January through June 2023: €362 million).

Net income

Net income increased to €288 million (January through June 2023: €256 million). Net income attributable to shareholders of MTU Aero Engines AG stood at €285 million (January through June 2023: €255 million). Adjusted net income came to €342 million, which was €42 million higher than in the same period of the prior year (January through June 2023: €300 million).

Consolidated statement of comprehensive income

In the consolidated statement of comprehensive income, the net income of €288 million (January through June 2023: €256 million) is reconciled with the total comprehensive income for the period of €294 million (January through June 2023: €288 million).

Income and expense items directly recognized in other comprehensive income in the first six months of 2024, net of deferred taxes, mainly comprised negative changes in the fair value of cash flow hedges totaling €34 million (January through June 2023: positive changes in fair value of €45 million), positive effects from currency translation of foreign Group companies totaling €22 million (January through June 2023: negative effects of €9 million) and actuarial gains from changes in interest rates in connection with the measurement of pension obligations and plan assets totaling €18 million (January through June 2023: actuarial losses of €4 million).

Of the total comprehensive income for the period of €294 million (January through June 2023: €288 million), €289 million is attributable to shareholders of MTU Aero Engines AG (January through June 2023: €288 million).

Financial position

The principles and objectives of financial management are outlined on page 56 et seq. of the Annual Report 2023 and are still applied unchanged by the Group. The following changes arose compared with the consolidated financial statements as of December 31, 2023:

MTU Aero Engines AG placed two promissory notes on May 10, 2024. One promissory note, which has a nominal value of €161 million and matures on April 23, 2027, has a fixed interest rate of 4.194% p.a. The second promissory note, which has a nominal value of €139 million and matures on April 23, 2029, has a fixed interest rate of 4.121% p.a. The full nominal amount of both promissory notes less the placement fees was paid to MTU on April 23, 2024. The interest on both notes is due annually in arrears on April 23. Each of the notes will be redeemed at nominal value when they mature. They are accounted for at amortized cost, including the placement fees, using the effective interest method.

The Group's borrowing still comprises bonds, notes denominated in euros and convertible bonds.

Adjusted free cash flow

MTU determines its free cash flow from the sum of its cash flow from operating activities and its cash flow from investing activities, after eliminating components of the latter (non-recurring cash flows) that lie outside the operational management of the core business. To arrive at the free cash flow, these non-recurring cash flows were therefore eliminated from the cash flow from investing activities. Following its standard practice, MTU identified non-recurring cash flows in connection with:

- the acquisition of stakes in OEM engine programs and MRO programs
- interest-bearing sales financing arrangements
- (aircraft and engine financing transactions)
- interest-bearing financial investments for liquidity management with original contractual maturities of more than six months
- the acquisition and divestment of material equity investments

Accordingly, net cash inflows from aircraft and engine financing transactions of €19 million (January through June 2023: cash outflows of €6 million) were eliminated when calculating the free cash flow. No other categories of non-recurring cash flows were recorded in either the first half of 2024 or the first half of 2023, so no further adjustments were necessary.

Free cash flow was €105 million on this basis in the first six months of 2024 (January through June 2023: €135 million).

Financial position

in € million	Jan. 1 - June 30, 2024	Jan. 1 - June 30, 2023	Year-on-year change in € million	Year-on-year change in %
Cash flow from operating activities	350	307	43	14.1
Cash flow from investing activities	−225	−177	−48	−27.0
+ Cash flow adjustments	−19	6	−25	<-100
Free cash flow	**105**	**135**	**−30**	**−22.2**
– Cash flow adjustments	19	−6	25	>100
Cash flow from financing activities	131	−181	311	>100
Translation differences	7	−1	7	>100
Change in cash and cash equivalents	**262**	**−52**	**314**	**>100**
Cash and cash equivalents				
at the beginning of the reporting period	883	823	60	7.3
at the end of the reporting period	1,146	771	374	48.5

Cash flow from operating activities

The year-on-year increase was mainly due to cash-effective business growth, which was partially offset by the increase in working capital.

Cash flow from investing activities

The total amount of acquired program assets recognized in the cash flow statement in the reporting period stood at €35 million (January through June 2023: €27 million). They mainly related to capital expenditure for the Pratt & Whitney GTF engine family, the GE9X and the PW800 program.

Furthermore, a total of €34 million (January through June 2023: €21 million) was spent in the first half of 2024 on program assets (acquisition costs to purchase and/or increase program stakes) and compensation payments for development assets relating to participation in consortia for commercial programs.

Cash outflows for capital expenditure on property, plant and equipment amounted to €202 million in the reporting period (January through June 2023: €139 million). The capital expenditure relates to the expansion of MTU's production capacities, especially at its sites in

Germany, and replacements for existing technical equipment, plant and machinery as well as purchases of operational and office equipment. As well as this, investments were made in capacities for engine leasing business. Proceeds of €32 million arose from the sale of property, plant and equipment, particularly the sale of leased engines (January through June 2023: €27 million).

The net result of cash inflows and outflows relating to financial assets was an inflow of €14 million (January through June 2023: outflow of €17 million), mainly due to net cash inflows relating to participation in aircraft financing activities.

Cash flow from financing activities

Between January 1 and June 30, 2024, the cash inflow from financing activities was €131 million (January through June 2023: cash outflow of €181 million). The principal drivers of this in the reporting period were the placement of two promissory notes, resulting in cash inflows of €299 million, the lower dividend payment of €108 million for the 2023 fiscal year compared with the previous year (dividend payment for 2022: €171 million), compensation payments in connection with stakes in engine programs of €82 million (January through June 2023: €0 million) and payments of €32 million for lease liabilities. This was partially offset by the addition of other financial liabilities of €78 million.

Change in cash and cash equivalents

Changes in cash flow, including currency effects, resulted in an increase of €262 million in cash and cash equivalents (January through June 2023: decline of €52 million).

Net financial debt

Net financial debt serves as an indicator of the MTU Group's liquidity situation and is defined as the difference between gross financial debt and financial assets. As of June 30, 2024, net financial debt rose by €81 million to €711 million (December 31, 2023: €631 million).

Net financial debt

			Change against previous year	
in € million	June 30, 2024	Dec. 31, 2023	in € million	in %
Bonds and notes	613	607	6	1.1
Convertible bonds	490	489	2	0.3
Promissory note	302		302	
Other financial liabilities to banks	77	7	70	>100
Financial liabilities to related companies	8	0	8	>100
Lease liabilities	185	170	15	9.0
Miscellaneous other financial liabilities (financing component)	215	294	-78	-26.6
thereof: arising from acquisition of stakes in engine programs	67	73	-6	-8.1
thereof: from compensation payments due to program participations	149	221	-72	-32.7
Gross financial debt	**1,891**	**1,566**	**325**	**20.7**
less:				
Cash and cash equivalents	1,146	883	262	29.7
Loans to third parties	34	52	-18	-34.9
Financial assets	**1,180**	**935**	**244**	**26.1**
Net financial debt	**711**	**631**	**81**	**12.8**

For a detailed explanation of the bonds and notes and the financial liabilities from the acquisition of stakes in engine programs and from compensation payments in connection with stakes in engine programs, please refer to the explanations on page 203 et seq. of the Annual Report 2023 of MTU Aero Engines AG and Note 28 of this Interim Financial Report.

Net assets

Changes in balance sheet items

Total assets increased by €753 million from €10,204 million as of December 31, 2023, to €10,957 million as of June 30, 2024.

Non-current assets were €81 million higher than on December 31, 2023, at €4,686 million, while current assets were €672 million higher at €6,271 million.

In the first six months of 2024, intangible assets totaling €36 million were recognized (January through June 2023: €28 million). The additions mainly comprise capitalized, self-created development assets in connection with the stake in the Pratt & Whitney Geared Turbofan programs, the GE9X and the PW800 program.

Additions to property, plant and equipment amounted to €246 million in the first six months of 2024 (January through June 2023: €163 million).

Acquired program assets, development work and other assets increased by €24 million to €824 million. This was principally due to higher development compensation payments in connection with the Pratt & Whitney Geared Turbofan™ programs.

In the first half of 2024, trade receivables increased by €435 million to €1,445 million, cash and cash equivalents increased by €262 million to €1,146 million, principally due to the placement of two promissory notes, current other financial assets rose by €93 million to €772 million and inventories increased by €43 million to €1,672 million. By contrast, contract assets decreased by €122 million to €1,126 million, mainly due to higher offsetting of advance payments, income tax receivables were €33 million lower at €49 million and current other assets dropped by €8 million to €60 million.

Group equity increased by €183 million compared with December 31, 2023, to €3,116 million. In the first six months of 2024, equity was increased by the net income of €288 million (January through June 2023: €256 million), positive effects from currency translation of foreign Group companies totaling €22 million (January through June 2023: negative effects of €9 million) and actuarial gains of €18 million, especially from the change in the discount rate for pension provisions and plan assets (January through June 2023: actuarial losses of €4 million). Equity was reduced by the distribution of the dividend of €108 million for the 2023 fiscal year (January through June 2023: €171 million), the reduction of €34 million in the fair value of cash flow hedges (January through June 2023: increase in fair value of €45 million) and dividend payments to non-controlling interests of €3 million (January through June 2023: €1 million). The equity ratio was 28.4% (December 31, 2023: 28.7%).

Pension provisions were €19 million lower than on December 31, 2023, mainly because of the increase in the discount rate.

Other provisions increased by €30 million to €187 million. This was primarily attributable to the net rise in provisions for warranty obligations and risks from pending losses on onerous contracts and provisions for outstanding invoices.

Financial liabilities were €290 million higher than on December 31, 2023 at €2,180 million. The increase was mainly due to the placement of two promissory notes with a nominal value of €299 million.

At €386 million as of June 30, 2024, trade payables were €61 million higher than on December 31, 2023, primarily as a result of business performance.

Compared with December 31, 2023, refund liabilities increased by €155 million to €3,396 million. This was mainly due to the business performance and the exchange-rate-related appreciation of liabilities.

Compared with December 31, 2023, contract liabilities increased by €70 million to €808 million. Advance payments received are recognized as contract liabilities if they exceed the associated contract assets.

Compared with December 31, 2023, other liabilities dropped by €14 million to €124 million. The decline in liabilities from other taxes was partially offset by higher personnel-related liabilities.

Employees

MTU had 12,366 employees on June 30, 2024 (December 31, 2023: 12,170).

Employee numbers increased at all sites, particularly in Germany, Serbia and Poland, for business-related reasons.

Events after the reporting date

Events after the reporting date (June 30, 2024)

There were no events of specific importance with a significant impact on the net assets, financial position and results of operations of the MTU Group between the date of the interim report and the preparation of this half-year financial report on July 29, 2024.

Forecast, risk and opportunity report

In order to take best advantage of market opportunities and to identify and manage the risks involved, the Executive Board has established an integrated opportunity and risk management system. This 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 includes the internal control system for the accounting process in accordance with Sections 289 (5) and 315 (2) No. 5 of the German Commercial Code (HGB). For a more detailed description of the attributes of this system and the methods applied, please refer to the Annual Report 2023, page 92 et seq.

Forecast

Macroeconomic conditions

The International Monetary Fund (IMF) revised its forecast for global economic growth up slightly in April and expressed its surprise at the resilience of the global economy. Its new economic forecast assumes that global growth will be 3.2% this year. In addition to a slight improvement in the outlook for the industrialized countries (+0.2%), the developing economies are displaying a slightly more positive trend (+0.1%, IMF WEO April 2024). The Organization for Economic Co-operation and Development (OECD) has issued a similar forecast for global growth of 3.1%. Global economic growth is therefore now expected to be on a par with 2023 (3.1%) and to stabilize despite the geopolitical uncertainty (OECD Economic Outlook, May 2024).

Global inflation is expected to ease steadily, from 6.8% in 2023 to 5.9% in 2024 and 4.5% in 2025. The industrialized countries should achieve their inflation targets faster than the emerging markets and developing economies (IMF WEO April 2024). Many central banks have already reversed the interest rate trend or are about to do so.

On a long-term view, growth prospects for China and other major emerging markets are impeding the economic trend. Moreover, geopolitical polarization is holding back global trade. The IMF sees the risk of a potential deterioration in global economic prospects: The continued high geopolitical tensions, especially in the Middle East, have the potential to disrupt the energy and financial markets, which could lead to a resurgence of inflation and a decline in growth. Moreover, victory by Donald Trump in the upcoming presidential election in the USA, coupled with a strong Republican majority in Congress, could drive inflation, because in this case there would be nothing to stop Trump implementing his economic policy with a focus on new customs tariffs, tax relief and a strict immigration policy. The already high global debt burden could increase further if low-interest debt is refinanced or fixed-rate interest on loans is renegotiated (IMF WEO April 2024).

Sector-specific conditions within the aviation industry

Passenger traffic is benefiting from a sustained recovery in demand. IATA predicts that passenger traffic will grow by 11.6% year-on-year in 2024 (source: IATA, Global Outlook for Air Transport June 2024). That would surpass the pre-crisis level of 2019. In all likelihood, record passenger numbers and revenues will be reported in 2024 despite the supply chain problems.

IATA projects that global sector revenue will reach a record of U.S.$996 billion in 2024, which would represent annual revenue growth of 10% year-on-year (IATA Forecast, June 2024). Cargo volume, measured in CTK (cargo ton kilometers), is expected to rise by around 5% year-on-year (IATA Global Outlook for Air Transport June 2024).

IATA assumes that oil prices will rise to U.S.$87.5 per barrel in the second half of the year, which would be around the price level at the end of June 2024 (IATA Global Outlook for Air Transport June 2024).

Aircraft manufacturers are still confronted by supply bottlenecks. Airbus plans to increase deliveries to 770 aircraft this year (2023: 720 aircraft). The aim is a further stepwise increase in total production. The production rate for the A320 family should rise from 45 per month to 75 per month by 2027. For the A220 family, Airbus has reaffirmed its target of 14 aircraft per month by the middle of the decade and is increasing production of the A350 from six to ten aircraft per month. At Boeing, production rates have been reduced on quality assurance grounds. The FAA has imposed a production limit of 38 737 MAX. In May, Boeing remained significantly below this level at 19 737 MAX. Production of the 787 Dreamliner is expected to increase from five per month to a monthly rate of ten by 2025/26. Boeing delivered two Dreamliners in May. Embraer is also expecting to increase production of its E-Jets and aims to deliver around 72-80 aircraft in 2024 (2023: 64). In view of the present strong demand, coupled with supply chain problems and difficulties in the ramp-up of production of new aircraft, the retirement of older aircraft has been delayed further. As a result, the average age of fleets is rising. That necessitates additional engine maintenance with increased demand for spare parts.

The defense sector is still posting strong growth rates. Geopolitical tensions have led to a global increase in defense spending and orders on hand. The German defense industry is also booming because European partners are stepping up orders from German defense groups in the light of geopolitical considerations. The recent announcement that 20 additional Eurofighters had been ordered by the German government underscores the positive outlook.

Future performance of MTU

MTU is providing more detailed guidance for FY 2024.

It still expects revenue of between €7,300 and 7,500 million, based on an assumed exchange rate of U.S.$1.10 per euro.

This revenue forecast is based on the following assumptions:

In the commercial OEM business, MTU expects to report growth in business in both new components and spare parts.

Growth in the commercial new engine business is mainly driven by higher production rates for the A320neo, the A220 and E-Jets and by higher deliveries for the Boeing 787 and BizJets. Organic growth in the low-to-mid twenties percentage range is anticipated.

Growth in the spare parts business will be driven by further growth in air traffic, an increase in list prices and declining supply chain problems. Overall, this business should post organic growth in the low teens percentage range.

Revenue from the military engine business should rise in the low-to-mid teens percentage range in 2024, supported by solid delivery figures and work on the FCAS demonstrator.

For the commercial maintenance business (MRO), MTU is forecasting organic growth in the mid-to-high-teens percentage range. It is anticipated that maintenance of the Geared Turbofan programs will account for around 35%, mainly due to the Geared Turbofan fleet management plan.

MTU predicts that the adjusted EBIT margin will be around 13% in 2024.

The company still assumes that adjusted net income and adjusted EBIT will rise analogously to the adjusted EBIT margin.

MTU anticipates free cash flow in the low triple-digit million euro range in 2024. The timing of compensation for the aircraft grounded due to the Geared Turbofan fleet management plan is presently still unclear. Therefore, providing more precise details does not currently seem opportune.

Risks

In view of its business activities, its involvement in a globally networked market with a wide range of different economic and political conditions and its business relationships dominated by consortia, MTU is exposed to risks that could influence its economic development.

No direct risks from pandemics have been identified in the aviation industry and air travel sector. International air traffic has recovered to the pre-crisis level. There is still one general risk following the end of Covid pandemic: Travel restrictions resulting from the current cases of avian flu could hamper the company's earnings.

Geopolitical developments around the world and the impact of the conflicts in Israel and China/Taiwan, as well as Russia's war of aggression in Ukraine, on the global economy could continue to have a negative impact on the MTU Group's business. The extensive economic sanctions imposed on Russia in response to the war held back MTU's business performance, especially in view of the existing long-term MRO contracts with Russian customers. Overall, MTU had only very limited MRO business in Russia and no presence in the region. Therefore, it has largely been able to compensate for the risks so far. MTU unreservedly supports all sanction regulations and is in full compliance with them. Accordingly, the company has suspended all deliveries, data transfers and payment transactions in the region covered by applicable sanction law. There are still risks relating to claims filed for repayment obligations as a result of the cancellation of contracts with Russian customers. In addition, risks for MTU arise from the uncertainty about the general availability of oil and gas and the disruption of global value-added and supply chains. Through proactive risk management, MTU has so far managed to mitigate most of the impact of high raw material prices and the high market volatility of non-energy raw materials. If the present tense situation on the commodity markets continues for a prolonged period, high raw material prices could adversely affect MTU's margins. The effects of inflation, driven by rising personnel and energy costs, have so far largely been avoided thanks to fixed-price agreements in long-term contracts. If prices continue to rise, the tension caused by procurement costs will gradually rise due to the application of price escalation clauses and the expiry of fixed prices. Irrespective of the current situation, MTU is already using a mixture of renewable and non-renewable energy and selects its energy resources on the basis of reliability of supply, cost efficiency and ecological considerations.

Exposure to market and program risks represents a material risk for MTU. In the OEM segment, the market and program risks relate to risk-and-revenue-sharing contracts with OEM partners and include the risk of adverse effects on business if capacities and the supply of parts required to meet higher maintenance requirements for the GTF fleet cannot be increased sufficiently fast. Furthermore, MTU takes into account risk exposure in connection with development and manufacturing risks arising from stakes in commercial programs, where it participates, as a member of the consortium, in any compensation payable by the leader of the engine consortium or program company to program customers on the basis of its stake in the program. In addition, there are potentially significant liability and litigation risks in connection with upcoming arbitration proceedings with customers of commercial programs in which it has a stake.

MTU takes account of liability and cost risks relating to realization of the Geared Turbofan fleet management program in direct consultation with the engine OEM by recognizing provisions on the balance sheet, especially in the form of refund liabilities and through future-oriented statements by the management on the expected development of net assets, financial position and results of operations. Nevertheless, further risks could arise in this context; however, there are also opportunities with regard to the effects on MTU's net assets, financial position and results of operations.

MTU could be exposed to additional risks, especially in connection with the upcoming of the US elections. These could result from changes in the system of import duties or US taxation.

Otherwise, MTU currently sees the same potential risks as outlined in the Annual Report 2023. For a full overview of the opportunities, please refer to the Annual Report 2023, page 76 et seq. (Risks and Opportunity Report).

Opportunities

MTU's business model, which focuses on the commercial engine business, military business and commercial maintenance, and its balanced product mix give it a good market position in each of its business areas. New opportunities regularly arise from continuous investment in research, development and new technologies, strengthening risk- and revenue-sharing partnerships and extending the maintenance business.

Despite the disruption resulting from the geopolitical crises, especially in connection with Russia's war of aggression, the impact of the powder metal problem and the other risks described, MTU sees opportunities in all business areas. In commercial engines business, the company sees particular opportunities to play an above-average part in the ongoing recovery and growth of the aircraft industry through its stake in efficient GTF engine technology. Given the limited production capacity for this, there are additional opportunities for OEM and MRO business in connection with established programs such as the V2500. In the period under review, MTU endeavors to realize opportunities relating to the PW1100G-JM program consortium that support efficient execution of the Geared Turbofan fleet management program. With respect to the military engine programs, the European FCAS program in particular offers potential for MTU in terms of development, technology and business performance. Similarly, opportunities may arise through the replacement of existing military engine fleets to participate in additional sales and related MRO business. In the medium term, additional potential for the military business could come from the supplementary funding allocated to the German armed forces and the resulting increase in the defense budget, which could benefit MTU.

Otherwise, MTU currently sees the same potential opportunities as outlined in the Annual Report 2023. For a full overview of the opportunities, please refer to the Annual Report 2023, page 90 et seq. (Opportunity report).

Overall assessment of the risk and opportunity situation at MTU

Thanks to its extensive risk and opportunity management system, MTU is able to identify risk areas and potential opportunities at an early stage, so that it can take suitable measures to actively manage and mitigate risks and exploit opportunities. There has only been marginal change in the MTU Group's risk and opportunity situation compared with the assessment as of December 31, 2023, and MTU still classifies its risk management system as effective to counter present and future challenges.

As things currently stand, the risk position is seen as being manageable particularly in view of the compensatory measures that continue to be developed, meaning that the MTU Group's going-concern status is intact.

Report on material transactions with related parties

For information on material transactions with related parties, please refer to *Note 38. to the condensed consolidated interim financial statements ("Related party disclosures").*

Condensed consolidated interim financial statements

Consolidated income statement

Consolidated income statement

in € million	(Note)	Jan. 1 - June 30, 2024	Jan. 1 - June 30, 2023
Revenue	**(1.)**	**3,389**	**3,093**
Cost of goods sold	(2.)	-2,820	-2,573
Gross profit		**569**	**520**
Research and development expenses	(3.)	-49	-54
Selling expenses	(4.)	-68	-70
General administrative expenses	(5.)	-61	-57
Other operating income		8	35
Other operating expenses		-24	-32
Profit/loss of companies accounted for using the equity method and of equity investments	(7.)	45	41
Earnings before interest and taxes (EBIT)		**421**	**383**
Net interest income/expense	(8.)	-5	-1
Other financial income/expense	(9.)	-17	-21
Net financial income/expense		**-22**	**-21**
Earnings before income taxes		**399**	**362**
Income taxes	(10.)	-111	-106
Net income		**288**	**256**
thereof:			
Owners of MTU Aero Engines AG		285	255
Non-controlling interests		3	1
Earnings per share in €			
Basic (EPS)	(11.)	5.30	4.75
Diluted (DEPS)	(11.)	5.20	4.65

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income

in € million	(Note)	Jan. 1 - June 30, 2024	Jan. 1 - June 30, 2023
Net income		**288**	**256**
Translation differences arising from the financial statements of foreign entities		22	-9
Financial instruments designated as cash flow hedges		-34	45
Items that may subsequently be recycled to profit or loss		-12	36
Actuarial gains and losses on pension obligations and plan assets		18	-4
Item that will not be recycled to profit or loss		18	-4
Other comprehensive income after taxes	**(24.)**	**6**	**32**
Total comprehensive income		**294**	**288**
thereof:			
owners of MTU Aero Engines AG		289	288
non-controlling interests		5	-1

Consolidated balance sheet – assets

Assets

in € million	(Note)	June 30, 2024	Dec. 31, 2023
Non-current assets			
Intangible assets & Goodwill	(14.)	1,207	1,200
Property, plant and equipment	(15.)	1,593	1,501
Financial assets accounted for using the equity method	(16.)	650	643
Other financial assets	(16.)	81	132
Acquired program assets, development work and other assets	(17.)	824	800
Deferred taxes		330	328
Total non-current assets		**4,686**	**4,604**
Current assets			
Inventories	(19.)	1,672	1,629
Trade receivables	(20.)	1,445	1,010
Contract assets	(21.)	1,126	1,248
Income tax receivables		49	81
Other financial assets	(16.)	772	679
Other assets	(17.)	60	68
Cash and cash equivalents	(23.)	1,146	883
Total current assets		**6,271**	**5,599**
Total assets		**10,957**	**10,204**

Consolidated balance sheet – equity and liabilities

Equity and liabilities

in € million	(Note)	June 30, 2024	Dec. 31, 2023
Equity	**(24.)**		
Subscribed capital		54	54
Capital reserves		579	579
Retained earnings		2,584	2,407
Treasury shares		-11	-11
Accumulated other comprehensive income		-162	-166
Owners of MTU Aero Engines AG		**3,044**	**2,863**
Non-controlling interests		71	70
Total equity		**3,116**	**2,933**
Pension provisions		694	713
Other provisions	(27.)	26	28
Financial liabilities	(28.)	1,775	1,495
Contract liabilities	(30.)	3	3
Other liabilities	(32.)	17	19
Total non-current liabilities		**2,515**	**2,258**
Current liabilities			
Pension provisions		30	30
Income tax liabilities		36	37
Other provisions	(27.)	160	129
Refund liabilities	(31.)	3,396	3,242
Financial liabilities	(28.)	405	395
Trade payables		386	325
Contract liabilities	(30.)	805	735
Other liabilities	(32.)	107	120
Total current liabilities		**5,326**	**5,013**
Total equity and liabilities		**10,957**	**10,204**

Consolidated statement of changes in equity

For information on the components of equity, please refer to Note 24 “Equity” in the selected explanatory notes to the financial statements.

Consolidated statement of changes in equity

in € million	Sub-scribed capital	Capital reserves	Revenue reserves	Treasury shares	Accumulated other equity				**Owners of MTU Aero Engines AG**	Non-controlling interests	Total equity
					Translation differences arising from the financial statements of foreign entities	Changes in the fair value of equity investments	Actuarial gains/losses[1]	Financial instru-ments designated as cash flow hedges			
Carrying amount as of Jan. 1, 2023	**53**	**531**	**2,680**	**-13**	**32**		**-170**	**-77**	**3,034**	**72**	**3,107**
Net income			255						255	1	256
Other comprehensive income					-7		-4	45	34	-2	32
Total comprehensive income			**255**		**-7**		**-4**	**45**	**288**	**-1**	**288**
Dividend payment			-171						-171	-1	-172
Convertible bond 2016	0	45							46		46
Restricted Stock Plan		0		0					0		0
Carrying amount as of June 30, 2023	**54**	**576**	**2,763**	**-13**	**24**		**-175**	**-32**	**3,198**	**70**	**3,268**
Carrying amount as of Jan. 1, 2024	**54**	**579**	**2,407**	**-11**	**24**		**-204**	**14**	**2,863**	**70**	**2,933**
Net income			285						285	3	288
Other comprehensive income					19		18	-34	3	2	6
Total comprehensive income			**285**		**19**		**18**	**-34**	**289**	**5**	**294**
Dividend payment			-108						-108	-3	-111
Restricted Stock Plan (LTI)		0							0		0
Carrying amount as of June 30, 2024	**54**	**579**	**2,584**	**-11**	**44**		**-187**	**-20**	**3,044**	**71**	**3,116**

[1] Refers to pension obligations and plan assets

Consolidated cash flow statement

Consolidated cash flow statement

in € million	(Note)	Jan. 1 - June 30, 2024	Jan. 1 - June 30, 2023
Operating activities			
Net income		**288**	**256**
Non-cash amortization (including impairment) of acquired program assets and development work		25	23
Amortization, depreciation, write-ups and impairment of other non-current assets		151	132
Profit/loss of companies accounted for using the equity method	(7.)	-45	-41
Profit/loss of equity investments			
Dividends received		36	30
Gains/losses on the disposal of assets		-2	-0
Result effective change in pension provisions		7	8
Change in other provisions	(27.)	32	-69
Change in refund liabilities (not included in working capital)	(31.)	100	86
Change in working capital		-311	-205
Other non-cash items		19	14
Net interest income/expense	(8.)	5	1
Interest received (paid)		7	12
Income taxes	(10.)	111	106
Income taxes paid		-73	-45
Cash flow from operating activities		**350**	**307**
Investing activities			
Capital expenditure on:			
Intangible assets	(14.)	-35	-27
Property, plant and equipment	(15.)	-202	-139
Financial assets	(16.)	-7	-20
Acquired program assets, development work and other assets	(17.)	-34	-21
Proceeds from disposal of:			
Intangible assets/property, plant and equipment	(14.)/(15.)	32	27
Other financial assets		22	3
Cash flow from investing activities		**-225**	**-177**

in € million	(Note)	Jan. 1 - June 30, 2024	Jan. 1 - June 30, 2023
Financing activities			
Cash inflow from other bonds and notes	(28.)	299	
Cash outflow from other bonds and notes	(28.)		-0
Settlement of lease liabilities	(28.)	-32	-41
Settlement of purchase price liabilities for stakes in programs		-22	-19
Increase in other financial liabilities	(28.)	78	51
Settlement of liabilities for deferred compensation payments due to program participations	(28.)	-82	
Dividend paid to shareholders of MTU AG/ to non-controlling interests		-111	-172
Cash flow from financing activities		**131**	**-181**
Net change in cash and cash equivalents during the period		**256**	**-51**
Effect of translation differences on cash and cash equivalents		7	-1
Cash and cash equivalents at beginning of the year (January 1)		883	823
Cash and cash equivalents at end of period (June 30)		**1,146**	**771**

Notes to the interim consolidated financial statements

Consolidated segment report

Segment information

For information on the activities of the individual operating segments, please refer to the notes in the Annual Report 2023, page 234 et seq. There was no change in the segmentation in the first six months of 2024.

The segment information is as follows:

Consolidated segment report

in € million	Commercial and military engine business (OEM segment)		Commercial maintenance business (MRO segment)		Total reportable segments		Consolidation/ reconciliation		MTU Group	
	Jan. 1 - June 30, 2024	Jan. 1 - June 30, 2023	Jan. 1 - June 30, 2024	Jan. 1 - June 30, 2023	Jan. 1 - June 30, 2024	Jan. 1 - June 30, 2023	Jan. 1 - June 30, 2024	Jan. 1 - June 30, 2023	Jan. 1 - June 30, 2024	Jan. 1 - June 30, 2023
External revenues	1,100	1,027	2,289	2,066	3,389	3,093			3,389	3,093
Revenues from intersegment sales	35	34	15	15	50	49	–50	–49		
Total revenues	**1,135**	**1,061**	**2,304**	**2,081**	**3,439**	**3,142**	**–50**	**–49**	**3,389**	**3,093**
Adjusted revenue	**1,176**	**1,091**	**2,304**	**2,081**	**3,479**	**3,172**	**–50**	**–49**	**3,429**	**3,123**
Gross profit	**358**	**348**	**209**	**171**	**567**	**519**	**2**	**1**	**569**	**520**
Amortization of intangible assets	26	24	4	4	30	28			30	28
Depreciation of property, plant and equipment	60	56	59	45	119	101			119	101
Non-cash amortization of capitalized program assets and acquired development work	25	23			25	23			25	23
Impairment losses			1	2	1	2			1	2
Total depreciation/amortization/impairment losses	**111**	**103**	**64**	**51**	**175**	**154**			**175**	**154**
Earnings before interest and taxes (EBIT)	**238**	**223**	**182**	**159**	**421**	**382**	**–0**	**1**	**421**	**383**
thereof: special item “effects of purchase price allocation”	9	9	0	0	9	9			9	9
thereof: special item “effects from increase in the stake in IAE-V2500“	12	11			12	11			12	11
thereof: special item “Other material aperiodic contribution to earnings“ - “Geared Turbofan fleet management plan“	28				28				28	
thereof: special item “impairment losses“ – “Russia-Ukraine war“				–21		–21				–21
thereof: special item “Other material aperiodic contribution to earnings“ – “consortial major litigation and claims“		19		3		22				22
Adjusted earnings before interest and taxes (adjusted EBIT)	**288**	**262**	**183**	**141**	**470**	**404**	**–0**	**1**	**470**	**405**
Profit/loss of companies accounted for using the equity method	12	9	33	32	45	41			45	41
Carrying amount of companies accounted for using the equity method (June 30, 2024/Dec. 31, 2023)	323	305	328	338	650	643			650	643
Assets (June 30, 2024/Dec. 31, 2023)	**9,386**	**8,802**	**3,275**	**3,273**	**12,661**	**12,075**	**–1,704**	**–1,871**	**10,957**	**10,204**
Liabilities (June 30, 2024/Dec. 31, 2023)	**6,881**	**6,375**	**2,178**	**2,267**	**9,059**	**8,642**	**–1,218**	**–1,371**	**7,841**	**7,271**

in € million	Commercial and military engine business (OEM segment) Jan. 1 - June 30, 2024	Jan. 1 - June 30, 2023	Commercial maintenance business (MRO segment) Jan. 1 - June 30, 2024	Jan. 1 - June 30, 2023	Total reportable segments Jan. 1 - June 30, 2024	Jan. 1 - June 30, 2023	Consolidation/ reconciliation Jan. 1 - June 30, 2024	Jan. 1 - June 30, 2023	MTU Group Jan. 1 - June 30, 2024	Jan. 1 - June 30, 2023
Material other non-cash items	**19**	**–5**	**1**	**18**	**19**	**14**			**19**	**14**
Capital expenditure:										
Intangible assets	36	28	0	0	36	28			36	28
Property, plant and equipment	122	101	124	62	246	163			246	163
Acquired program assets, development work and other assets	47	21			47	21			47	21
Total capital expenditure	**205**	**150**	**124**	**62**	**329**	**212**			**329**	**212**
Key segment data:										
EBIT in % of revenues	21.0	21.0	7.9	7.6	12.2	12.2	0.2	–2.3	12.4	12.4
Adjusted EBIT in % of adjusted revenues	24.5	24.0	7.9	6.8	13.5	12.7	0.2	–2.3	13.7	13.1

The material 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

in € million	Jan. 1 - June 30, 2024	Jan. 1 - June 30, 2023
Earnings before interest and taxes (EBIT)	**421**	**383**
Interest income	18	12
Interest expenses	–23	–13
Financial result on other items	–17	–21
Earnings before tax	**399**	**362**

Accounting principles and policies

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

MTU's commercial and military engine business 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 commercial maintenance segment comprises maintenance, repair and overhaul as well as logistics support for commercial engines.

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

The condensed consolidated interim financial statements were approved for publication by the Executive Board of MTU Aero Engines AG, Munich, on July 29, 2024.

Accounting

In accordance with the provisions of Section 115 of the German Securities Trading Act (WpHG), the half-year financial report of MTU comprises condensed consolidated interim financial statements, an interim Group management report and a responsibility statement. The condensed, unaudited consolidated interim statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) for interim reporting, as applicable in the EU, and the interim Group management report was prepared in accordance with the applicable regulations of the German Securities Trading Act (WpHG).

Statement of compliance

The condensed consolidated interim financial statements as of June 30, 2024, have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting." MTU applied all International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) that were in effect at the time when the condensed consolidated interim financial statements were prepared and had been endorsed by the European Commission for use in the EU.

The same accounting policies were applied in the condensed consolidated interim financial statements as in the consolidated financial statements as of December 31, 2023. All amounts are stated in millions of euros (€ million), unless otherwise specified. Due to rounding, some of the rounded figures presented in these consolidated financial statements may not correspond exactly to the sum of the individual figures, and it may not be possible to calculate some of the individual percentages from the rounded absolute figures presented. "0" represents amounts of between zero and half a million euros, while "–0" represents amounts between zero and minus half a million euros. Amounts of exactly €0.00 are shown by an empty field in tables.

The condensed interim consolidated financial statements do not contain all information and disclosures required for consolidated financial statements at the end of the fiscal year so they should be read in conjunction with the consolidated financial statements of MTU as of December 31, 2023.

In the opinion of the management, the half-year financial report contains all customary ongoing accounting adjustments that are necessary for a fair presentation of the net assets, financial position and results of operations of the MTU Group. The accounting policies used for the consolidated financial statements are explained in the notes to the consolidated financial statements as of December 31, 2023, starting on page 145.

Consolidated Group

As of June 30, 2024, the Group including MTU Aero Engines AG, Munich, comprised 35 companies.

Estimation uncertainties

The approach to estimation uncertainties is essentially based on the principles outlined in the Annual Report 2023, page 160 et seq. In the event of deviations, these are presented in the relevant note.

Notes to the consolidated income statement

1. Revenue

Revenue

in € million	Revenue recognized at a point in time	Revenue recognized over time	Other revenue	Jan. 1 - June 30, 2024	Revenue recognized at a point in time	Revenue recognized over time	Other revenue	Jan. 1 to June 30, 2023 [1]
Commercial engine business	804	2		807	786	6		792
Military engine business	69	203		272	92	136		229
Other revenue			56	56			41	41
Commercial and military engine business (OEM segment)	**874**	**205**	**56**	**1,135**	**878**	**142**	**41**	**1,061**
Commercial maintenance business	120	2,094		2,214	106	1,947		2,053
Other revenue			90	90			28	28
Commercial maintenance business (MRO segment)	**120**	**2,094**	**90**	**2,304**	**106**	**1,947**	**28**	**2,081**
Consolidation	-17	-16	-17	-50	-16	-20	-14	-49
Total revenue	**977**	**2,283**	**128**	**3,389**	**968**	**2,069**	**55**	**3,093**

[1] Previous' year amounts adjusted

Revenue increased by €296 million (9.6%) year-on-year to €3,389 million in the first six months of 2024.

Revenue from commercial and military engine business rose by €75 million (7.0%) to €1,135 million. Revenue growth was driven in particular by the favorable performance of the GTF programs, the spare parts business for the GEnx and increase in military business. However, revenue was affected by the measurement of refund liabilities in connection with stakes in commercial engine programs on the basis of the closing-date exchange rate, which changed from U.S.$1.11 per euro on December 31, 2023, to U.S.$1.07 per euro on June 30, 2024. Another factor that reduced revenue year-on-year was the development of the CF6-80C/E program.

Revenue from commercial maintenance business increased by €223 million to €2,304 million, principally as a result of additional maintenance business for the GE90 engine and the positive development of the engine leasing business. Compared with the prior-year period, the other revenue benefited from a clearly positive performance by the engine leasing business.

Adjusted revenue increased by €306 million (9.8%) year-on-year to €3,429 million.

2. Cost of goods sold

Cost of goods sold

in € million	Jan. 1 - June 30, 2024	Jan. 1 - June 30, 2023
Cost of materials	-2,207	-2,078
Personnel expenses	-491	-453
Depreciation, amortization or impairment	-148	-127
Other cost of goods sold	-36	39
Capitalized development costs	62	47
Total cost of goods sold	**-2,820**	**-2,573**

As a result of the increased business volume and the product mix achieved, the cost of goods sold increased by €247 million (9.6%) year-on-year to €2,820 million in the first six months of 2024. This increase was in line with revenue growth. While inflation effects caused costs to increase, economies of scale realized in relation to the utilization of production and service capacities had the opposite effect compared to the prior-year period.

At €569 million in the first six months, gross profit was €49 million (9.5%) up on the prior year. This increase resulted principally from the positive development of business in the MRO segment. Revenue growth was also achieved in the OEM segment but this was slightly overcompensated by an increase in the cost of goods sold, especially in the GTF programs, as a result of inflation effects. The gross margin was stable compared with the first half of 2023 at 16.8%. By contrast, the adjusted gross margin increased from 17.3% to 18.0%.

3. Research and development expenses

Research and development expenses

in € million	Jan. 1 - June 30, 2024	Jan. 1 - June 30, 2023
Cost of materials	-24	-29
Personnel expenses	-22	-23
Depreciation and amortization	-1	-1
Other development costs	-2	-1
Research and development expenses recognized in profit or loss	**-49**	**-54**

4. Selling expenses

Selling expenses

in € million	Jan. 1 - June 30, 2024	Jan. 1 - June 30, 2023
Cost of materials	-12	-14
Personnel expenses	-44	-43
Depreciation and amortization	-0	-1
Other selling expenses	-11	-11
Total selling expenses	**-68**	**-70**

Alongside marketing and advertising expenses, selling expenses contain loss allowances and impairments for direct receivables from customers, which are included in other selling expenses.

5. General administrative expenses

General administrative expenses

in € million	Jan. 1 - June 30, 2024	Jan. 1 - June 30, 2023
Cost of materials	-4	-5
Personnel expenses	-42	-40
Depreciation and amortization	-1	-2
Other administrative expenses	-14	-10
Total general administrative expenses	**-61**	**-57**

General administrative expenses are expenses incurred in connection with administrative activities that cannot be directly allocated 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, 2024	Jan. 1 - June 30, 2023
Associated companies	13	9
Joint ventures	32	32
Profit/loss of companies accounted for using the equity method	**45**	**41**

8. Net interest income/expense

Net interest income/expense

in € million	Jan. 1 - June 30, 2024	Jan. 1 - June 30, 2023
Interest income:		
Income from banks	14	10
Income from related and third parties	3	3
Other interest income	0	0
Interest income	**18**	**12**
Interest expense:		
Bonds and notes	-10	-10
Convertible bonds	-2	-2
Liabilities to banks	-0	-0
Lease liabilities	-3	-1
Other interest expense	-9	-1
Capitalized borrowing costs for qualifying assets	2	1
Interest expense	**-23**	**-13**
Net interest income/expense	**-5**	**-1**

The other interest expense mainly relates to the two newly placed promissory notes, the interest expense for factoring and the interest on the financial liability that has been recognized since 2022 in connection with the obligation to make compensation payments within the scope of MTU's stake in the consortium for the PW1100G-JM engine program.

9. Other financial income/expense

Other financial income/expense

in € million	Jan. 1 - June 30, 2024	Jan. 1 - June 30, 2023
Effects of currency translation: exchange rate gains/losses on:		
Currency holdings	2	-1
Financing transactions	-3	6
Lease liabilities	-2	2
Fair value gains/losses on derivatives		
Currency derivatives (exchange rate risks/hedging)	0	0
Commodity forwards	-0	-9
Interest included in measurement of assets and liabilities		
Pension obligations and plan assets	-13	-13
Receivables, other provisions and liabilities	-1	-5
Miscellaneous other financial income/expense	0	
Other financial income/expense	**-17**	**-21**

10. Income taxes

Analysis of current and deferred income taxes

in € million	Jan. 1 - June 30, 2024	Jan. 1 - June 30, 2023
Current income taxes	-105	-102
Deferred income taxes	-6	-3
Income tax expense	**-111**	**-106**

The tax rate is 27.7%. the reported income taxes and the tax rate include the management's current estimates of the impact of minimum taxation (BEPS/PILLAR II) on the Group.

11. Earnings per share

To determine diluted earnings per share, the average number of additional common shares that could contractually be issued in connection with financial instruments outstanding as of the reporting date is added to the weighted average number of outstanding shares.

In the first six months of 2024, the net income attributable to the shareholders of MTU Aero Engines AG stood at €285 million (January through June 2023: €255 million). The weighted average number of outstanding shares in the period January through June 2024 was 53,770,914 (January through June 2023: 53,611,952 shares). This results in basic earnings per share of €5.30 in the first six months of 2024 (January through June 2023: €4.75).

Diluted earnings per share were €5.20 (January through June 2023: €4.65). Diluting effects arose from 1,321,265 shares that could potentially be issued through the convertible bonds issued in September 2019.

In the first six months of 2024, the adjusted net income attributable to the shareholders of MTU Aero Engines AG was €339 million (January through June 2023: €300 million). The weighted average number of outstanding shares in the period January through June 2024 was 53,770,914 (January through June 2023: 53,611,952 shares). This results in adjusted earnings per share of €6.31 in the first six months of 2024 (January through June 2023: €5.60).

12. Reconciliation to adjusted key performance figures

In the reconciliation of the consolidated income statement, special items, especially amounts recognized in operating results that are material – measured using the internal materiality criterion for external reporting – and, above all, amounts relating to other periods, are factored out of the key earnings figures of the Group and its segments. The aim is to measure the success of managing operating activities in the reporting period and, at the same time, to provide information as a further point of reference for efficient comparison with different periods and companies.

Following its standard practice, the central earnings indicators reported by MTU as key performance indicators are:

- adjusted earnings before interest and taxes (adjusted EBIT) and the adjusted EBIT margin,
- adjusted net income, and
- adjusted revenue.

The adjusted figures do not come under the provisions of the International Financial Reporting Standards (IFRSs); they are to be seen as an addition to the key financial indicators reported pursuant to IFRSs.

It is standard practice for the CEO to classify items and the corresponding earnings contributions as special items to be eliminated in the reconciliation to the adjusted figures in consultation with the CFO, the Chairman of the Supervisory Board and the members of the Supervisory Board's Audit Committee.

Adjusted revenue

With a view to consistent reporting, in the reporting period revenue was adjusted for the "significant non-period earnings impacts" in connection with the Geared Turbofan fleet management plan described in the *section on adjusted EBIT*, the impact of the "major consortial litigation and claims," which also affect revenue, and the "effects from the increase in the stake in IAE-V2500."

Adjusted revenue was €3,429 million in the first six months of 2024 (January through June 2023: €3,123 million).

Adjusted EBIT

Following its standard practice, MTU adjusted the EBIT calculated in accordance with the IFRS for the following categories of special items:

Adjusted special items comprising recurring effects – to enhance the comparability of financial reporting within the sector:

- "Effects of the purchase price allocation": As of January 1, 2004, MTU passed into the ownership of Kohlberg Kravis Roberts & Co. Ltd. (KKR), following the latter's purchase of 100% of the MTU shares from the then DaimlerChrysler AG. In the context of the acquisition, assets, liabilities and contingent liabilities were identified in accordance with IFRS 3 and measured at fair value. Since then, the identified intangible assets, in particular, have resulted in substantial amortization. The resulting earnings impacts are eliminated as special items in the reconciliation to adjusted EBIT.
- "Effects from the increase in the stake in IAE-V2500": The increase in MTU's stake in the Pratt & Whitney IAE-V2500 program in 2012 was accounted for as the addition of a program asset. Since then, this asset has been amortized over the expected remaining useful life of the program, thereby reducing revenue, and the corresponding earnings impact is eliminated as a special item in the reconciliation to adjusted EBIT.
- "Effects from the powder metal Geared Turbofan fleet management plan": impact on profit of loss of the subsequent measurement of existing refund liabilities for warranty and liabilities risks related directly to the compensation payments to PW1100G-JM program customers in connection with the powder metal Geared Turbofan fleet management plan. Effects ofThe subsequent measurement effects explicitly include the effect of currency translation on profit or loss.

Special items comprising non-period effects – to enhance measurement of the Group's operating performance and the comparability of financial reporting, especially over time:

- "Impairment losses": Significant earnings impacts resulting from asset impairment losses, especially in accordance with IAS 36, are eliminated as special items in the reconciliation to adjusted EBIT. Claims to insurance compensation payments for materialized damage from the leasing of engines to Russian customers, which were impaired two years ago, were realized in the prior-year period. The corresponding other operating income was eliminated as a special item in the reconciliation to adjusted EBIT and adjusted net income in the prior year.
- "Other significant non-period earnings impacts": In keeping with the objective of the adjusted earnings parameters (see above), analogously to the categories specified in previous periods, adjustments were made for the earnings impacts of non-period transactions, i.e., transactions that impact earnings across periods

These effects have been eliminated as a special item in the reconciliation to adjusted revenue and adjusted EBIT.

Other categories of special items that result in adjustments in principle, but were not relevant in either the reporting period or the prior-year period, are:

- "Restructuring expenses": Earnings impacted by restructuring measures within the meaning of IAS 37 and.

- “Changes in the consolidated group”: Earnings impacts resulting from the acquisition, divestment or discontinuation of material investments and processes of a comparable nature.
- “Legal and process costs”: extraordinary legal/process costs, including contributions to income from related settlements and judgments by (arbitration) courts.

Reconciliation of the consolidated income statement

	1.1. - 30.6.2024			1.1. - 30.6.2023		
in € million	As reported	Non-recurring items	Adjusted figures	As reported	Non-recurring items	Adjusted figures
Revenue [1]	**3,389**	**40**	**3,429**	**3,093**	**30**	**3,123**
thereof: special item “Other material aperiodic contribution to earnings” - “Geared Turbofan fleet management plan”		28	28			
thereof: special item “Other material aperiodic contribution to earnings” – “consortial major litigation and claims”			0		19	19
thereof: special item “effects from increase in the stake in IAE/V2500”		12	12		11	11
Cost of goods sold [1]	-2,820	9	-2,810	-2,573	-12	-2,584
thereof: special item “effects of purchase price allocation”		9	9		9	9
thereof: special item “impairment losses” – “Russia-Ukraine war”			0		-21	-21
Gross profit	**569**	**49**	**619**	**520**	**19**	**539**
Research and development expenses	-49		-49	-54		-54
Selling expenses	-68		-68	-70		-70
General administrative expenses	-61		-61	-57		-57
Other operating income and expenses	-16		-16	3		3
Profit/loss of companies accounted for using the equity method and of equity investments	45		45	41		41
Special item “Other material aperiodic contribution to earnings” – “consortial major litigation and claims”			0		3	3
Earnings before interest and taxes (EBIT)	**421**	**49**	**470**	**383**	**22**	**405**
Net interest income/expense	-5		-5	-1		-1
Other financial income – interest included in the measurement of pensions	-13		-13	-13		-13
Other financial income/expense – miscellaneous (e.g. measurement of foreign currency holdings)	-4	4	0	-8	8	0
Earnings before income taxes	**399**	**54**	**452**	**362**	**30**	**391**
Income taxes	-111		-111	-106		-106
Adjustment based on normalized income taxes		1	1		15	15
Net income	**288**	**54**	**342**	**256**	**44**	**300**

Adjusted net income

Similarly, the effect of the special items outlined above is eliminated from earnings before income taxes. To establish adjusted earnings before income taxes, net interest income/expense and the interest shares in other financial income/expense, which are mainly connected with provisions for pensions and liabilities from pensions and plan assets, are added to adjusted EBIT. None of the other components of financial income/expense that are influenced by the U.S. dollar exchange rate, such as the effects of exchange-rate hedging, were taken into account.

Adjusted net income is derived from adjusted earnings before income taxes. The “normalized” income taxes are calculated on the basis of the expected average tax rate for the Group derived in each case from the current operational planning for the Group. This is 27% (January through June 2023: 26%). The profit/loss of companies accounted for using the equity method does not form part of the tax base.

Notes to the consolidated balance sheet

14. Intangible assets

The intangible assets are program-independent technologies, development assets, software and acquired goodwill.

In the first six months of 2024, intangible assets amounting to €36 million were recognized (January through June 2023: €28 million). These included self-created development assets and related borrowing costs of €29 million (January through June 2023: €27 million).

Amortization of intangible assets came to €30 million in the first six months of 2024 (January through June 2023: €28 million).

15. Property, plant and equipment

In the period from January 1 to June 30, 2024, additions to property, plant and equipment amounted to €246 million (January through June 2023: €163 million) and mainly comprised operational and office equipment and assets under construction. Depreciation and impairment losses on property, plant and equipment amounted to €120 million in the first six months of 2024 (January through June 2023: €103 million).

16. Financial assets

Financial assets accounted for using the equity method

The composition of the financial assets accounted for using the equity method is unchanged compared with December 31, 2023; they are described in the Annual Report 2023, page 184 et seq.

Other financial assets

Breakdown of other financial assets

in € million	Total		Non-current		Current	
	June 30, 2024	Dec. 31, 2023	June 30, 2024	Dec. 31, 2023	June 30, 2024	Dec. 31, 2023
Financial assets measured at purchase cost	**821**	**734**	**54**	**72**	**767**	**662**
Loans to third parties[1]	34	52	34	52		
Loans to related companies[1]	15	14	15	14		
Receivables from employees	3	1	0	0	3	1
Receivables from suppliers	4	4			4	4
Aftermarket compensation payments	670	487			670	487
Miscellaneous other financial assets	94	176	5	6	90	169
Financial assets measured at amortized cost	**17**	**17**	**17**	**17**		
Other interests in related companies	17	17	17	17		
Derivatives without hedging relationship	**0**				**0**	
Derivatives with hedging relationship	**15**	**61**	**9**	**43**	**6**	**18**
Total other financial assets	**853**	**812**	**81**	**132**	**772**	**679**

[1] Included in net financial debt

The decline in loans to third parties is primarily attributable to repayments received from the participation in consortia that grant financing for aircraft and engines as part of commercial OEM programs.

The increase in aftermarket compensation payments results from stakes in consortia in connection with GTF aftermarket contracts, which are currently dominated by considerable performance surpluses, which will be refunded through contractual payments by program customers in the future.

Miscellaneous other financial assets amounting to €86 million (previous year: €176 million) relate to numerous individual items. The reduction in the reporting period results from income for receivables from compensation payments in connection with stakes in commercial engine programs, which were accrued in the previous year, and in connection with supplier bonuses and insurance payments.

Other interests in related companies primarily concern shares held in non-consolidated companies as well as shares in associated companies.

17. Acquired program assets, development work and other assets

Acquired program assets, development work and other assets

in € million	June 30, 2024	Dec. 31, 2023
Acquired program assets	593	597
Acquired development work	227	198
Other assets	5	5
Total Acquired program assets, development work and other assets	**824**	**800**

In the first six months of 2024, MTU spent €13 million (January through June 2023: €0 million) on the acquisition of program assets. The total amount of acquired program assets recognized in profit or loss in the reporting period was €20 million (January through June 2023: €19 million). The increase in acquired program assets in the reporting period resulted exclusively from the subsequent measurement of the increase in the stake in the IAE V2500 and therefore corresponds to the development of the related, accrued, variable purchase price liability.

MTU acquired development assets amounting to €34 million in the first six months of 2024 (January through June 2023: €21 million). In the reporting period, compensation payments for development work in an amount of €5 million (January through June 2023: €4 million) paid to consortia leaders (OEM) were offset against revenue. No impairment losses were recognized for development compensation payments as a result of ad-hoc impairment testing (IAS 36) in either the reporting period or the prior-year period.

As well as claims to tax refunds, the other assets include prepaid maintenance charges, insurance premiums and rents.

19. Inventories

Inventories

in € million	June 30, 2024	Dec. 31, 2023
Raw materials and supplies	787	785
Work in progress	619	552
Finished goods	245	243
Advance payments	21	49
Total inventories	**1,672**	**1,629**

20. Trade receivables

Trade receivables

in € million	June 30, 2024	Dec. 31, 2023
Third parties	721	603
Related companies	724	407
Total trade receivables	**1,445**	**1,010**

21. Contract assets

A contract asset is a contractual right to consideration in exchange for goods or services that the entity has transferred to a customer, but for which there is not yet an unconditional right to payment. The changes in the reporting period result from business performance and, in particular, the change in the U.S. dollar exchange rate from U.S.$1.11 per €1 at year-end 2023 to U.S.$1.07 per €1 as of June 30, 2024.

23. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank balances. This item also includes foreign-currency holdings, especially in U.S. dollars, with an equivalent value of €353 million (December 31, 2023: €180 million).

24. Equity

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

The company's subscribed capital is unchanged at €54 million and is divided into 54 million no-par-value registered shares.

The capital reserves contain premiums from the issue of shares and the equity component (net of proportional transaction costs and taxes) of the bond issued in 2007 and redeemed or converted in 2012, the convertible bond issued in 2016, which was partially redeemed in 2019 and repaid or converted by May 2023, and the convertible bond issued in 2019.

A total of 53,770,914 shares in MTU Aero Engines AG, Munich, were in circulation as of June 30, 2024 (June 30, 2023: 53,760,323 shares). The company held 53,575 treasury shares as of June 30, 2024 (June 30, 2023: 64,166 shares).

No shares in the company were purchased under the authorizations of the Annual General Meetings of April 11, 2019 and May 8, 2024 to implement employee stock programs, either in the reporting period or in the prior-year period.

25. Pension provisions

The discount rate for pension provisions increased from 3.19% as of December 31, 2023 to 3.6% as of June 30, 2024.

27. Other provisions

The other provisions take account of obligations arising from warranty and liability risks, personnel obligations and invoices not yet received. The increase of €30 million in other provisions to €187 million corresponds to the increase in business and comprises additions to provisions for warranty obligations and risks from pending losses on onerous contracts and to provisions for outstanding invoices.

In the reporting period, the Annual General Meeting approved the modification of the compensation system for the Executive Board. For a detailed description of the compensation system, please refer to the documents relating to the Annual General Meeting (*Item 8 – https://www.mtu.de*) and the Compensation Report 2023 (*https://www.mtu.de*). The new compensation system includes variable compensation with a long-term incentive effect (LTI), which is structured as share-based payment with cash settlement. In this connection, the members of the Executive Board, were granted a total of 20,704 performance shares based on the terms of the LTI plan and the LTI portion of total target direct compensation (€3 million). This grant takes into account a fair value per performance share of €166.34, which is relevant for the allocation of the performance shares. As of the reporting date, the fair value of each of the aforementioned performance shares was €223.53.

28. Financial liabilities

Financial liabilities

in € million	Total June 30, 2024	Total Dec. 31, 2023	Non-current June 30, 2024	Non-current Dec. 31, 2023	Current June 30, 2024	Current Dec. 31, 2023
Bonds and notes	613	607	598	597	15	9
Convertible bond	490	489	490	489	0	0
Promissory note	302		299		2	
Financial liabilities to banks	77	7	8	7	70	0
Financial liabilities to related companies	8	0			8	0
Lease liabilities	185	170	140	127	45	43
Miscellaneous other financial liabilities (financing component)	215	294	141	176	74	117
thereof: arising from acquisition of stakes in engine programs	67	73	33	36	34	37
thereof: from compensation payments due to program participations	149	221	109	140	40	81
Total gross financial debt	**1,891**	**1,566**	**1,676**	**1,396**	**215**	**170**
Derivatives without hedging relationship	4	7	0	1	4	6
Derivatives with hedging relationship	54	41	9	4	45	37
Personnel-related financial liabilities	163	207	90	94	73	113
Miscellaneous other financial liabilities	68	70			68	70
Total other financial liabilities	**289**	**324**	**99**	**99**	**190**	**225**
Total financial liabilities	**2,180**	**1,890**	**1,775**	**1,495**	**405**	**395**

Bonds and notes

For full details of the registered bond with a nominal value of €100 million and the corporate bond with a nominal value of €500 million, please refer to the Annual Report 2023, page 203.

Convertible bond

In connection with the partial redemption of the convertible bond issued in 2016, MTU Aero Engines AG issued an unsecured convertible bond in 2019 for a total nominal amount of €500 million. This bond is convertible into registered non-par-value shares in MTU from September 18, 2024.

For a full description of the convertible bond, please refer to the Annual Report 2023, page 203 et seq.

Promissory notes

MTU Aero Engines AG placed two promissory notes on May 10, 2024. One promissory note, which has a nominal value of €161 million and matures on April 24, 2027, has a fixed interest rate of 4.194% p.a. The second promissory note, which has a nominal value of €139 million and matures on April 23, 2029, has a fixed interest rate of 4.121% p.a. The full nominal amount of both promissory notes less the placement fees was paid on April 23, 2024. The interest on both notes is due annually in arrears on April 23. Each of the notes will be redeemed at nominal value when they mature. They are accounted for at amortized cost, including the placement fees, using the effective interest method.

Financial liabilities to banks

This item contains KfW development loans and the temporary accounting-related effects of utilization of contractual credit facilities for payments – value-date offsetting against available liquidity is therefore ensured.

For a full description of the financial liabilities to banks, please refer to the Annual Report 2023, page 204.

Revolving credit facility

In 2022, a €500 million revolving credit facility was concluded with nine banks. This had an original term of five years, ending on June 29, 2027, and has now been extended to June 29, 2029 on the basis of the available options. The credit facility had not been drawn down as of the reporting date (December 31, 2023: €0 million).

The available amount secures the mid-term financial flexibility of the MTU Group. The credit facility utilized is subject to interest at the customary market reference rate plus an additional margin. The unused amount of the revolving credit facility is subject to a loan commitment fee.

Miscellaneous other financial liabilities (financing components)

Financial liabilities arising from acquisition of stakes in engine programs

This item includes the deferred payment components arising from the increase in the stake in IAE V2500 and the acquisition of stakes in engine programs. In view of the structure of the underlying agreements, these liabilities are considered to be financing transactions. The purchase price agreement signed by MTU in the fiscal year 2012 in order to increase its stake in the IAE V2500 engine program by 5 percentage points to 16% made it necessary, among other things, to recognize a financial liability contingent upon the number of flight hours performed over the next 15 years by the fleet of V2500 engines in service at the time of the stake increase.

The other financial liabilities arising from the acquisition of stakes in programs mainly comprise financial liabilities from program lifetime-related payments in the form of compensation payments to the consortia leaders independent of engine development work for the acquisition of shares in commercial engine programs.

Compensation payments within the scope of stakes in programs

In 2022, an agreement had been entered into with the OEM Pratt & Whitney to repay the cumulative production-related compensation payments within the scope of MTU's membership in the consortium for the PW1100G-JM engine program by the end of 2021. In previous periods, the above-mentioned compensation payment obligation was accounted for as a component of current refund liabilities, taking account of the estimations regarding amount and maturity. The agreement concluded with the OEM in 2022 comprises a fixed settlement amount with a nominal value of U.S.$265 million and a payment plan comprising fixed installments over a six-year period. Taking into account the closing exchange rate as well as an interest rate in line with the risks and maturities concerned, the amount capitalized under other financial liabilities totals €149 million as of the closing date (December 31, 2023: €221 million).

Lease liabilities

Lease liabilities relate to liabilities under leases recognized using the effective interest rate method, especially in connection with office and industrial premises and the engine leasing business.

For a description of the main leased assets, please refer to the Annual Report 2023, page 226 et seq.

Liabilities from derivatives

The derivatives of €58 million with and without hedging relationships recognized as financial liabilities as of the reporting date (December 31, 2023: €47 million) are used to offset currency and commodity price risks. The increase in liabilities is mainly attributable to a decrease in the fair value of forward foreign exchange contracts due to the development of the U.S. dollar exchange rate as of the reporting date.

Personnel-related financial liabilities

The personnel-related financial liabilities of €163 million (December 31, 2023: €207 million) mainly comprise entitlements to pension capital totaling €91 million (December 31, 2023: €111 million) resulting from direct commitments through the company pension plan. This item also contains obligations arising from performance-related and other special compensation components totaling €35 million (December 31, 2023: €76 million), claims to vacation pay, Christmas pay and collectively agreed one-time payments totaling €21 million (December 31, 2023: €0 million) and claims arising from the employee stock option program (MAP) totaling €8 million (December 31, 2023: €12 million).

Miscellaneous other financial liabilities

The miscellaneous other financial liabilities of €68 million (December 31, 2023: €70 million) include customer credit balances of €22 million (December 31, 2023: €22 million) and a large number of minor individual obligations.

30. Contract liabilities

The contract liabilities contain advance payments received for the delivery of engine modules and components and for maintenance and repair services.

Where there are corresponding contract assets, these are offset in accordance with IFRS 15. In the reporting period, contract liabilities amounting to €415 million (December 31, 2023: €279 million) were offset against the corresponding contract assets.

31. Refund liabilities

Refund liabilities

	Total		Non-current		Current	
in € million	June 30, 2024	Dec. 31, 2023	June 30, 2024	Dec. 31, 2023	June 30, 2024	Dec. 31, 2023
Warranty und liability risks	1,137	1,097	0	0	1,137	1,097
Invoice corrections / Subsequent costs	2,259	2,145	0	0	2,259	2,145
Total refund liabilities	**3,396**	**3,242**	**0**	**0**	**3,396**	**3,242**

Refund liabilities often arise from the multi-step invoicing system for commercial engine programs (OEM). Sales typically occur under commercial engine programs in connection with:

- delivery of new engines to aircraft manufacturers,
- delivery of spare parts to MRO service providers, and
- provision of repair and maintenance services to airlines and leasing companies

with reference to the catalog list price. Consortium leaders (OEMs) frequently make supplementary agreements with program customers that grant effective discounts as the program's supplies and services are utilized.

Refund liabilities from warranty and liability risks are related in particular to obligations to make compensation payments due to participation in consortia for commercial engine programs (OEM). On the reporting date and December 31, 2023, the refund liabilities mainly comprise MTU's compensation obligations to the EOM of the PW1100G-JM consortium as a result of the Geared Turbofan fleet management program initiated by the OEM in September 2023. This provides for extensive compensation payments to the PW1100G-JM program customers affected by the plan.

The increase in this item the reporting period was mainly due to the exchange-rate-related appreciation of the liabilities.

In accordance with invoicing practice for stakes in commercial engine programs, retrospective price corrections are granted for share of revenue allocated by the OEM; these are anticipated through the accrual of refund liabilities for invoice corrections/subsequent costs and thus impact revenue. Some of the accrued price corrections are classified as marketing expenses for commercial engine programs (series engine discounts), where final settlement by the consortium leader (OEM) is outstanding. The increase in this item in the reporting period corresponds principally to the expansion of business and the exchange-rate-related appreciation of the liabilities.

On the basis of prudence and in accordance with the MTU accounting principles and policies – see Annual Report 2023, page 146– the above liabilities are classified as current. They are initially refund liabilities with no contractual due date. Depending on the transaction within the relevant engine program, the refund liabilities are settled by MTU within the normal business cycle. Based on experience, effective settlement of the majority of the liabilities only occurs after 12 months.

32. Other liabilities

Other liabilities

in € million	Total		Non-current		Current	
	June 30, 2024	Dec. 31, 2023	June 30, 2024	Dec. 31, 2023	June 30, 2024	Dec. 31, 2023
Personnel-related liabilities						
Social security	2	2			2	2
Other personnel-related liabilities	67	43			67	43
Other tax liabilities	32	65			32	65
Other liabilities	23	29	17	19	6	10
Total other liabilities	**124**	**139**	**17**	**19**	**107**	**120**

Personnel-related liabilities
The other personnel-related liabilities are mainly due to employees' unused vacation entitlements and flextime credits.

Other tax liabilities
The liabilities for other taxes relate to wage and church taxes and transaction taxes payable in Germany and other countries.

Miscellaneous other liabilities
The miscellaneous other liabilities comprise accrued expenses and deferred income.

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, regardless whether the instruments fall within the scope of IFRS 7 or IFRS 9. In addition, the carrying amounts are compared to the fair values.

Disclosures relating to financial instruments: Carrying amounts, measurement/recognition methods and fair values as of June 30, 2024

in € million	Carrying amount as of June 30, 2024	Measurement category acc. to IFRS 9			Amount carried in balance sheet IFRS 16	Fair value not allocated to any measurement category	Total	Fair value as of June 30, 2024
		Measured at amortized cost	Fair value through other comprehensive income	Fair value through profit or loss				
ASSETS								
Trade receivables	1,445	1,445					1,445	1,445
Cash and cash equivalents	1,146	111		1,035			1,146	1,146
Other financial assets								
Other interests in related companies	17	17					17	17
Loans and receivables	821	816				5	821	821
Derivative financial assets								
Derivatives with hedging relationship	15					15	15	15
EQUITY AND LIABILITIES								
Refund liabilities	3,396	3,396					3,396	3,396
Trade payables	386	386					386	386
Financial liabilities								
Bonds and notes	613	613					613	593
Convertible bond 2019	490	490					490	456
Promissory note	302	302					302	300
Financial liabilities to banks	77	77					77	77
Financial liabilities to related companies	8	8					8	8
Lease liabilities	185				185		185	
Miscellaneous other financial liabilities (financing component)								
thereof: arising from acquisition of stakes in engine programs	67	67					67	65
thereof: arising from compensation payments due to program participations	149	149					149	148
Derivative financial liabilities								
Derivatives without hedging relationship	4			4			4	4
Derivatives with hedging relationship	54					54	54	54
Personnel-related financial liabilities	163					163	163	163
Miscellaneous other financial liabilities	68	68					68	68

Disclosures relating to financial instruments: Carrying amounts, measurement/recognition methods and fair values as of December 31, 2023

in € million	Carrying amount as of December 31, 2023	Measurement category acc. to IFRS 9			Amount carried in balance sheet IFRS 16	Fair value not allocated to any measurement category	Total	Fair value as of December 31, 2023
		Measured at amortized cost	Fair value through other comprehensive income	Fair value through profit or loss				
ASSETS								
Trade receivables	1,010	1,010					1,010	1,010
Cash and cash equivalents	883	102		781			883	883
Other financial assets								
Other interests in related companies	17	17					17	17
Loans and receivables	734	729				5	734	734
Derivative financial assets								
Derivatives with hedging relationship	61					61	61	61
EQUITY AND LIABILITIES								
Refund liabilities	3,242	3,242					3,242	3,242
Trade payables	325	325					325	325
Financial liabilities								
Bonds and notes	607	607					607	597
Convertible bond 2019	489	489					489	440
Financial liabilities to banks	7	7					7	7
Financial liabilities to related companies	0	0					0	0
Lease liabilities	170				170		170	
Miscellaneous other financial liabilities (financing component)								
thereof: arising from acquisition of stakes in engine programs	73	73					73	71
thereof: arising from compensation payments due to program participations	221	221					221	221
Derivative financial liabilities								
Derivatives without hedging relationship	7			7			7	7
Derivatives with hedging relationship	41					41	41	41
Personnel-related financial liabilities	207					207	207	207
Miscellaneous other financial liabilities	70	70					70	70

The financial assets and liabilities carried at amortized cost contain cash and cash equivalents, trade receivables, other receivables, trade payables and other liabilities which are generally due within a relatively short time. The carrying amounts of these assets and liabilities therefore correspond approximately to their fair value at the reporting date.

The fair value of the financial assets and liabilities measured at fair value was derived from stock market prices or, alternatively, using a discounted cash flow method.

Classification of fair value measurements of financial assets and liabilities in accordance with the fair value hierarchy
To take account of the relevance of the estimated parameters used in the fair value measurement of financial assets and liabilities, MTU's financial assets and liabilities are allocated to three levels.

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 convertible bond (2019), which is traded on the stock exchange and is carried at amortized cost, and the corporate bond were assigned to Level 1. All other qualifying financial instruments, i.e., the derivative financial instruments measured at fair value through other comprehensive income or at fair value through profit or loss, are valued using a discounted cash flow (DCF) method and are therefore assigned to Level 2.

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 2024 and 2023:

Classification within the fair-value hierarchy as of June 30, 2024

in € million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial instruments		15		15
Total financial assets		**15**		**15**
Financial liabilities measured at fair value				
Derivative financial instruments		58		58
Total financial liabilities		**58**		**58**

Classification within the fair-value hierarchy for fiscal year 2023

in € million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial instruments		61		61
Total financial assets		**61**		**61**
Financial liabilities measured at fair value				
Derivative financial instruments		47		47
Total financial liabilities		**47**		**47**

Within the scope of its participation in consortia for commercial engine programs, MTU is a party to aircraft financing agreements for the purpose of promoting sales. In principle, such commitments are made jointly with the OEM (consortium leader) of the engine program in its favor. They are provided in two basic forms: predelivery payments (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 (OEM).

MTU classifies loan offers received up to the reporting date totaling a nominal amount, translated into euros, of €864 million (December 31, 2023: €831 million) as part of its gross liquidity risk in accordance with the requirements of IFRS 7. However, based on multi-year experience, it is considered to be very unlikely that all these nominal loan amounts will actually be utilized to their full extent. In the event that they are utilized, MTU considers the associated liquidity and credit risks to be manageable. For further explanations, especially of the structure of financing offers, please refer to the Annual Report 2023, page 213 et seq.

In addition, there were unutilized financing commitments for non-consolidated equity investments in the form of capital contributions or shareholder loans totaling €144 million as of the reporting date (December 31, 2023: €141 million).

37. Contingent liabilities and other financial obligations

As of June 30, 2024, contingent liabilities amounted to €390 million (December 31, 2023: €408 million).

On the reporting date, as on December 31, 2023, the contingent liabilities comprised legal costs and liability risks relating to arbitration proceedings to which MTU is a party through its stakes in commercial engine programs (OEM). In the reporting period, as in previous periods, no amounts were due and payable. No material claims are expected in the 2024 fiscal year. For information and disclosures regarding the composition of contingent liabilities and other financial obligations, please refer to the Annual Report 2023, page 229.

Purchase commitments for intangible assets and property, plant and equipment amounted to €187 million as of June 30, 2024 (December 31, 2023: €227 million).

38. Related party disclosures

Related companies

Transactions between Group companies and joint ventures or associates were, without exception, entered into in the normal course of business and on an arm’s length basis.

Transactions between consolidated companies were fully eliminated for consolidation purposes and are therefore not disclosed separately in this Note.

Business with related companies

In the reporting period, intragroup 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).

Receivables from these companies were valued at €724 million as of June 30, 2024 (December 31, 2023: €407 million). Liabilities stood at €101 million (December 31, 2023: €69 million). Income came to €1,378 million in the first six months of 2024 (January through June 2023: €1,349 million). Expenses equaled €805 million (January through June 2023: €676 million).

Related persons

No Group companies entered into any material transactions with members of the Group’s Executive Board or Supervisory Board or with any other individuals in key management positions, or with companies of whose governing or supervisory bodies these individuals are members. The same applies to close members of the families of those individuals.

Events after the reporting date (June 30, 2024)

There were no events of specific importance with a significant impact on the net assets, financial position and results of operations of the MTU Group between the date of the interim report and the preparation of this half-year financial report on July 29, 2024.

Publication of the half-year financial report

The half-year financial report of MTU Aero Engines AG, Munich, for the period from January 1 through June 30, 2024, has been published on the internet (www.mtu.de).

Munich, July 29, 2024

signed
Lars Wagner
Chief Executive Officer

signed
Peter Kameritsch
Chief Financial Officer (CFO)
and Chief Information
Officer (CIO)

signed
Michael Schreyögg
Chief Program Officer

signed
Dr. Silke Maurer
Chief Operating Officer

Responsibility statement

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

Munich, July 29, 2024

signed Lars Wagner Chief Executive Officer	signed Peter Kameritsch Chief Financial Officer (CFO) and Chief Information Officer (CIO)
signed Michael Schreyögg Chief Program Officer	signed Dr. Silke Maurer Chief Operating Officer

Review Report

To MTU Aero Engines AG, Munich

We have reviewed the condensed interim consolidated financial statements of MTU Aero Engines AG – 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 the notes to the interim consolidated financial statements – and the interim group management report for the period from 1 January 2024 to 30 June 2024 that are part of the semi annual (quarterly financial report) according to § 115 WpHG [“Wertpapierhandelsgesetz“: “German Securities Trading Act“]. The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34 “Interim Financial Reporting” as adopted by the EU, and in accordance with International Accounting Standards IAS 34 “Interim Financial Reporting” as issued by the International Accounting Standards Board (IASB), and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company’s management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, “Interim Financial Reporting” as adopted by the EU, and in accordance with IAS 34, “Interim Financial Reporting Standard” as issued by the IASB, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor’s report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, “Interim Financial Reporting” as adopted by the EU, and in accordance with IAS 34, “Interim Financial Reporting” as issued by the IASB, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Munich, 31 July 2024

KPMG AG
Wirtschaftsprüfungsgesellschaft

Huber-Straßer	Hanshen
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Additional information

Financial calendar

Interim financial report as of June 30, 2024 .... August 01, 2024

Quarterly statement as of September 30, 2024 .... October 24, 2024

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- You can find further information about MTU Aero Engines AG on the internet atwww.mtu.de
- The Investor Relations site can be accessed directly at www.mtu.de/investor-relations
- You can find information on the products of MTU Aero Engines AG at www.mtu.de/engines

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