
MTU Aero Engines exceeds its earnings targets for 2010

- **Return on sales improved by 0.3 percentage points to 11.5 %**
- **Dividend increase by 18 % to 1.10 €**
- **Outlook for 2011: rising revenues, stable earnings**

- Provisional figures – subject to Supervisory Board approval -

Munich, February 23, 2011 – MTU Aero Engines exceeded its earnings forecast for the financial year 2010. Operating profit¹ increased by 7 % from € 292.3 million in 2009 to € 311.3 million, which is higher than the earnings forecast of € 310 million that had been revised upward in the course of the year. MTU also improved its return on sales by 0.3 percentage points to 11.5 %, once again demonstrating the company's high level of profitability. MTU's net income of € 142.2 million was not only higher than the previous year's figure of € 141.0 million, but also above the company's declared target of € 140 million. Revenues grew by 4 % to € 2.71 billion (2009: € 2.61 billion), just under the forecast figure of € 2.75 billion. MTU also significantly exceeded its free cash flow target, which had also been revised upward during the year. At the end of 2010, free cash flow amounted to € 144.8 million (2009: € 120.2 million), 21 % more than the forecast of € 120 million. MTU presented its provisional financial statements at its annual press conference on Wednesday, February 23, 2011.

"The economy recovered perceptibly in 2010, which was a welcome boost for the aviation industry. Thanks to its excellent position in the market, MTU performed very successfully in this environment," commented Egon Behle, CEO of MTU Aero Engines Holding AG. "The market will continue to grow in 2011, and MTU, too, will benefit from that. In fact, both our spare parts business and MRO segment have already started the year well."

Outlook for 2011

Experts are predicting a further increase in both passenger and freight traffic in 2011, mainly driven by growth in the Asia-Pacific region and North America. MTU is a strong player in both regions, also by virtue of its local companies. The company's growth in 2011 is therefore expected to track developments in these markets, with MTU group revenues rising by around 7 to 8 %. The main growth driver is set to be the commercial engine business, with an anticipated 15-20 % increase in sales. The spare parts business is expected to grow by 5-10 %. By contrast, revenues in the military engine business are likely to fall by 10 %, while commercial MRO sales are expected to increase by 5-10 %. MTU's profitability is set to remain high, with operating profit (EBIT adjusted) and earnings after tax (net income adjusted) weighing in at similar levels to 2010. In 2011, MTU will continue to invest heavily in its future, with an anticipated increase of € 10-15 million in research and development expenditure on its new programs. What is more, capital expenditure on property, plant and equipment

¹ **EBIT adjusted = earnings before interest and tax, calculated on a comparable basis**



will rise by around € 25 million, due to planned investments including the construction of a new production facility in Munich and additions to the company's commercial maintenance program portfolio. In spite of this expenditure, free cash flow is expected to amount to at least € 100 million.

Pronounced growth in revenues from the commercial OEM business

One of the main sources of the higher revenues posted in 2010 was the commercial engine business, which recorded strong growth. MTU's revenues in this segment improved by 12 % to € 1,177.6 million (2009: € 1,053.7 million). The programs that generated the highest revenues from sales of new engines and spare parts were the V2500 for the Airbus A320 family, the PW2000 for the Boeing 757, and the C-17 and CF6-80C engines used to power the Boeing 747, Airbus A310 and Airbus A330. The GP7000 engine for the Airbus A380 continues to gain in importance. Delays in delivery of the Boeing 787 Dreamliner have led to a shift in revenues for the GENx engine program.

At € 485.9 million, revenues from the military engine business were lower than expected and lower than the € 532.0 million posted in 2009, in which revenues were boosted by the settlement of a higher-than-average volume of contracts. The first consequences of cuts in defense budget spending are beginning to make themselves felt, particularly in military engine maintenance. The key revenue earner was the EJ200 engine for the Eurofighter.

MTU generated revenues of € 1,074.0 million (2009: € 1,057.6 million) in the commercial maintenance business, the main source being the V2500 engine which powers the Airbus A320 family.

Order backlog up by 9 %

At December 31, 2010, MTU's order backlog amounted to € 4,506.7 million or 9 % higher than at the end of the previous year (Dec. 31, 2009: € 4,150.9 million). A higher order intake for the GP7000 engine (for the Airbus A380) and the V2500 engine (for the Airbus A320 family) had a positive impact here. The order backlog is equivalent to 1.7 times annual revenues.

The value of orders for maintenance work on commercial engines under long-term service agreements increased to U.S. \$ 6,934.7, which is 3 % more than the 2009 figure of U.S. \$ 6,759.6 million. The V2500 maintenance contract from the Brazilian airline TAM made the biggest impact in this segment.

High profitability

In 2010, MTU once again demonstrated its high profitability. In particular, the company boosted its operating profit in the commercial MRO business by 23 % to € 80.3 million (2009: € 65.3 million). The EBIT margin rose by 1.3 percentage points from 6.2 % to 7.5 %. The EBIT margin of the OEM business amounted to 13.8 % (2009: 14.5 %), based on an operating profit of € 229.6 million (2009: € 229.2 million).



Dividend increase to € 1.10 per share

A dividend of € 1.10 per share will be proposed to the Annual General Meeting on May 5, 2011, which is 18 % higher than the 2009 dividend of € 0.93 per share. "This proposed increase in the dividend comes on the back of our positive expectations for the company's growth over the next few years," explained CFO Reiner Winkler. "It is our way of thanking our shareholders for the trust they place in MTU, trust which spurs us on in our efforts to strengthen MTU's position in the market and further enhance the value of the company."

14 % of OEM revenues spent on R&D

MTU's R&D expenditure rose by 4 % to € 238.7 million (2009: € 230.2 million). That equates to 14 % of revenues in the OEM segment, which is where the expenditure is mainly incurred. Company-funded R&D expenditure rose by 20 %, from € 123.0 million in 2009 to € 148.1 million. The PW1000G geared turbofan and the GE38 engine were the main areas of R&D expenditure. The PW1000G is destined for use in the Mitsubishi Regional Jet, the Bombardier CSeries, the Irkut MS-21 and the Airbus A320neo, while the GE38 is to power the Sikorsky CH-53K heavy-lift cargo helicopter. Behle : "Our continuing high level of expenditure on R&D in 2011 – particularly for the geared turbofan product family – will secure strong organic growth for the company in the years ahead. And the recent decision by Airbus to deploy the PW1000G in the A320neo is proof positive that we have focused on the right programs for the future."

Capital expenditure

In the financial year 2010, MTU's capital expenditure totaled € 109.4 million. The higher figure of € 140.3 million in 2009 was largely due to the investments for setting up the company's plant in Poland.

A workforce of 7,907

At 7,907, MTU's workforce was 3 % higher at year-end 2010 than at year-end 2009 (7,665 employees). The focus of new recruitment fell on MTU Maintenance Berlin-Brandenburg, MTU Maintenance Canada and MTU Aero Engines Polska.

MTU Aero Engines will publish its annual report on March 15, 2011.



MTU Aero Engines – key financial data for 2010

(Figures quoted in million €, calculated on a comparable basis. Statements prepared in accordance with IFRS. Figures calculated on a comparable basis apply adjustments to the IFRS consolidated results to exclude restructuring and transaction costs, capitalized development costs and the effects of IFRS purchase price accounting).

MTU Aero Engines	2009	2010	Change
Revenues	2,610.8	2,707.4	+ 3.7 %
of which OEM business	1,585.7	1,663.5	+ 4.9 %
of which commercial engine business	1,053.7	1,177.6	+ 11.8 %
of which military engine business	532.0	485.9	- 8.7 %
of which commercial MRO business	1,057.6	1,074.0	+ 1.6 %
EBIT (calculated on a comparable basis)	292.3	311.3	+ 6.5 %
of which OEM business	229.2	229.6	+ 0.2 %
of which commercial MRO business	65.3	80.3	+ 23.0 %
<i>EBIT margin (calculated on a comparable basis)</i>	<i>11.2 %</i>	<i>11.5 %</i>	
<i>for OEM business</i>	<i>14.5 %</i>	<i>13.8 %</i>	
<i>for commercial MRO business</i>	<i>6.2 %</i>	<i>7.5 %</i>	
Net income (IFRS)	141.0	142.2	+ 0.9 %
Net income (calculated on a comparable basis)	170.5	182.3	+ 6.9 %
Earnings per share (undiluted)	€ 2.89	€ 2.91	+ 0.7 %
Free cash flow	120.2	144.8	+ 20.5 %
Research and development expenditure	230.2	238.7	+ 3.7 %
of which company-funded	123.0	148.1	+ 20.4 %
of which outside-funded	107.2	90.6	- 15.5 %
Capital expenditure	140.3	109.4	- 22.0 %
	Dec. 31, 09	Dec. 31, 10	Change
Order backlog	4,150.9	4,506.7	+ 8.6 %
of which OEM business	3,965.1	4,331.5	+ 9.2 %
of which commercial MRO business	185.8	177.7	- 4.4 %
Employees	7,665	7,907	+ 3.2 %

Outlook for 2011

in million €	2010	Outlook for 2011
Revenues	2,707.4	+ 7 to + 8 %
EBIT adjusted	311.3	stable
Net income adjusted*	182.3	stable

*Starting 2011, MTU will report its adjusted net income. Like EBIT adjusted, this figure is adjusted to eliminate the effects of the purchase price allocation (PPA) as well as any nonrecurring effects that do not impact the company's operating performance.



MTU Aero Engines is Germany's leading engine manufacturer and a major player in the industry. Together with its affiliates and associated companies, MTU maintains a presence in all key markets and regions. In the commercial engine sector, the company has close working ties with the world's major aero engine manufacturers – General Electric, Pratt & Whitney and Rolls-Royce. In the military sector, MTU is the lead industrial partner for almost every type of engine operated by the German armed forces, and an important partner in all major military aero engine programs in Europe. MTU Maintenance is the world's biggest independent provider of maintenance services for commercial aircraft. The company is a technological leader in high-pressure compressors, low-pressure turbines, manufacturing processes, and repair techniques.

Contacts:

Inka Koljonen

Director Investor Relations

Tel.: + 49 (0)89 14 89-83 13

Mobile: + 49 (0)89176-1001 6268

Claudia Heinle

Investor Relations

Tel.: + 49 (0)89 14 89-39 11

Mobile: + 49 (0)176-1001 8069

For a full collection of investor relations news, go to <http://www.mtu.de>

The Annual Report is available as from March 15 as a downloadable PDF file on the Internet at www.mtu.de, under Investor Relations -> Financial Reports, and from mid-April onward in printed form.

Cautionary note regarding forward-looking statements

Certain of the statements contained herein may be statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, competition from other companies in MTU Aero Engines' industry and MTU Aero Engines' ability to retain or increase its market share, the cyclical nature of the airline industry, risks related to MTU Aero Engines' participation in consortia and risk and revenue sharing agreements for new aero engine programs, risks associated with the capital markets, currency exchange rate fluctuations, regulations affecting MTU Aero Engines' business and MTU Aero Engines' ability to respond to changes in the regulatory environment, and other factors. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences. MTU Aero Engines assumes no obligation to update any forward-looking statement.