



## Annual results 2006 – MTU Aero Engines Holding AG



Conference Call with Investors and Analysts  
March 13th, 2007

- Prepared on the basis of IFRS

## Contents

### **1. Operational & Financial Highlights**

2. Divisional Performance

3. Group Key Figures

Appendix

## Key Business Issues since Sept. 2006

### Commercial Business

- Strong market fundamentals:
  - Passenger traffic + 5.9% and cargo traffic + 4.6% (IATA 2006)
- V2500 engine for A320 family remains bestseller:
  - Highlight (Dec. 06): China Southern Airlines order for 120 engines
- Increased business volume with GE

### Military Business

- F414/F404: increase in program share from 2.5% to 5%

### Commercial MRO

- Contract volume currently at more than 5 bn €
  - Recent highlight: Jet Blue contract extension by 1.7 bn€
  - Highlight in Q4/06: 42 m€ Statoil order for IGT MRO

### Financials

- Consolidation of MTU Zhuhai in financial statements 2006
- FREP examination of financial statements 2005
- Issue of 180 m € Convertible Bond on January 23rd, 2007

## FY 2006 Financial Highlights

### Order Backlog

- Group order backlog stable – based on constant U\$/€
- Reported numbers show a decrease of 6% to 3,342.3m€

### Revenues

- Group revenues up 10.7% to 2,416.2 m€

### EBITDA adj.

- Group EBITDA up 33.3% to 318.2 m€, reaching 13.2% margin

### Cash Flow

- Cash flow from operating activities down 28.1% to 209.8 m€ (high prepayments in 2005)

### Underlying Net Income/ EPS

- Underlying Net Income up 129.4% to 121.8 m€ (2.25 €EPS)
- Dividend proposal: 0.82 €/ share

## 2006 Forecasts Exceeded

in m€	Actual 2005	FY2006	Guidance 2006
<b>Revenues</b>	2,182.7	2,416.2	2.350 ✓
<b>EBIT reported</b>	131.2	183.8	180 ✓
<b>EBITDA adj.</b>	238.7	318.2	310 ✓
<b>CF from Operating Activities</b>	291.7	209.8	180 ✓
<b>Underlying Net Income</b>	53.1	121.8	115 ✓

## Forecast 2007

in m€	FY2006	Guidance 2007	change
<b>Revenues</b>	2,416.2	<b>2,600</b>	<b>8%</b>
<b>EBITDA adj.</b>	318.2	<b>365</b>	<b>15%</b>
<b>EBITDA adj. margin</b>	13.2%	<b>14.0%</b>	
<b>Free Cash Flow</b>	115.7	<b>70</b>	<b>-40%</b>
<b>Underlying Net Income</b>	121.8	<b>140</b>	<b>15%</b>

## US\$ Exchange rate / Hedge portfolio

USD daily average exchange rate from 01/02/2004 to 12/29/2006



Hedging in place as of March 2007	% of exposure hedged	Average exchange rate
2006 (closed hedges)	75% (455 mUS\$ )	1.2606
2007	65% (500 mUS\$ )	1.2630
2008	25% (210 mUS\$ )	1.2784
2009	1% (10 mUS\$ )	1.2929

## Contents

1. Operational & Financial Highlights

**2. Divisional Performance**

3. Group Key Figures

Appendix



## OEM Segment

	31.12.2006	31.12.2005	Change
<b>Order backlog in m€</b>	<b>3,218.4</b>	<b>3,433.8</b>	<b>-6.3%</b>
Commercial Business in m\$	2,325.4	2,175.1	6.9%
Military Business in m€	1,452.7	1,590.0	-8.6%

in m€	FY2006	FY2005	Change
<b>Revenues</b>	<b>1,483.1</b>	<b>1,434.8</b>	<b>3.4%</b>
Commercial Business	993.5	943.4	5.3%
Military Business	489.6	491.4	-0.4%
<b>Gross profit</b>	<b>238.1</b>	<b>202.5</b>	<b>17.6%</b>
<i>Gross profit margin</i>	<i>16.1%</i>	<i>14.1%</i>	
<b>R&amp;D self-financed</b>	<b>74.1</b>	<b>81.0</b>	<b>-8.5%</b>
<b>EBITDA adj.</b>	<b>217.7</b>	<b>162.4</b>	<b>34.1%</b>
<i>EBITDA adj. margin</i>	<i>14.7%</i>	<i>11.3%</i>	

### Order backlog

- US\$ Order backlog in Commercial Business +6.9%.

### Revenues

- Commercial sales + 6.9% (without ATENA in 2005). Underlying growth + 8.5% - adjusted for additional unfavourable effects out of US\$.

### Gross Profit

- Increase by 17.6% due to favourable business mix effects.

### EBITDA adj.

- Increase by 34.1% reaching 14.7% margin.

## MRO Segment

in m US\$	31.12.2006	01.01.2006	Change
<b>Contract Volume MRO (in mUS\$)</b>	<b>4,847.0</b>	<b>4,195.1</b>	<b>15.5 %</b>
Order backlog (in mUS\$)	163.4	174.0	-6.1%

in m€	FY2006	FY2005	Change
<b>Revenues</b>	<b>954.7</b>	<b>766.9</b>	<b>24.5%</b>

<b>Gross profit</b>	<b>115.6</b>	<b>84.1</b>	<b>37.5%</b>
<i>Gross profit margin</i>	<i>12.1%</i>	<i>11.0%</i>	

<b>R&amp;D self-financed</b>	<b>6.5</b>	<b>2.8</b>	<b>132.1%</b>
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<b>EBITDA adj.</b>	<b>103.4</b>	<b>77.8</b>	<b>32.9%</b>
<i>EBITDA adj. margin</i>	<i>10.8%</i>	<i>10.1%</i>	

### Order backlog

- Contract volume MRO underlying growth + 15.5%.

### Revenues

- Increase by 24.5% mainly due to V2500, PW2000, CFM56 and MTU Zhuhai.

### Gross Profit

- Increase by 37.5% mainly due to volume effect.

### EBITDA adj.

- Increase by 32.9% reaching 10.8% margin.

## MTU Zhuhai – 2006 and 2005 Key Figures

In mUS\$	31.12.2006	01.01.2006	Change
<b>Contract Volume in (\$m)</b>	<b>732.9</b>	<b>671.9</b>	<b>9.1%</b>

in m€	FY2006	FY2005	Change
<b>Total Revenues</b>	<b>56.1</b>	<b>45.2</b>	<b>24.1%</b>
<b>Consolidated Revenues</b>	<b>45.2</b>	<b>34.1</b>	<b>32.6%</b>
<b>Gross profit</b>	<b>7.4</b>	<b>4.3</b>	<b>72.1%</b>
<i>Gross profit margin</i>	<i>16.4%</i>	<i>12.6%</i>	
<b>EBITDA</b>	<b>7.9</b>	<b>5.7</b>	<b>38.6%</b>
<b>EBITDA margin</b>	<b>17.5%</b>	<b>16.7%</b>	

### Order backlog

- US\$ contract volume up by 9.1%.

### Revenues

- Increase in total revenues by 24.1% to 56.1 m€ due to ramp up (facility in operations since 2003).
- Increase in consolidated revenues (excluding MTU-internal revenues) by 32.6% to 45.2m€

### Gross Profit

- Increase by 72.1% reaching 16.4% gross profit margin.

### EBITDA

- Increase by 38.6% to 7.9m€

## Contents

1. Operational & Financial Highlights

2. Divisional Performance

**3. Group Key Figures**

Appendix

## Financial Result

in m€	FY 2006	FY 2005	Change
<b>Income non-consolidated subsidiaries companies / Income from associated companies / Loss from shares in affiliated companies</b>	<b>0.9</b>	<b>0.4</b>	
<b>Interest Result</b>	<b>-19.9</b>	<b>-41.8</b>	<b>52.4%</b>
Interest income	4.7	4.2	
Interest payments	-22.5	-46.3	
Interest Swaps	-2.1	0.3	
<b>Other Financial Result</b>	<b>-14.3</b>	<b>-33.3</b>	<b>57.1%</b>
Gains/losses US\$ cash/financing/ Capital lease valuation	-2.8	-0.8	
Interest expenses for pension provisions	-18.2	-18.3	
Non cash valuations (swaps)	7.9	-8.7	
Interest R&D provisions and others	-1.2	-5.5	
<b>Total Financial Result</b>	<b>-33.3</b>	<b>-74.7</b>	<b>55.4%</b>

## Underlying Net Income and EPS underlying

in m€	FY2006	FY2005	Change
<b>EBITDA adj.</b>	<b>318.2</b>	<b>238.7</b>	<b>33.3%</b>
Depreciation/amortisation w/o PPA	-80.5	-77.0	
<b>EBIT underlying</b>	<b>237.7</b>	<b>161.7</b>	<b>47.0%</b>
Financial result	-33.3	-72.6	54.1%
<b>EBT underlying</b>	<b>204.4</b>	<b>89.1</b>	<b>129.4%</b>
underlying Tax (40,4%)	-82.6	-36.0	
<b>Underlying Net Income</b>	<b>121.8</b>	<b>53.1</b>	<b>129.4%</b>
<b>EPS underlying</b>	<b>2.25</b>	<b>0.97</b>	<b>131.9%</b>
<b>Dividend proposal per share</b>	<b>0.82</b>	<b>0.73</b>	<b>12.3%</b>

## Cash Flow

in m€	FY2006	FY2005	Change
<b>Cash Flow from operating activities</b>	<b>209.8</b>	<b>291.7</b>	<b>-28.1%</b>
<b>Cash Flow from investing activities</b>	<b>-94.1</b>	<b>-83.9</b>	<b>12.2%</b>
<b>Free Cash Flow</b>	<b>115.7</b>	<b>207.8</b>	<b>-44.3%</b>
<b>Cash Flow from financing activities</b>	<b>-37.7</b>	<b>-225.9</b>	<b>83.3%</b>
Effect of exchange rate on cash and cash equivalents	2.2	11.6	
Change in cash and cash equivalents	80.2	-6.5	
Liquidity 31.12.	102.2	22.0	

## Forecast 2007

in m€	FY2006	Guidance 2007	change
<b>Revenues</b>	2,416.2	<b>2,600</b>	<b>8%</b>
<b>EBITDA adj.</b>	318.2	<b>365</b>	<b>15%</b>
<b>EBITDA adj. margin</b>	13.2%	<b>14.0%</b>	
<b>Free Cash Flow</b>	115.7	<b>70</b>	<b>-40%</b>
<b>Underlying Net Income</b>	121.8	<b>140</b>	<b>15%</b>



## **Contents**

1. Operational & Financial Highlights
2. Divisional Performance
3. Group Key Figures

## **Appendix**

## Profit & Loss

In m€	Q4 2006	Q4 2005	change	FY2006	FY2005	change
<b>Revenues</b>	<b>633.8</b>	<b>611.7</b>	<b>3.6%</b>	<b>2,416.2</b>	<b>2,182.7</b>	<b>10.7%</b>
Total cost of sales	-552.3	-512.2		-2,063.5	-1,894.7	
<b>Gross profit</b>	<b>81.5</b>	<b>99.5</b>	<b>-18.1%</b>	<b>352.7</b>	<b>288.0</b>	<b>22.5%</b>
<i>Gross profit margin</i>	<i>12.8%</i>	<i>16.3%</i>		<i>14.6%</i>	<i>13.2 %</i>	
R & D company funded	-21.6	-24.9		-64.5	-45.7	
SG&A	-27.9	-29.3		-116.6	-115.8	
Other operating income (expense)	-0.6	-4.8		12.2	4.7	
<b>EBIT reported</b>	<b>31.4</b>	<b>40.5</b>	<b>-22.5%</b>	<b>183.8</b>	<b>131.2</b>	<b>40.1%</b>
<b>EBITDA reported</b>	<b>74.5</b>	<b>84.8</b>	<b>-12.1%</b>	<b>335.6</b>	<b>295.3</b>	<b>13.6%</b>
<b>EBITDA adjusted</b>	<b>87.8</b>	<b>67.0</b>	<b>31.0%</b>	<b>318.2</b>	<b>238.7</b>	<b>33.3%</b>
Financial result	-10.3	-16.3		-33.3	-74.7	
Share of income/loss of Joint Ventures accounted for using the equity method	1.2	0.7			2,1	
<b>Profit before Tax (EBT)</b>	<b>22.3</b>	<b>24.9</b>	<b>-10.4%</b>	<b>150.5</b>	<b>58.6</b>	<b>156.8%</b>
Taxes	-8.4	-11.4		-61.4	-25.8	
<b>IFRS net income</b>	<b>13.9</b>	<b>13.5</b>	<b>3.0%</b>	<b>89.1</b>	<b>32.8</b>	<b>171.6%</b>

## Revenues / Cost of sales

in m€	Q4 2006	Q4 2005	change	FY2006	FY2005	change
<b>Revenues</b>	<b>633.8</b>	<b>611.7</b>	<b>3.6%</b>	<b>2,416.2</b>	<b>2,182.7</b>	<b>10.7%</b>
OEM Commercial	247.0	241.3	2.4%	993.5	943.4	5.3%
OEM Military	174.2	180.8	-3.7%	489.6	491.4	-0.4%
MRO	219.2	196.0	11.8%	954.7	766.9	24.5%
Consolidation	-6.6	-6.4		-21.6	-19.0	
<b>Cost of Sales</b>	<b>-552.3</b>	<b>-512.2</b>	<b>7.8%</b>	<b>-2,063.5</b>	<b>-1,894.7</b>	<b>8.9%</b>
<b>OEM (commercial / military)</b>	<b>-361.8</b>	<b>-351.4</b>		<b>-1,245.0</b>	<b>-1,232.3</b>	
<b>MRO</b>	<b>-196.2</b>	<b>-167.8</b>		<b>-839.1</b>	<b>-682.8</b>	
<b>Consolidation</b>	<b>5.7</b>	<b>7.0</b>		<b>20.6</b>	<b>20.4</b>	

## Gross Profit / EBIT reported

in m€	Q4 2006	Q4 2005	change	FY2006	FY2005	change
<b>Gross Profit</b>	<b>81.5</b>	<b>99.5</b>	<b>-18.1%</b>	<b>352.7</b>	<b>288.0</b>	<b>22.5%</b>
OEM (commercial / military)	59.4	70.7	-16.0%	238.1	202.5	17.6%
MRO	23.0	28.2	-18.4%	115.6	84.1	37.5%
Consolidation	-0.9	0.6		-1.0	1.4	
<b>EBIT reported</b>	<b>31.4</b>	<b>40.5</b>	<b>22.5%</b>	<b>183.8</b>	<b>131.2</b>	<b>40.1%</b>
<b>OEM (commercial / military)</b>	<b>18.4</b>	<b>32.1</b>	<b>-42.7%</b>	<b>119.0</b>	<b>94.3</b>	<b>26.2%</b>
<b>MRO</b>	<b>14.6</b>	<b>12.4</b>	<b>17.7%</b>	<b>67.7</b>	<b>38.4</b>	<b>76.3%</b>
<b>Consolidation</b>	<b>-1.6</b>	<b>-4.0</b>		<b>-2.9</b>	<b>-1.5</b>	

## Research & Development

in m€	Q4 2006	Q4 2005	Change	FY2006	FY2005	Change
<b>Company expensed R&amp;D</b>	<b>25.6</b>	<b>38.2</b>	<b>-33.0%</b>	<b>80.6</b>	<b>83.8</b>	<b>-3.8%</b>
OEM	23.5	37.4		74.1	81.0	
MRO	2.1	0.8		6.5	2.8	
<b>Consumption of R&amp;D provision</b>	<b>-4.0</b>	<b>-13.3</b>		<b>-16.1</b>	<b>-38.1</b>	
<b>R&amp;D according to IFRS</b>	<b>21.6</b>	<b>24.9</b>	<b>-13.3%</b>	<b>64.5</b>	<b>45.7</b>	<b>41.1%</b>
<b>Customer funded R&amp;D</b>	<b>26.8</b>	<b>23.5</b>	<b>14.0%</b>	<b>89.3</b>	<b>88.1</b>	<b>1.4%</b>
<b>Total R&amp;D</b>	<b>52.4</b>	<b>61.7</b>	<b>-15.1%</b>	<b>169.9</b>	<b>171.9</b>	<b>-1.2%</b>

## EBITDA reported / adjusted

in m€	Q4 2006	Q4 2005	Change	FY2006	FY2005	Change
<b>EBITDA reported</b>	<b>74.5</b>	<b>84.8</b>	<b>-12.1%</b>	<b>335.6</b>	<b>295.3</b>	<b>13.6%</b>
OEM (commercial / military)	52.1	64.6	-19.3%	235.1	219.0	7.4%
MRO	24.0	24.2	-0.8%	103.4	77.8	32.9%
Consolidation	-1.6	-4.0		-2.9	-1.5	
<b>EBITDA adjusted</b>	<b>87.8</b>	<b>67.0</b>	<b>31.0%</b>	<b>318.2</b>	<b>238.7</b>	<b>33.3%</b>
<b>OEM (commercial / military)</b>	<b>65.4</b>	<b>46.8</b>	<b>39.7%</b>	<b>217.7</b>	<b>162.4</b>	<b>34.1%</b>
<b>MRO</b>	<b>24.0</b>	<b>24.2</b>	<b>-0.8%</b>	<b>103.4</b>	<b>77.8</b>	<b>32.9%</b>
<b>Consolidation</b>	<b>-1.6</b>	<b>-4.0</b>		<b>-2.9</b>	<b>-1.5</b>	
<b>EBITDA adjusted margin</b>	<b>13.9%</b>	<b>11.0%</b>		<b>13.2%</b>	<b>10.9%</b>	
<b>OEM (commercial / military) margin</b>	<b>15.5%</b>	<b>11.1%</b>		<b>14.7%</b>	<b>11.3%</b>	
<b>MRO margin</b>	<b>10.9%</b>	<b>12.3%</b>		<b>10.8%</b>	<b>10.1%</b>	

## EBITDA Adjustments- Group Level

in m€	Q4 2006	Q4 2005	Change	FY2006	FY2005	Change
<b>EBIT reported</b>	<b>31.4</b>	<b>40.5</b>	<b>-22.5%</b>	<b>183.8</b>	<b>131.2</b>	<b>40.1%</b>
Depreciation and amortization	43.1	44.3		151.8	164.1	
<b>EBITDA reported</b>	<b>74.5</b>	<b>84.8</b>	<b>-12.1%</b>	<b>335.6</b>	<b>295.3</b>	<b>13.6%</b>
Restructuring costs	20.0	0.8		20.0	2.8	
R&D provision consumption	-4.0	-13.3		-16.1	-38.1	
Property sale				-10.5	0.0	
Program value provision release	-2.7	-5.3		-10.8	-21.3	
<b>Total adjustments</b>	<b>13.3</b>	<b>-17.8</b>		<b>-17.4</b>	<b>-56.6</b>	
<b>EBITDA adjusted</b>	<b>87.8</b>	<b>67.0</b>	<b>31.0%</b>	<b>318.2</b>	<b>238.7</b>	<b>33.3%</b>

## EBITDA Adjustments – Segmental Level (in m€)

OEM Segment	Q4 2006	Q4 2005	change	FY2006	FY2005	change
EBITDA reported OEM	52.1	64.6	-19.3%	235.1	219.0	7.4%
Restructuring costs	20.0	0.8		20.0	2.8	
R&D cost, not expensed under IFRS	-4.0	-13.3		-16.1	-38.1	
Property Sale				-10.5	0.0	
Program value provision release	-2.7	-5.3		-10.8	-21.3	
<b>EBITDA adjusted OEM</b>	<b>65.4</b>	<b>46.8</b>	<b>39.7%</b>	<b>217.7</b>	<b>162.4</b>	<b>34.1%</b>

MRO Segment	Q4 2006	Q4 2005	change	FY2006	FY2005	change
EBITDA reported MRO	24.0	24.2	-0.8%	103.4	77.8	32.9%
<b>EBITDA adjusted MRO</b>	<b>24.0</b>	<b>24.2</b>	<b>-0.8%</b>	<b>103.4</b>	<b>77.8</b>	<b>32.9%</b>



## Financial Result

in m€	Q4 2006	Q4 2005	Change	FY2006	FY2005	Change
<b>Income non-consolidated subsidiaries companies / Income from associated companies / Loss from shares in affiliated companies</b>	<b>1.0</b>	<b>0.2</b>		<b>0.9</b>	<b>0.4</b>	
<b>Interest Result</b>	<b>-5.0</b>	<b>-8.7</b>	<b>42.5%</b>	<b>-19.9</b>	<b>-41.8</b>	<b>52.4%</b>
Interest Income	1.7	1.5		4.7	4.2	
Interest Payments	-6.0	-11.1		-22.5	-46.3	
Interest Swaps	-0.7	0.9		-2.1	0.3	
<b>Other Financial Result</b>	<b>-6.3</b>	<b>-7.8</b>	<b>19.2%</b>	<b>-14.3</b>	<b>-33.3</b>	<b>57.1%</b>
Gains/losses US\$ cash/financing/ Capital lease valuation	-3.9	1.0		-2.8	-0.8	
Interest expenses for pension provisions	-4.4	-4.6		-18.2	-18.3	
Non cash valuations (swaps)	3.0			7.9	-8.7	
Interest R&D provisions and others	-1.0	-4.2		-1.2	-5.5	
<b>Total Financial Result</b>	<b>-10.3</b>	<b>-16.3</b>	<b>36.8%</b>	<b>-33.3</b>	<b>-74.7</b>	<b>55.4%</b>

## Cash Flow

in m€	Q4 2006	Q4 2005	Change	FY2006	FY2005	Change
<b>Net income IFRS</b>	<b>13.9</b>	<b>13.5</b>	<b>3.0%</b>	<b>89.1</b>	<b>32.8</b>	<b>171.6%</b>
Depreciation and amortisation	43.1	44.3		151.8	164.1	
Change in Provisions	-20.2	41.2		13.8	27.9	
Change in Working Capital	-0.9	-12.2		-73.3	154.4	
Deferred taxes	33.0	-97.9		34.8	-88.4	
Gains/losses associated comp. /others	-0.8	1.0		-6.4	0.9	
<b>Cash Flow from operating activities</b>	<b>68.1</b>	<b>-10.1</b>	<b>774.3%</b>	<b>209.8</b>	<b>291.7</b>	<b>-28.1%</b>
<b>Cash Flow from investing activities</b>	<b>-47.9</b>	<b>-39.4</b>	<b>21.6%</b>	<b>-94.1</b>	<b>-83.9</b>	<b>12.2%</b>
<b>Free Cash Flow</b>	<b>20.2</b>	<b>-49.5</b>	<b>140.8%</b>	<b>115.7</b>	<b>207.8</b>	<b>-44.3%</b>
<b>Cash Flow from financing activities</b>	<b>-7.7</b>	<b>-18.1</b>	<b>57.5%</b>	<b>-37.7</b>	<b>-225.9</b>	<b>83.3%</b>
Effect of exchange rate on cash and cash equivalents	1.5	-0.2		2.2	11.6	
Change in cash and cash equivalents	14.0	-67.8		80.2	-6.5	

## Working Capital

in m€	31.12.2006	31.12.2005	Change	Change in %
Gross inventories	529.0	528.9	-0.1	
Prepayments	-537.7	-431.0	+106.7	
Receivables	714.2	504.2	-210.0	
Payables	-487.1	-457.0	+30.1	
<b>Working Capital</b>	<b>218.4</b>	<b>145.1</b>	<b>-73.3</b>	<b>-50.5%</b>

## PPA depreciation/amortisation (in m€)

<b>Total depreciation / amortisation</b>	<b>Q4 2006</b>	<b>Q4 2005</b>	<b>FY2006</b>	<b>FY2005</b>
<b>MTU total</b>	<b>43.1</b>	<b>44.3</b>	<b>151.8</b>	<b>164.1</b>
OEM	33.7	32.5	116.1	124.7
MRO	9.4	11.8	35.7	39.4
<b>PPA depreciation / amortisation</b>	<b>Q4 2006</b>	<b>Q4 2005</b>	<b>FY2006</b>	<b>FY2005</b>
<b>MTU total</b>	<b>17.4</b>	<b>20.3</b>	<b>67.4</b>	<b>84.7</b>
OEM	15.4	17.4	59.2	72.6
MRO	2.0	2.9	8.2	12.1
<b>Depreciation / amortisation w/o PPA</b>	<b>Q4 2006</b>	<b>Q4 2005</b>	<b>FY2006</b>	<b>FY2005</b>
<b>MTU total</b>	<b>25.7</b>	<b>24.0</b>	<b>84.4</b>	<b>79.4</b>
OEM	18.3	15.1	56.9	52.1
MRO	7.4	8.9	27.5	27.3

## Guidance for PPA Depreciation and Amortisation (in m €)

2005	2006	2007	2008	2009	2010	2011
84.7	67.4	54.9	50.5	46.0	43.9	43.0

## 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. In addition to statements that are forward-looking by reason of context, the words "may," "will," "should," "expect," "plan," "intend," "anticipate," "forecast," "believe," "estimate," "predict," "potential," or "continue" and similar expressions identify forward-looking statements.

Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) competition from other companies in MTU's industry and MTU's ability to retain or increase its market share, (ii) MTU's reliance on certain customers for its sales, (iii) risks related to MTU's participation in consortia and risk and revenue sharing agreements for new aero engine programs, (iv) the impact of non-compete provisions included in certain of MTU's contracts, (v) the impact of a decline in German or other European defense budgets or changes in funding priorities for military aircraft, (vi) risks associated with government funding, (vii) the impact of significant disruptions in MTU's supply from key vendors, (viii) the continued success of MTU's research and development initiatives, (ix) currency exchange rate fluctuations, (x) changes in tax legislation, (xi) the impact of any product liability claims, (xii) MTU's ability to comply with regulations affecting its business and its ability to respond to changes in the regulatory environment, (xiii) the cyclical nature of the airline industry and the current financial difficulties of commercial airlines, (xiv) risks associated with the significant ownership of our equity by affiliates of Kohlberg Kravis Roberts & Co., (xv) our substantial leverage and (xvi) general local and global economic conditions. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

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