Quarterly Financial Report
January 1 to March 31, 2010

MTU Aero Engines Holding AG, Munich

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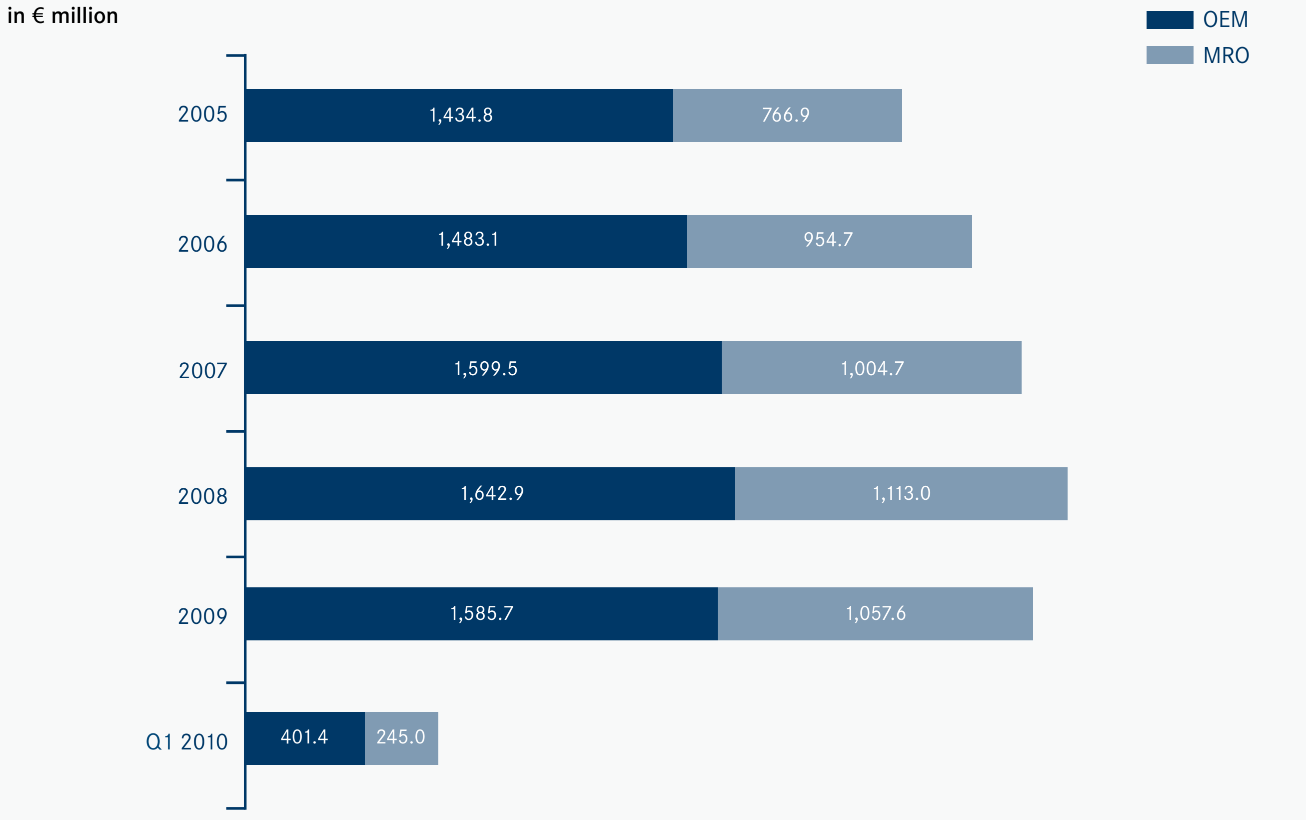
Key Facts and Figures for the Group

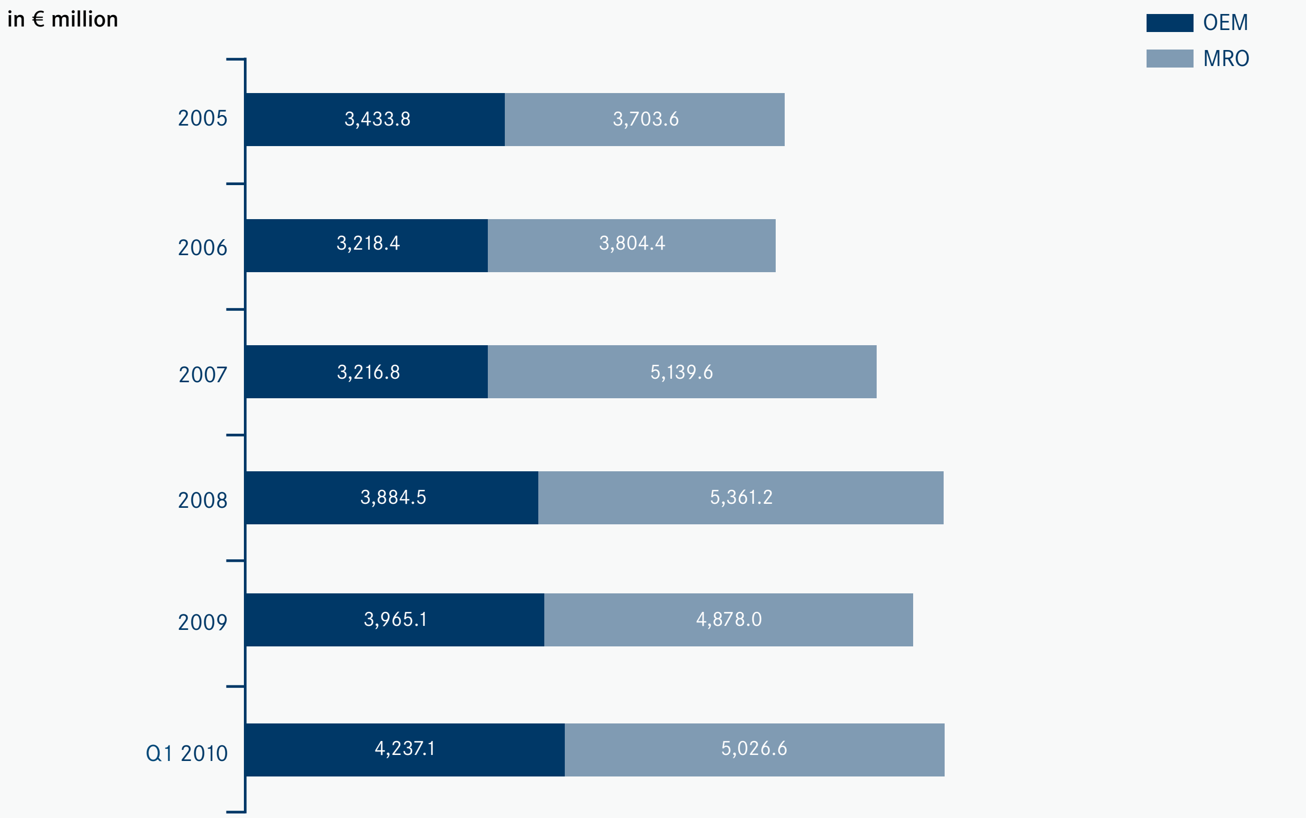
in € million (unless otherwise specified)	2010	2009	Change against previous year in € million	in %
Income Statement				
Revenues	640.2	693.1	-52.9	-7.6
Gross profit	115.1	118.8	-3.7	-3.1
Earnings before interest and taxes (EBIT)	57.8	63.7	-5.9	-9.3
Adjusted earnings before interest and taxes (EBIT adjusted)	68.8	75.2	-6.4	-8.5
Earnings before taxes (EBT)	48.5	43.0	5.5	12.8
Earnings after taxes (EAT)	32.6	31.0	1.6	5.2
Undiluted earnings per share (in €)	0.67	0.64	0.03	4.7
Diluted earnings per share (in €)	0.65	0.62	0.03	4.8
Growth rates in %				
Revenues	-7.6	10.0		
Gross profit	-3.1	7.8		
Adjusted earnings before interest and taxes (EBIT adjusted)	-8.5	-6.0		
Earnings before taxes (EBT)	12.8	-34.8		
Earnings after taxes (EAT)	5.2	-29.9		
Undiluted earnings per share (in €)	4.7	-27.3		
Diluted earnings per share (in €)	4.8	-27.1		
Revenue margins in %				
Earnings before interest and taxes (EBIT)	9.0	9.2		
Adjusted earnings before interest and taxes (EBIT adjusted)	10.7	10.8		
Earnings before taxes (EBT)	7.6	6.2		
Earnings after taxes (EAT)	5.1	4.5		
Balance Sheet (previous year: December 31)				
Intangible assets	1,244.4	1,248.2	-3.8	-0.3
Property, plant and equipment	554.7	556.7	-2.0	-0.4
Financial assets	97.1	26.5	70.6	266.4
Working capital	193.3	147.6	45.7	31.0
Cash and cash equivalents	84.1	120.8	-36.7	-30.4
Pension provisions	413.7	411.6	2.1	0.5
Other provisions	437.9	421.1	16.8	4.0
Financial liabilities	307.1	279.8	27.3	9.8
Deferred taxes, current tax liabilities	281.5	279.4	2.1	0.8
Equity	750.8	730.7	20.1	2.8
Net debt	135.8	142.4	-6.6	-4.6
Order backlog and value of MRO contracts (order volume) (previous year: December 31)	9,263.7	8,843.1	420.6	4.8
Commercial and Military Engine business (OEM) *)	4,237.1	3,965.1	272.0	6.9
Commercial Maintenance business (MRO) *)	5,026.6	4,878.0	148.6	3.0
Cash flow				
Cash flow from operating activities	51.2	59.8	-8.6	-14.4
Cash flow from investing activities	-92.5	-24.4	-68.1	-279.1
Free cash flow	31.7	35.4	-3.7	-10.5
Free cash flow margin (in %)	5.0	5.1		
Cash flow from financing activities	1.9	-11.4	13.3	116.7
Change in cash and cash equivalents	-36.7	22.4	-59.1	-263.8
Number of employees at quarter end	7,681	7,588	93	1.2
Commercial and Military Engine business (OEM)	4,867	4,957	-90	-1.8
Commercial Maintenance business (MRO)	2,814	2,631	183	7.0

*) before consolidation

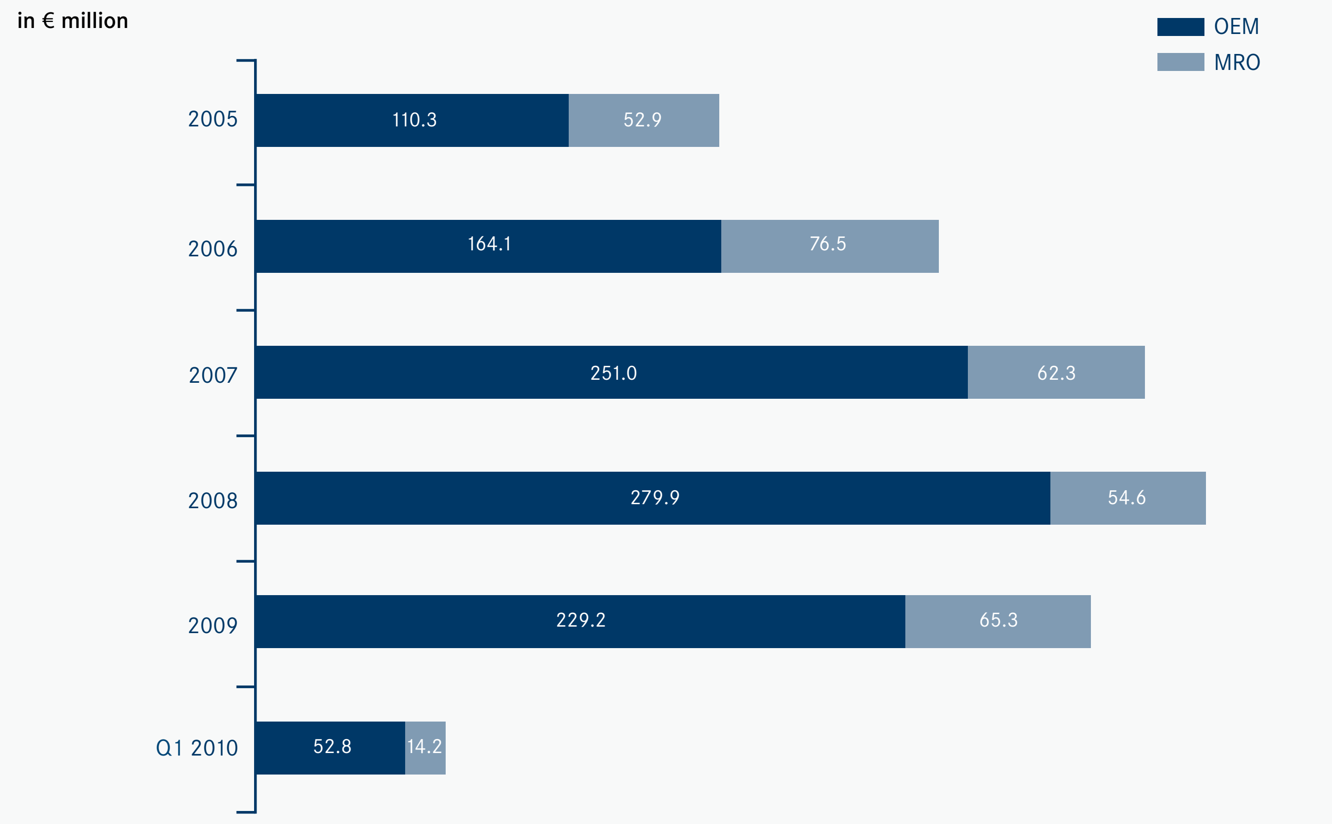
Revenues by segment (before consolidation)



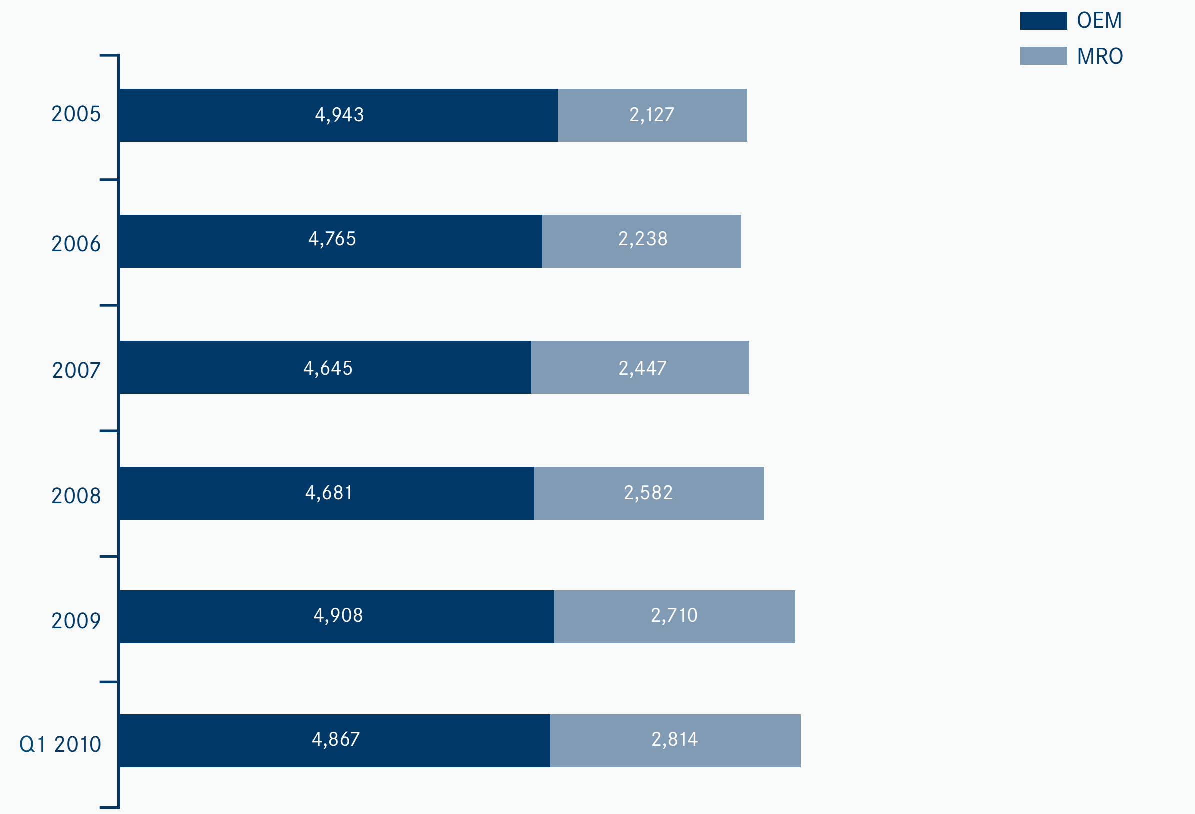
Order backlog and value of MRO contracts by segment (before consolidation)



EBIT adjusted by segment (before consolidation)



Average number of employees including trainees by segment



General Economic Environment

Growth rates for air traffic volumes were impressive at the end of 2009 and the beginning of 2010. If the upturn continues in this vein, it is likely that the growth rate will be back to the levels seen in 2008 within two to three months. This means that the recession would have caused the loss of two years of average growth.

According to IATA, worldwide passenger numbers grew by 9.5 % in February. This positive development varied from region to region. The growth rate in Europe and North America was approximately 4.5 %, while the economic regions of Asia (+13.5 %), the Middle East (+25.8 %) and Latin America (+8.5 %) recovered more quickly. The upturn reflected rising business travel activities, a post-recession pick-up in demand for private travel and the increase in inventories used in global trading. The overall air traffic volume was still 1 % to 2 % lower than in 2008.

International freight volumes grew in February in almost all regions by more than 30 %. Only Europe, with a growth rate of 7.2 %, has not yet been able to benefit fully from the worldwide upturn. The recovery has been driven primarily by the cyclical factors determining demand within the manufacturing industry and by the economic upturn in Asia and Latin America.

Capacities (i.e. the number of “seat kilometers” or “ton kilometers”) grew in February 2010 at a slower rate than air traffic volumes, increasing by 1.9 % for passenger flights and 4.0 % for freight activities. These key indicators are important for assessing demand for MRO and spare parts business.

For the year 2010, the IATA predicts that airline revenues will rise by 9 % to US dollar 522 billion and that losses will be in the region of US dollar 2.8 billion. Compared to the previous prediction in December 2009, this means that losses have been halved. A shift has taken place in terms of seating classes: while the economy class has remained roughly at 2008 levels, the business class has decreased by 17 %. The economic upturn should result in stronger growth for premium class business.

The price of oil stabilized at the beginning of 2010 at around US dollar 80 per barrel. The global economic recovery is likely to put pressure on oil prices. That, combined with growing demand in Asia and the USA, will result in higher prices.

The order backlog and production rates of Airbus and Boeing remained stable during the first quarter. According to the Ascend Online database, the order-book of the two manufacturers at March 30, 2010 stood at 6,770 aircraft – 90 fewer than at the end of the fourth quarter 2009 (6,860 aircraft). Airbus and Boeing manufactured 221 commercial aircraft during the first three months of the year. Over the year as a whole, they plan to manufacture between 940 and 960 aircraft. This would be about the same as the level in 2009 when 978 commercial aircraft were delivered.

The order situation for business jets is extremely weak. Manufacturing volumes in 2009 were down by more than 30 %. The situation is likely to remain critical in 2010. Any recovery will depend on there being a substantial worldwide economic recovery. The critical factor for the sector is the availability of capital. A turnaround is not expected until 2011.

1 The enterprise MTU

MTU Aero Engines Holding AG, Munich, together with its consolidated group of companies (hereafter referred to as “MTU”, “group”, “enterprise” or “company”) is Germany’s leading engine manufacturer and one of the world’s largest.

1.1 Business activities and markets

MTU supports manufacturers and operators of commercial and military aircraft engines and aero-derivative industrial gas turbines throughout the entire lifecycle of these products, offering services ranging from development and manufacturing to distribution and maintenance.

The company is a technological leader in low-pressure turbines, high-pressure compressors, repair techniques and manufacturing processes. MTU is an influential partner in all important technology programs at national and international levels, and cooperates with the top names in the industry – General Electric, Pratt & Whitney und Rolls-Royce.

MTU is the world’s largest independent provider of MRO services for commercial aero engines. In the military sector, for many decades it has been the leading company in the national market and the German armed force’s industrial partner.

MTU’s two operating segments are the OEM business (Original Equipment Manufacturing) and the MRO business (Maintenance, Repair and Overhaul).

OEM business

The OEM business covers new commercial engine business, the supply of spare parts for commercial aircraft and the whole of the company’s military business (new engines, spare parts and maintenance).

MTU is a risk-and-revenue-sharing partner in major commercial engine programs. This means that the company carries full responsibility for the components and modules it designs and manufactures – and also the financial risk. MTU receives a percentage of sales revenues in proportion to its stake in the respective program.

MTU’s products for the commercial aero engine market cover all thrust and power categories and the most important components and subsystems. The company designs and manufactures modules and carries out final assembly work on complete engines. The focus of MTU’s work on engine modules lies on low-pressure turbines and high-pressure compressors. MTU also develops and manufactures industrial gas turbines (IGTs). The commercial aero engines currently of greatest importance, alongside the long-serving CF6 and PW2000, are the GP7000 for the Airbus A380, the V2500 engine which powers the Airbus A320 family, and the business jet engines PW300 and PW500. Significant future-oriented programs are the PW1000G geared turbofan family, destined for the Mitsubishi Regional Jet, the Bombardier CSeries and the Irkut MS-21, and the GEnx engine for the Boeing 787 and 747-8.

For the military engine market, MTU supplies basic technologies, develops and manufactures engine modules and components, manufactures spare parts, is responsible for engine final assembly and carries out maintenance work. Other services include providing technical and logistical support for MTU products and training military personnel and civilians employed by the armed forces. The company’s customers also include the air forces of many different nations. As lead industrial partner to the German armed forces, MTU provides service support for virtually every type of aero engine in service with the airborne units. It is also the German partner in all major military engine programs at European level. Examples include the EJ200 Eurofighter engine, the RB199 for the Tornado, the TP400-D6 for the A400M military transporter, and the MTR390 engine, as well as the more powerful MTR390 Enhanced Version which powers the Tiger combat helicopter. In the U.S. military market – the largest in the world – MTU is a risk-and-revenue-sharing partner in America’s F414, F404 and F110 aircraft engine and GE38 helicopter engine programs.

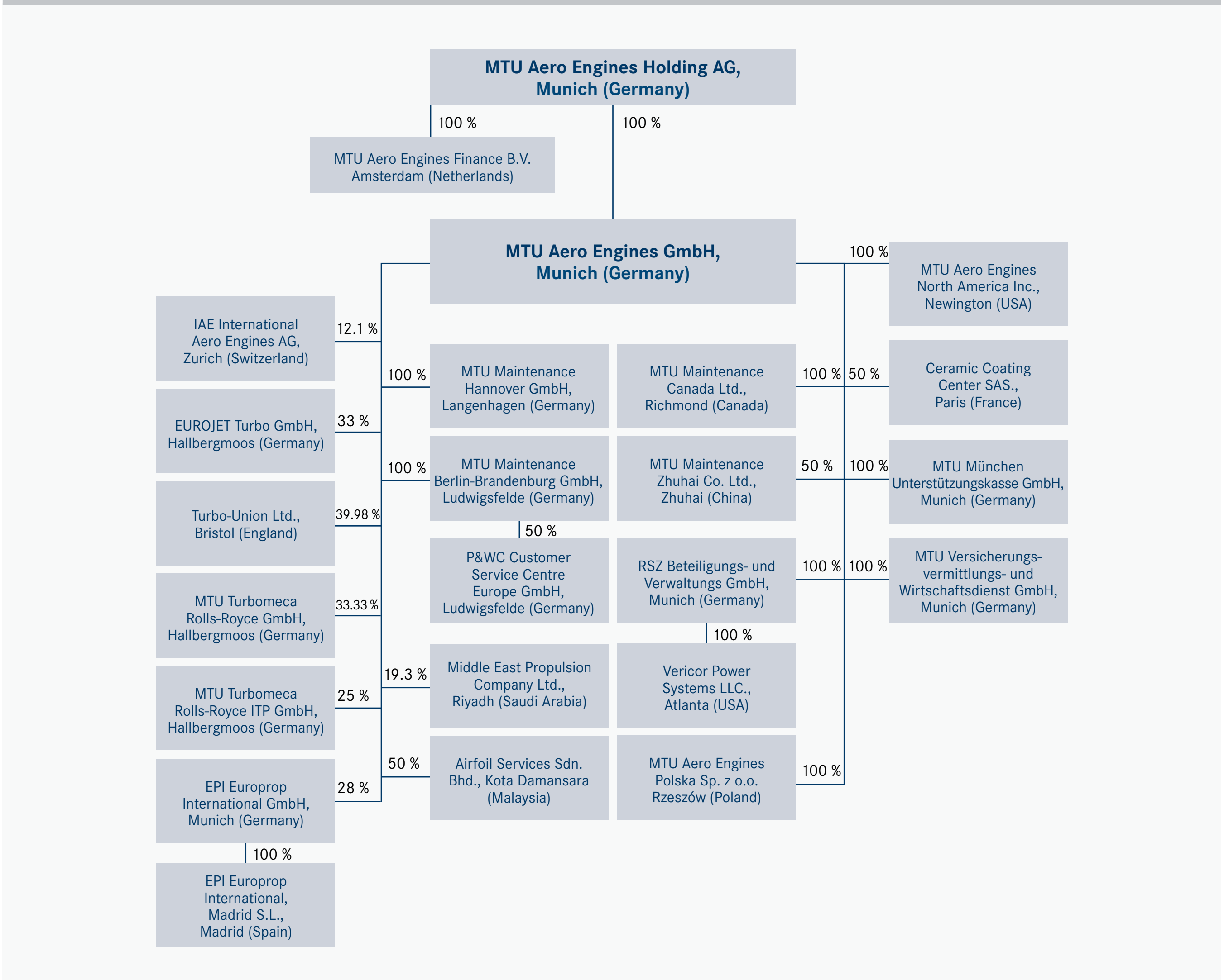
MRO business

The MRO business covers all of MTU’s commercial maintenance activities; these are organized under the umbrella of MTU Maintenance. The MTU Maintenance companies operate facilities in all the major markets and are collectively the world’s largest independent provider of commercial maintenance services. They repair and overhaul aircraft engines and industrial gas turbines, offering an extensive range of services and one-stop solutions. The most significant programs are the V2500 for the Airbus A320 family, the CF6 deployed in widebody jets such as the A330 and the Boeing 747, the CF34 business and regional jet engine, and the LM series of gas turbines. Customers include airlines and stationary gas turbine operators all over the world.

1.2 Group structure, locations and organization

MTU Aero Engines Holding AG, Munich, is the parent company of the MTU group. Its functions are largely those of a holding company, with the main focus on corporate strategy, risk management and corporate finance. The holding company is also responsible for maintaining contact with the business environment, the capital markets and, most importantly, shareholders. MTU Aero Engines Holding AG, Munich, together with the subsidiaries, joint ventures and other investee entities has a worldwide presence in all important markets and regions. Details of shareholdings in group companies can be found in the notes to the consolidated financial statements (section 2, Consolidated companies) in the Annual Report 2009.

Structure of the MTU Group



The MTU group's headquarters and its main manufacturing site are located in Munich. The global network of subsidiaries, maintenance activities and the group's research and development activities are controlled from there. The Munich plant develops, manufactures, tests and markets commercial and military engine components and modules, develops new manufacturing processes and repair techniques, and assembles and repairs military engines.

All the company's commercial MRO activities are pooled under MTU Maintenance. MTU Maintenance Hannover, based in Langenhagen, is the largest maintenance plant in the MTU network. It supports mid-sized and large commercial engines and provides services such as customer training and a 24-hour service. Small engines and industrial gas turbines are supported by MTU Maintenance Berlin-Brandenburg, located at Ludwigsfelde near Berlin, which also assembles the TP400-D6 production engines for the A400M military transporter.

Further information concerning the activities of the group's foreign subsidiaries is provided in the Annual Report 2009 (pages 32 and 33).

Explanatory comments on the company's situation

Organisation

The legal corporate structure of MTU Aero Engines Holding AG, Munich, did not change during the first three months of 2010. MTU Aero Engines Holding AG, Munich, does not have any operating activities of its own. It serves as a management holding, managing the affairs of the MTU Group across functions. The parent company's revenues of € 2.9 million all relate to income generated from performing holding company functions. Administrative and organizational processes also remained unchanged. No changes were planned before the Quarterly Financial Report for the first quarter 2010 does to press.

From an organizational point of view, MTU Aero Engines Holding AG, Munich is divided into four decision-making units, corresponding to the portfolios of the Board of Management members.

- Egon Behle is Chairman of the Board of Management and is responsible for corporate departments. This includes responsibility for the Commercial and Military Engine programs, Corporate Development, Corporate Communication and Investor Relations, as well as Legal and Intellectual Property Management, Corporate Audit and Enterprise Security.

- Dr. Rainer Martens is board member responsible for Technology. The covers the areas Development, Technology, Production and Military Maintenance. Other areas falling under his remit are Production Development, Materials Management, Purchases and Logistics and Quality. The managing director of MTU Aero Engines Polska Sp. z o.o., Rzeszów, Poland also reports to him directly.

- Dr. Stefan Weingartner is responsible for the company's commercial maintenance operations. The two maintenance sites of MTU (Vericor Power Systems and the Business Development MRO department) report to him directly.

- Reiner Winkler is, as the company's CFO, responsible for Finance, Accounting, Taxes, Controlling, Information Technology and Human Resources. He also serves as the company's Industrial Relations Director.

For information relating to legal risks faced by the MTU Group, reference is made to the Group Management Report published in the Annual Report 2009 (section 6, Risk Report). The situation remains as described in that document: there are currently no significant legal risks.

There have been no significant changes in prices and conditions on the procurement and sales markets during the first three months of the financial year 2010.

MTU's business model is focused on the long term. The life-cycle of an engine – from the research phase through to spare parts business – generally covers more than 40 years. During the financial year 2008, MTU acquired a whole range of participations in new engine programs based on risk-and-revenue-sharing arrangements (RRSP). These programs have been continuously developed since 2009. For information on the new engine programs, reference is made to section 1.4.3, Technologies for engine products of the future, of the Group Management Report in the Annual Report 2009.

2 Research and development

Technological changes within the aviation sector take place at an extremely rapid pace and require a continuous source of innovation. Research and development expenditure will remain at a high level during the financial years 2010 and 2011. Due to various new engine programs, expenditure on research and development during the first three months of the year increased to € 51.8 million. The research and development ratio – measured as R&D expenditure divided by revenues – increased by 0.8 percentage points to 8.1 % (January - March 2009: 7.3 %).

Research and development expenses

	Jan. 1 to March 31, 2010 in € million	Jan. 1 to March 31, 2009 in € million	Change against previous year in € million	in %
Commercial Engine business (OEM)	33.6	30.1	3.5	11.6
Military Engine business (OEM)	15.8	17.9	-2.1	-11.7
	49.4	**48.0**	**1.4**	**2.9**
Commercial Maintenance business (MRO)	2.4	2.4		
Research and development (before amounts capitalized)	**51.8**	**50.4**	**1.4**	**2.8**
R&D ratio (as % of revenues)	8.1	7.3	0.8	

The amounts invested are subdivided into company-funded and externally funded R&D expenditure. Company-funded expenditure is borne by the group whereas externally funded expenditure is paid for by customers. Company-funded expenditure is reported in the table below and in section 8 of the Selected Explanatory Notes to the Interim Consolidated Financial Statements as R&D expense. Externally funded R&D activities are accounted for as construction contract receivables or payables in accordance with IAS 11 due to the fact that the work is commissioned specifically by national and international consortia. First-quarter R&D expenditure of € 51.8 million (first quarter 2009: € 50.4 million) included € 32.9 million (first quarter 2009: € 30.4 million) relating to company-funded expenditure. Of this amount, € 30.5 million (January - March 2009: € 28.0 million) related to Commercial and Military Engine business (OEM). A total of € 3.1 million (January - March 2009: € 1.7 million) relating to the GE38 and GEnx engines was recognized as capitalized developments costs.

The expense for Commercial Maintenance business during the three-month period was € 2.4 million (January - March 2009: € 2.4 million)

The following table includes the own-financed research and development expense reported in the income statement (see section 8 of the Selected Explanatory Notes).

Own financed research and development expenses reported in income statement

	Jan. 1 to March 31, 2010 in € million	Jan. 1 to March 31, 2009 in € million	Change against previous year in € million	in %
Commercial Engine business (OEM)	28.1	25.8	2.3	8.9
Military Engine business (OEM)	2.4	2.2	0.2	9.1
	30.5	**28.0**	**2.5**	**8.9**
Commercial Maintenance business (MRO)	2.4	2.4		
Own financed R&D expenditure	**32.9**	**30.4**	**2.5**	**8.2**
Thereof:				
Capital expenditure on capitalisable assets				
Commercial Engine business (OEM)	-3.1	-1.7	-1.4	-82.4
Commercial Maintenance business (MRO)	-2.0		-2.0	
Total capitalized	**-5.1**	**-1.7**	**-3.4**	**-200.0**
Research and development expenses per income statement	**27.8**	**28.7**	**-0.9**	**-3.1**

3 Financial review

3.1 Key figures at a glance

Key figures at a glance

	Jan. 1 to March 31, 2010 in € million	Jan. 1 to March 31, 2009 in € million	Change against previous year in € million	in %
Revenues	**640.2**	**693.1**	**-52.9**	**-7.6**
Cost of sales	-525.1	-574.3	49.2	8.6
Gross profit	**115.1**	**118.8**	**-3.7**	**-3.1**
Other expenses allocated to functions	-57.3	-55.1	-2.2	-4.0
Earnings before interest and taxes (EBIT)	**57.8**	**63.7**	**-5.9**	**-9.3**
Write-downs on assets resulting from PPA	11.0	11.5	-0.5	-4.3
Adjusted earnings before interest and taxes (EBIT adjusted)	**68.8**	**75.2**	**-6.4**	**-8.5**
Finance result	-9.3	-20.7	11.4	55.1
Earnings before taxes (EBT)	**48.5**	**43.0**	**5.5**	**12.8**
Income taxes	-15.9	-12.0	-3.9	-32.5
Earnings after taxes (EAT)	**32.6**	**31.0**	**1.6**	**5.2**

Consolidated statement of comprehensive income

	Jan. 1 to March 31, 2010 in € million	Jan. 1 to March 31, 2009 in € million	Change against previous year in € million	in %
Earnings after taxes (EAT)	**32.6**	**31.0**	**1.6**	**5.2**
Income and expenses recognized directly in equity	-12.7	-17.2	4.5	26.2
Comprehensive income for the period	**19.9**	**13.8**	**6.1**	**44.2**

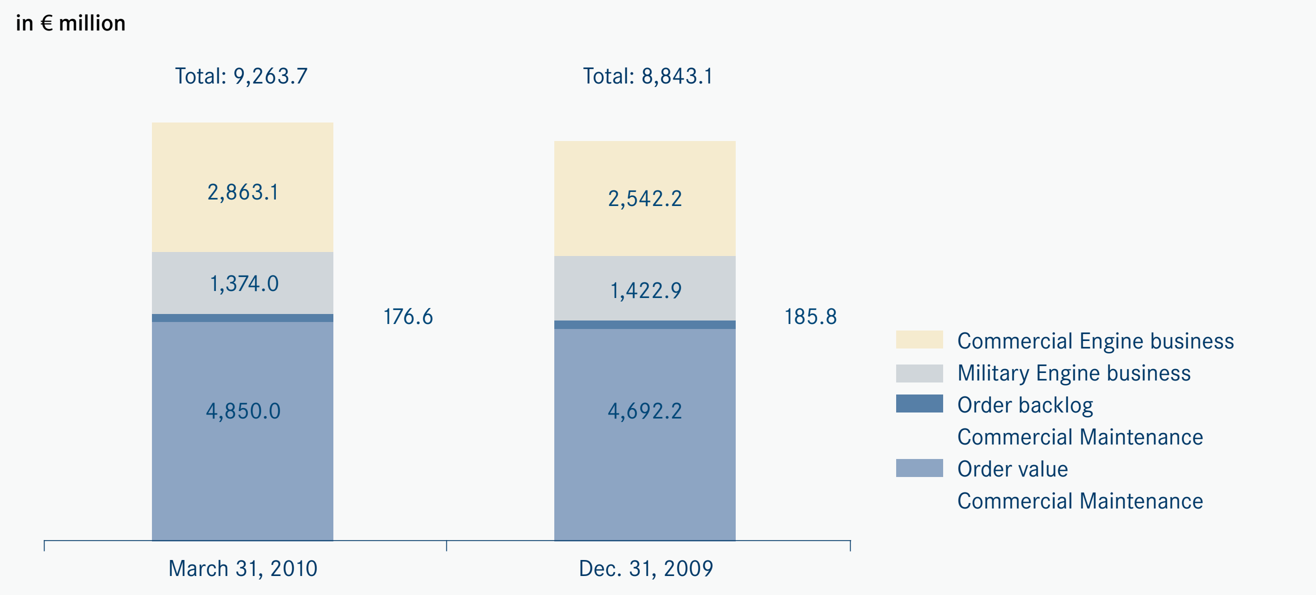
3.2 Order backlog and value of MRO contracts (order volume)

MTU's order backlog consists of firm orders placed directly by customers which commit the group to delivering products or providing services. Orders for maintenance work to be performed under the contractual terms of long-term service agreements are not included in the order backlog for the commercial MRO business. In order to obtain a picture of the economic value of the total contracted order volume and the corresponding degree of capacity utilization, the figures for the contracted value of service agreements in the Commercial MRO business are disclosed separately in addition to the backlog for Commercial and Military Engine business (OEM) and the Commercial Maintenance business (MRO).

Order backlog including value of MRO contracts (order volume) before consolidation

	March 31, 2010 in € million	Dec. 31, 2009 in € million	Change against previous year in € million	in %
Commercial Engine business	2,863.1	2,542.2	320.9	12.6
Military Engine business	1,374.0	1,422.9	-48.9	-3.4
Commercial and Military Engine business (OEM)	**4,237.1**	**3,965.1**	**272.0**	**6.9**
Order backlog Commercial Maintenance	176.6	185.8	-9.2	-5.0
Order value Commercial Maintenance	4,850.0	4,692.2	157.8	3.4
Commercial Maintenance business (MRO)	**5,026.6**	**4,878.0**	**148.6**	**3.0**
Total	**9,263.7**	**8,843.1**	**420.6**	**4.8**

Order backlog including value of MRO contracts (order volume) before consolidation



The group's order backlog including the value of MRO contracts (order volume) at March 31, 2010 totalled € 9,263.7 million (unconsolidated basis) and was therefore € 420.6 million (4.8 %) higher than at December 31, 2009.

The order backlog for Commercial Engine business increased by € 320.9 million compared to December 31, 2009, while the Military Engine business order book decreased by € 48.9 million during the same period. By contrast, the backlog including value of MRO contracts at March 31, 2010 was € 148.6 million higher than at December 31, 2009.

The order backlog at March 31, 2010 corresponds to a workload of approximately three years. Excluding the value of MRO contracts, the backlog corresponds to a workload of approximately one and a half years.

3.3 Operating results, financial situation and net assets

Group operating results for the period from January 1 to March 31, 2010

Revenues

Revenues for the period from January 1 to March 31, 2010 fell by € 52.9 million (7.6 %) to € 640.2 million. While revenues from Commercial and Military Engine business (OEM) edged up by € 2.6 million (0.7 %) to € 401.4 million, revenues from Commercial Maintenance business (MRO) decreased by € 57.4 million (19.0 %) to € 245.0 million. Adjusted for the US dollar impact (i.e. using the same exchange rate as in the previous year), first-quarter group revenues would have decreased by € 20.9 million (3.0 %).

Commercial Engine business revenues were down by € 19.3 million. Revenues generated with spare parts business were almost unchanged while revenues from series production business fell by approximately € 14 million compared with the first quarter 2009.

Revenues from Military Engine business were € 21.9 million higher than one year earlier, mainly as a result of contract production for the EJ200.

Cost of sales and gross profit

Cost of sales for the first three months of 2010 decreased by € 49.2 million (8.6 %) to € 525.1 million, with cost of sales up by € 2.5 million (0.8 %) to € 314.8 million for Commercial and Military Engine business and down by € 54.4 million (20.0 %) to € 217.8 million for Commercial Maintenance business. As a result, the first-quarter gross profit decreased by € 3.7 million (3.1 %) to € 115.1 million.

Research and development expenditure

Research and development expenditure before capitalization totalled € 32.9 million, corresponding to an increase of € 2.5 million (8.2 %) against the first quarter of the previous year. R&D expense related mainly to the GE 38 engine program with General Electric (for the heavy-lift CH-53K transport helicopter manufactured by Sikorsky), the GEnx engine program for the Boeing 787 and 747-8, the PW1524G engine program for Bombardier's C-Series and the PW1217G engine program used to power Mitsubishi Heavy Industries' new regional jet (MRJ).

Amortization and depreciation

Depreciation and amortization included in expense lines by function in the first three months of 2010 – including depreciation and amortization resulting from the purchase price allocation (PPA) – totalled € 31.4 million (January – March 2009: € 30.7 million).

Adjusted earnings before interest and taxes (EBIT adjusted)

The effects of the purchase price allocation resulting from the acquisition of the company (including any impairment losses subsequently recorded) are added back to earnings before interest and taxes (EBIT). This gives rise to adjusted earnings before interest and taxes (EBIT adjusted).

The EBIT adjusted for the first three months of 2010 fell by € 6.4 million (8.5 %) to € 68.8 million (January - March 2009: € 75.2 million), mainly due to the € 3.7 million drop in gross profit. The margin at an adjusted EBIT level was 10.7 % (January - March 2009: 10.8 %).

Financial result

The financial result for the first quarter was net expense of € 9.3 million (first quarter 2009: net expense of € 20.7 million). The improvement was primarily due to the positive impact of the measurement of currency holdings at the period end and the fair value measurement of derivatives (reported within "Financial result on other items").

Earnings before taxes (EBT)

Despite the decrease in first-quarter earnings before interest and taxes (EBIT), the improvement in financial result meant that earnings before taxes (EBT) rose by € 5.5 million (12.8 %) to € 48.5 million (January – March 2009: € 43.0 million).

Earnings after taxes (EAT)

Earnings after taxes (EAT) for the period from January 1 to March 31, 2010 increased accordingly by € 1.6 million to € 32.6 million (January – March 2009: € 31.0 million).

Consolidated statement of comprehensive income

In the consolidated statement of comprehensive income, the net profit (earnings after taxes) of € 32.6 million (January - March 2009: € 31.0 million) is reconciled to the comprehensive income for the period of € 19.9 million (January - March 2009: € 13.8 million). Income and expenses recognized directly in equity during the three-month period under report (net of deferred taxes) comprise a negative impact of € 21.8 million (January - March 2009: negative impact of € 15.5 million) from the fair value measurement of derivative financial instruments and a positive impact of € 9.1 million (January - March 2009: negative impact of € 1.7 million) relating to currency translation differences.

Financial position

The principles and objectives of financial management, as described in the Annual Report 2009 (page 80 onwards), remain unchanged.

The main currency used to finance the MTU Group is the Euro. This relates principally to loans, a convertible bond issue, the availability of credit facilities (RCF 2009) and the issue of four promissory notes.

At March 31, 2010, the MTU Group has access to an overdraft facility of € 100.0 million with two banks. Of these credit facilities, € 29.3 million (December 31, 2009: € 27.7 million) were being utilized at March 31, 2010 for guarantees.

Free cash flow

MTU reports free cash flow – defined as the cash flow from operating activities less cash outflow for investments in intangible assets, property, plant and equipment and financial assets – as a key performance indicator. Free cash flow does not include investments in financial assets classified to the category “Non-derivative available-for-sale financial assets”. This indicator enables investors to assess MTU’s ability to generate cash flows from operating activities. With the exception of available-for-sale financial assets, free cash flow is available to cover fixed and additional free cash outflows not included in the measurement of the indicator (such as for dividend payments, the servicing of liabilities or acquisitions).

Free cash flow, which remains one of the key performance indicators for MTU fell slightly by € 3.7 million to € 31.7 million for the quarter under report. MTU acquired non-derivative financial assets for € 73.0 million during the first quarter (January - March 2009: € 0.0 million) which have been classified as available-for-sale. These financial assets are not included in the calculation of free cash flow since they can be sold at any time and are held as a liquidity reserve.

Financial position

	Jan. 1 to March 31, 2010	Jan. 1 to March 31, 2009	Change against previous year	
	in € million	in € million	in € million	in %
Cash flow from operating activities	51.2	59.8	-8.6	-14.4
- Cash flow from investing activities	-92.5	-24.4	-68.1	-279.1
+ Cash flow from investments in financial assets	73.0		73.0	
Free cash flow	**31.7**	**35.4**	**-3.7**	**-10.5**
- Cash flow from investments in financial assets	-73.0		-73.0	
Cash flow from financing activities	1.9	-11.4	13.3	116.7
Exchange rate changes	2.7	-1.6	4.3	268.8
Change in cash and cash equivalents	**-36.7**	**22.4**	**-59.1**	**-263.8**
Cash and cash equivalents at January 1	120.8	69.9	50.9	72.8
Cash and cash equivalents at March 31	84.1	92.3	-8.2	-8.9

Cash flow from operating activities

The cash flow from operating activities for the first three months of 2010 decreased by € 8.6 million to € 51.2 million (January - March 2009: € 59.8 million). This reduction was attributable to the increased amount tied up in working capital, partially offset by lower disbursements for interest and taxes.

Cash flow from investing activities

The cash outflow for investing activities for the first quarter was € 92.5 million compared with € 24.4 million in the previous year. Capital expenditure on property, plant and equipment decreased to € 14.7 million (January - March 2009: € 25.4 million). The cash outflow for intangible assets amounted to € 5.2 million (January - March 2009: € 2.0 million) and related mainly to capitalized development costs for the GE38 and GEnx programs and for maintenance techniques. Further information of the cash flow from investments in financial assets is provided in the section of free cash flow. Proceeds from the sale of property, plant and equipment during the first three months of 2010 totalled € 0.4 million (January - March 2009: € 3.0 million).

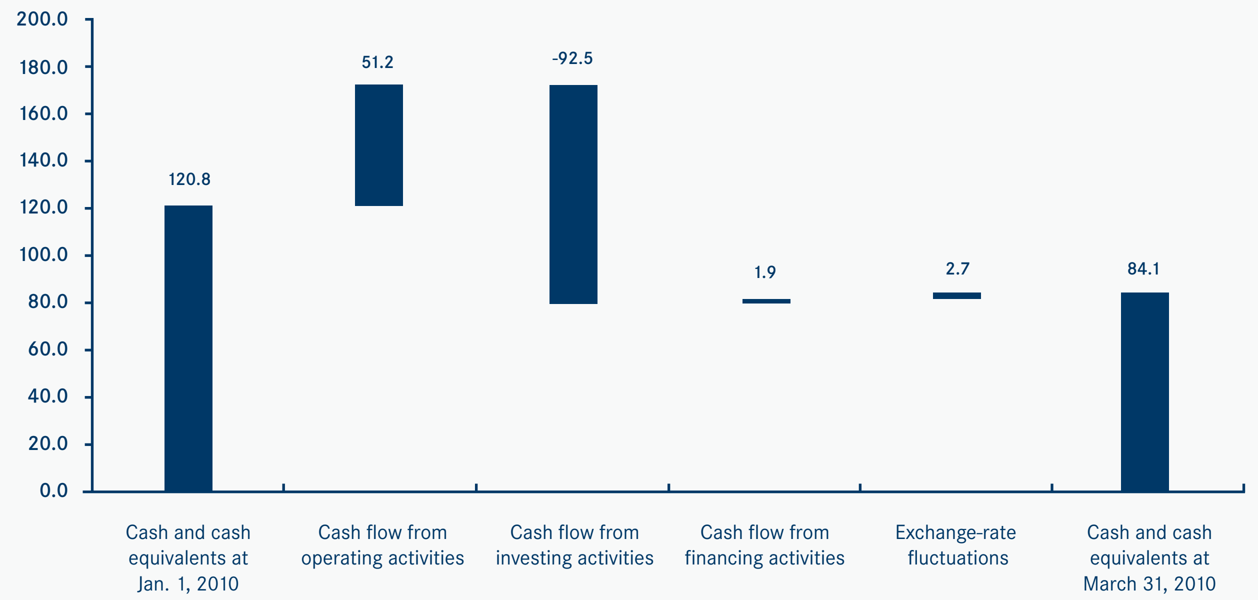
Cash flow from financing activities

The cash inflow from financing activities during the period from January to March 2010 was € 1.9 million compared to a cash outflow of € 11.4 million one year earlier. The cash inflow in the first quarter related primarily to a cash deposit in conjunction with cash pooling arrangements with MTU Versicherungsvermittlungs- und Wirtschaftsdienst GmbH, Munich, Germany. The cash outflow in the previous year was mainly due to the partial repayment of the previous RCF credit.

Cash and cash equivalents

The various cash flows resulted in a decrease in cash and cash equivalents of € 36.7 million (January - March 2009: increase of € 22.4 million), mainly reflecting the acquisition of financial assets. Further information is provided in the section on free cash flow.

Analysis of cash inflows and outflows



Cash and cash equivalents comprise the following at March 31, 2010:

Cash and cash equivalents

	March 31, 2010 in € million	Dec. 31, 2009 in € million	Change against previous year in € million	in %
Bank balances, cash at hand	39.3	85.4	-46.1	-54.0
Overnight and fixed term deposits	44.8	35.4	9.4	26.6
Total cash and cash equivalents	**84.1**	**120.8**	**-36.7**	**-30.4**

Net financial debt

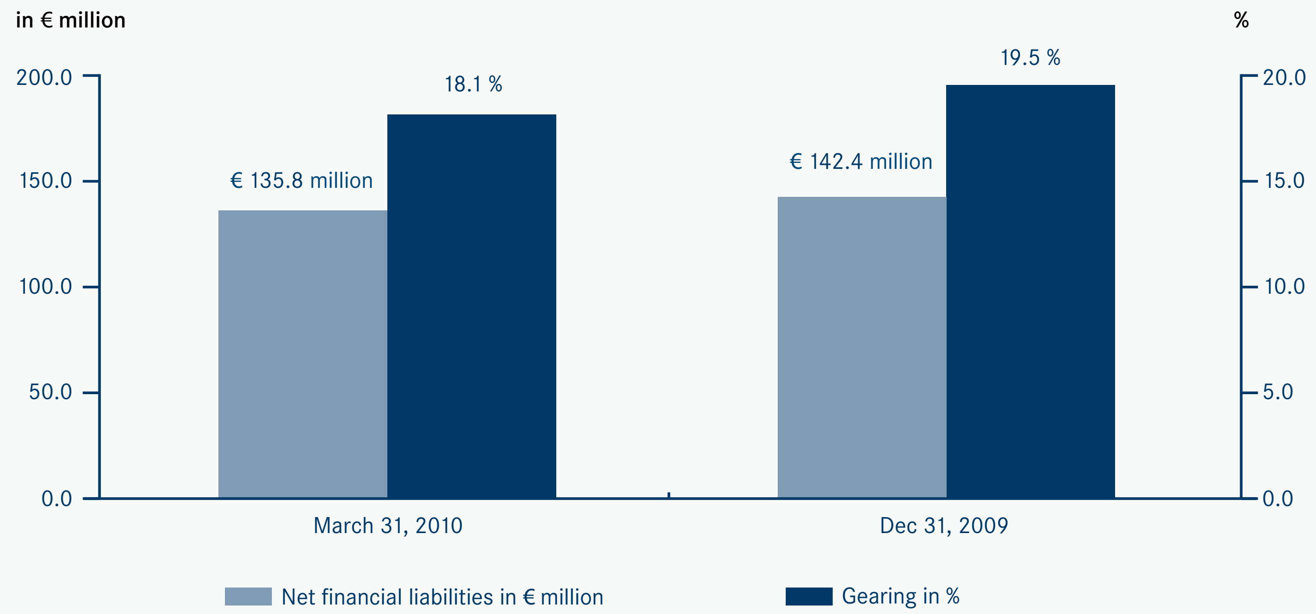
Net financial debt is used as a key performance indicator by leading capital market analysts. It is seen as an important indicator for the sector. MTU defines net financial debt as gross financial liabilities less available cash funds. Cash funds comprise cash and cash equivalents, derivative financial assets and available-for-sale financial assets. Compared to December 31, 2009, net financial debt decreased by € 6.6 million (4.6 %) to € 135.8 million thanks to an overall € 33.9 million increase in cash funds and despite the fact that the fair value measurement of derivative financial liabilities and derivative financial assets had a combined negative impact of € 34.5 million.

Net financial liabilities

	March 31, 2010 in € million	Dec. 31, 2009 in € million	Change against previous year in € million	in %
Convertible bond	146.7	148.9	-2.2	-1.5
Financial liabilities to banks				
Promissory notes	66.4	65.4	1.0	1.5
Other bank credits	11.2	14.6	-3.4	-23.3
Financial liabilities torelated parties *)	4.0		4.0	
Finance lease liabilities	25.8	25.8		
Loan from the Province of British Columbia to MTU Maintenance Canada	14.2	12.9	1.3	10.1
Negative fair values of derivative financial instruments	38.8	12.2	26.6	218.0
Gross financial liabilities	**307.1**	**279.8**	**27.3**	**9.8**
Less cash funds:				
Cash and cash equivalents	84.1	120.8	-36.7	-30.4
Derivative financial assets	8.7	16.6	-7.9	-47.6
Financial assets not measured at fair value through profit or loss	78.5		78.5	
Net financial liabilities	**135.8**	**142.4**	**-6.6**	**-4.6**
Gearing (in %)	**18.1**	**19.5**	**-1.4**	

*) MTU Versicherungsvermittlungs- und Wirtschaftsdienst GmbH, Munich, Germany, which is not consolidated on the grounds of immateriality.

Net financial liabilities and gearing



Net assets position

Changes in items in the statement of financial position

Group total assets at March 31, 2010 increased by approximately 2 % compared to December 31, 2009.

Non-current assets decreased by € 6.7 million to € 1,838.2 million (December 31, 2009: € 1,844.9 million). Current assets went up by € 67.7 million to € 1,371.9 million, mainly reflecting a € 16.6 million increase in inventories (up to € 665.3 million) and a € 36.1 million increase in trade and contract production receivables (up in aggregate to € 525.7 million).

Cash and cash equivalents decreased during the first three months of 2010 by € 36.7 million to € 84.1 million mainly as a result of the purchase of financial assets.

Overview of assets, equity and liability

	March 31, 2010 in € million	Dec. 31, 2009 in € million	March 31, 2009 in € million	Jan. 1, 2009 in Mio. €
Non-current assets	1,838.2	1,844.9	1,811.0	1,821.6
Current assets	1,371.9	1,304.2	1,386.0	1,374.5
Total assets	**3,210.1**	**3,149.1**	**3,197.0**	**3,196.1**
Equity	750.8	730.7	631.3	617.4
Non-current liabilities	1,093.1	1,088.7	1,037.6	1,052.3
Current liabilities	1,366.2	1,329.7	1,528.1	1,526.4
Total equity and liabilities	**3,210.1**	**3,149.1**	**3,197.0**	**3,196.1**

Group equity rose by € 20.1 million to stand at € 750.8 at March 31, 2010 (December 2009: € 730.7 million). Equity was increased by earnings after taxes (EAT) amounting to € 32.6 million (January – March 2009: € 31.0 million) and a net positive currency translation impact of € 9.1 million (January – March 2009: net negative currency translation impact of € 1.7 million). By contrast, income and expenses recognized directly in equity resulting from the fair value measurement of derivative financial instruments (net of deferred taxes) decreased equity by € 21.8 million (January – March 2009: € 15.5 million).

The equity ratio edged up by 0.2 percentage points to 23.4 %.

Pension provisions increased by € 2.1 million in line with schedule. The increase in non-current provisions was mainly attributable to changes in contingent liabilities relating to business combinations. Within current other provisions, the main increases compared to December 31, 2009 related to personnel-related obligations in connection with employee bonuses for the financial year 2009 and to retrospective costs.

Income tax liabilities take account of advance payments made during the period.

Financial liabilities increased overall by € 27.3 million compared to December 31, 2009, mainly as a result of fair market measurement gains of € 26.6 million on derivative financial instruments (see section 28 of the Selected Explanatory Notes).

Trade payables stood at € 320.6 million at March 31, 2010, marginally lower than at the end of the previous financial year.

Contract production liabilities (net of contract receivables) decreased by € 28.5 million to € 578.5 million during the first quarter 2010.

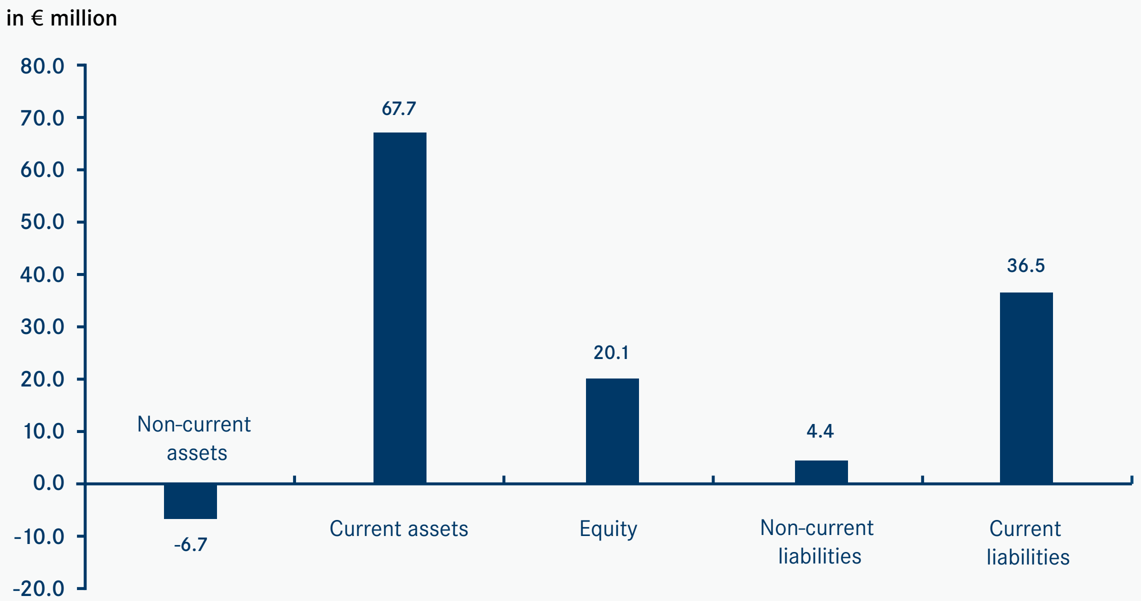
Other liabilities increased by € 21.4 million to € 120.0 million, mainly reflecting higher obligations to employees (up by € 13.7 million).

The following table shows the changes in assets and liabilities during the period from December 31, 2009 to March 31, 2010, analyzed by current and non-current items:

Change in Assets, Equity and Liabilities

(Statement of changes between March 31, 2010 and December 31, 2009)	in € million	in € million
Non-current assets		**-6.7**
Intangible assets	-3.8	
Property, plant and equipment	-2.0	
Financial assets	-2.8	
Financial assets accounted for using the equity method	0.0	
Other assets	0.8	
Deferred tax assets	1.1	
Current assets		**67.7**
Inventories	16.6	
Trade receivables	27.0	
Contract production receivables	9.1	
Income tax assets	-1.2	
Financial assets	73.4	
Other assets	-20.6	
Cash and cash equivalents	-36.7	
Prepayments	0.1	
Change in assets		**61.0**
Equity		**20.1**
Non-current liabilities		**4.4**
Provisions	9.6	
Financial liabilities	13.0	
Other liabilities	0.9	
Deferred tax assets	-19.1	
Current liabilities		**36.5**
Provisions	9.3	
Income tax liabilities	21.2	
Financial liabilities	14.3	
Trade payables	-0.3	
Contract production liabilities	-28.5	
Other liabilities	20.5	
Change in equity and liabilities		**61.0**

Change in assets, equity and liabilities



3.4 Operating segments

The Commercial and Military Engine business (OEM) operating segment covers the development, manufacture and assembly of commercial and military engines and components. This operating segment also performs repair and maintenance work on military engines. The Commercial Maintenance business (MRO) operating segment performs maintenance and repair work on aircraft engines and industrial gas turbines. Further information is provided in the section dealing with segment information.

Key figures for operating segments

	2010 in € million	2009 in € million	Change against previous year in € million	in %
Revenues				
Commercial Engine business	265.3	284.6	-19.3	-6.8
Military Engine business	136.1	114.2	21.9	19.2
Total Commercial and Military Engine business (OEM)	**401.4**	**398.8**	**2.6**	**0.7**
Commercial Maintenance business (MRO)	245.0	302.4	-57.4	-19.0
Other Group entities/Consolidation	-6.2	-8.1	1.9	23.5
Group	**640.2**	**693.1**	**-52.9**	**-7.6**
Order backlog and value of MRO contracts*) (previous year: December 31, 2009)				
Commercial and Military Engine business (OEM)	4,237.1	3,965.1	272.0	6.9
Commercial Maintenance business (MRO)	5,026.6	4,878.0	148.6	3.0
Group	**9,263.7**	**8,843.1**	**420.6**	**4.8**
Capital expenditure on intangible assets, property plant and equipment and financial assets **)				
Commercial and Military Engine business (OEM)	14.4	20.0	-5.6	-28.0
Commercial Maintenance business (MRO)	5.5	7.4	-1.9	-25.7
Group	**19.9**	**27.4**	**-7.5**	**-27.4**
Adjusted earnings before interest and taxes (EBIT adjusted)				
Commercial and Military Engine business (OEM)	52.8	54.8	-2.0	-3.6
Commercial Maintenance business (MRO)	14.2	19.3	-5.1	-26.4
Other Group entities/Consolidation	1.8	1.1	0.7	63.6
Group	**68.8**	**75.2**	**-6.4**	**-8.5**
Adjusted EBIT - margin (in %) *)**				
Commercial and Military Engine business (OEM)	13.2	13.7	-0.5	
Commercial Maintenance business (MRO)	5.8	6.4	-0.6	
Group	**10.7**	**10.8**	**-0.1**	
Number of employees (quarterly average)				
Commercial and Military Engine business (OEM)	4,867	4,957	-90	-1.8
Commercial Maintenance business (MRO)	2,814	2,631	183	7.0
Group	**7,681**	**7,588**	**93**	**1.2**

*) includes contractually committed order volume (see explanatory comments in section 3.2 of the Interim Group Management Report); before consolidation
**) excluding available-for-sale financial assets
***) Change in percentage points

Commercial and Military Engine business (OEM business)

Earnings performance for the period from January 1 to March 31, 2010

Revenues

The Commercial and Military Engine business (OEM) segment generated revenues of € 401.4 million during the first three months of 2010, € 2.6 million (0.7 %) up on the previous year. Within those figures, revenues from Commercial Engine business decreased by € 19.3 million (6.8 %) to € 265.3 million, while revenues from Military Engine business, at € 136.1 million, were up on the previous year's level (January - March 2009: € 114.2 million). Adjusted for the US dollar impact, revenues would have increased by € 19.2 million (4.8 %) compared to the previous year.

Cost of sales and gross profit

Segment cost of sales includes material and personnel expenses, scheduled depreciation and amortization, the change in inventories of work in progress and expenses charged to MTU by consortium leaders in return for marketing new engines. At € 314.8 million, segment cost of sales for the first quarter 2010 was almost unchanged from the previous year (€ 312.3 million). Reflecting the fact that first-quarter revenues were hardly changed, the gross profit for the three-month period, at € 86.6 million, was also virtually identical. The first-quarter gross margin stood at 21.6 % compared with 21.7 % one year earlier.

Adjusted earnings before interest and taxes (EBIT adjusted)

With the gross profit almost unchanged and research and development expenses moderately increased, adjusted earnings before interest and taxes (EBIT adjusted) for the three-month period fell by € 2.0 million (3.6 %) to € 52.8 million. The adjusted EBIT margin dropped to 13.2 %.

Commercial Maintenance business (MRO business)

Earnings performance for the three-month period to March 31, 2010

Revenues

Revenues generated by the MRO segment in the period from January 1 to March 31, 2010 amounted to € 245.0 million, which was € 57.4 million (19.0 %) lower than in the corresponding period in 2009. Adjusted for the US dollar impact, revenues amounted to € 260.4 million. Using this figure, the decrease in revenues against the previous year would have been € 42.0 million (13.9 %).

Cost of sales and gross profit

First-quarter cost of sales decreased by € 54.4 million (20.0 %) to € 217.8 million. As a result of the decrease in revenues, the gross profit fell by € 3.0 million (9.9 %) to € 27.2 million, while the gross profit percentage improved from 10.0 % to 11.1 %.

Adjusted earnings before interest and taxes (EBIT adjusted)

In line with the lower gross profit, the segment's adjusted earnings before interest and taxes (EBIT adjusted) for the first three months of 2010 fell by € 5.1 million (26.4 %) to € 14.2 million. The adjusted EBIT margin for the Commercial Engine Maintenance segment for the first quarter 2010 was 5.8 % (January – March 2009: 6.4 %).

3.5 Capital expenditure

Capital expenditure during the first three months of 2010 totalled € 92.9 million (January-March 2009: € 27.4 million). This included € 14.4 million spent by the OEM segment (January - March 2009: € 20.0 million) and € 5.5 million spent by the MRO segment (January - March 2009: € 7.4 million).

Capital expenditure by segment *)

	Jan. 1 to March 31, 2010 in € million	Jan. 1 to March 31, 2009 in € million	Change against previous year in € million	in %
OEM segment				
Intangible assets	3.2	2.0	1.2	60.0
Property, plant and equipment	11.2	18.0	-6.8	-37.8
Total OEM segment	**14.4**	**20.0**	**-5.6**	**-28.0**
MRO segment				
Intangible assets	2.0		2.0	
Property, plant and equipment	3.5	7.4	-3.9	-52.7
Total MRO segment	**5.5**	**7.4**	**-1.9**	**-25.7**
Total Other group entities	**73.0**		**73.0**	
Total	**92.9**	**27.4**	**65.5**	**239.1**

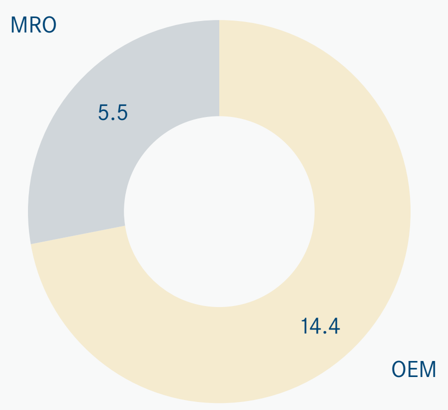
*) excluding proceeds arising on the disposal of property, plant and equipment

The amount reported for Other Entities relates to investments in financial assets totalling € 73.0 million (January – March 2009: € 0.0 million). Further information is provided in section 3.3, Operating results, financial situation and net assets.

Capital expenditure on intangible assets and property, plant and equipment were as follows:

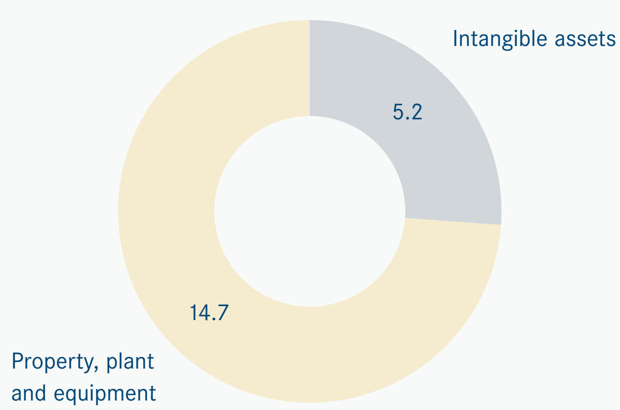
Capital expenditure by segment Jan. 1, - March 31, 2010

in € million



Capital expenditure by type of assets Jan. 1, - March 31, 2010

in € million



Analysis of capital expenditure for OEM business

Capital expenditure on intangible assets in the first quarter 2010 totalling € 3.2 million (January - March 2009: € 2.0 million) includes capitalized development work of € 3.1 million (January - March 2009: € 1.7 million) relating to the GE38 und GEnx engine programs.

Capital expenditure on property, plant and equipment in the first three months of 2010 amounting to € 11.2 million (January - March 2009: € 18.0 million) related mainly to additions of plant, machinery, other operational and office equipment. Proceeds from the sale of items of property, plant and equipment in the first quarter 2010 totalled € 0.4 million (January - March 2009: € 3.0 million).

Analysis of capital expenditure for MRO business

Capital expenditure for MRO business during the period from January 1 to March 31, 2010 included € 3.5 million spent on property, plant and equipment (January - March 2009: € 7.4 million). Investments in intangible assets totalling € 2.0 million related to specialized procedures to repair and maintain engines more economically (January - March 2009: € 0.0 million).

The increase in first-quarter expenditure for Other Group Entities related to investments in financial assets totalling € 73.0 million (January - March 2009: € 0.0 million). Further information is provided in section 3.3, Operating results, financial situation and net assets.

3.6 Employees

At March 31, 2010 the MTU Group had a workforce of 7,681 employees, including 305 trainees (December 31, 2009: 7,665 employees), an increase of 16 employees since the end of 2009. The workforce of the OEM segment was reduced by 18 employees despite the build-up of staff at MTU Aero Engines Polska, Poland. The workforce of the MRO segment also increased during the period.

At the end of March 2010, 6,839 employees (89.0 %) worked for group companies in Germany and 842 employees (11.0 %) for group companies outside Germany.

The personnel expense for the quarter totalled € 135.4 million (January - March 2009: € 115.5 million).

A new tariff agreement was agreed in Germany in the first quarter 2010, entailing a one-off payment of € 320 in 2010 and a 2.7 % increase in tariff remuneration with effect from April 2011.

4 Opportunity and risk report

For information regarding the Group's opportunities and risk situation, reference is made to the Annual Report 2009 (pages 109 to 125) and to the disclaimer at the end of this quarterly financial report.

5 Report on significant transactions with related parties (entities and individuals)

MTU Group companies did not enter into any material contracts with members of the Board of Management, the Supervisory Board or with other key management personnel or with companies in whose management or supervisory boards those persons are represented. The same applies to close members of the families of those persons.

Transactions with related entities are conducted on an arm's length basis. Transactions with related parties are disclosed in section 32 of the Selected Explanatory Notes.

6 Subsequent events

Events after the end of the reporting period (March 31, 2010)

In its rating published on April 19, 2010 Fitch gave MTU's a corporate creditworthiness rating of "BBB-" (investment grade). The ratings issued by S&P ("BB+" with stable outlook) and Moody's ("Ba1" with positive outlook) remained unchanged.

No other significant events occured after the end of the interim reporting period (March 31, 2010) and prior to the date of authorization for issue of the quarterly financial report on April 19, 2010.

Consolidated Income Statement

Consolidated Income Statement

	(Note)	Jan.1 - March 31, 2010 in € million	Jan.1 - March 31, 2010 in %	Jan.1 - March 31, 2009 in € million	Jan.1 - March 31, 2009 in %	Change against previous year in € million	Change against previous year in %
Revenues	(6)	640.2	100.0	693.1	100.0	-52.9	-7.6
Cost of sales	(7)	-525.1	-82.0	-574.3	-82.9	49.2	8.6
Gross profit		**115.1**	**18.0**	**118.8**	**17.1**	**-3.7**	**-3.1**
Research and development expenses	(8)	-27.8	-4.4	-28.7	-4.1	0.9	3.1
Selling expenses	(9)	-17.1	-2.7	-17.0	-2.5	-0.1	-0.6
General administrative expenses	(10)	-12.8	-2.0	-12.6	-1.8	-0.2	-1.6
Other operating income and expenses		0.4	0.1	3.2	0.5	-2.8	-87.5
Earnings before interest and taxes (EBIT)		**57.8**	**9.0**	**63.7**	**9.2**	**-5.9**	**-9.3**
Interest income		2.8	0.4	0.3		2.5	833.3
Interest expenses		-4.0	-0.6	-3.5	-0.5	-0.5	-14.3
Interest result	(12)	-1.2	-0.2	-3.2	-0.5	2.0	62.5
Result from equity accounted investments	(13)			0.4	0.1	-0.4	-100.0
Financial result on other items	(14)	-8.1	-1.2	-17.9	-2.6	9.8	54.7
Financial result		**-9.3**	**-1.4**	**-20.7**	**-3.0**	**11.4**	**55.1**
Earnings before taxes (EBT)		**48.5**	**7.6**	**43.0**	**6.2**	**5.5**	**12.8**
Income taxes	(15)	-15.9	-2.5	-12.0	-1.7	-3.9	-32.5
Earnings after taxes (EAT)		**32.6**	**5.1**	**31.0**	**4.5**	**1.6**	**5.2**
Earnings per share in €							
Undiluted (EPS)	(16)	0.67		0.64		0.03	
Diluted (DEPS)	(16)	0.65		0.62		0.03	

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income

	(Note)	Jan.1 - March 31, 2010 in € million	Jan.1 - March 31, 2010 in %	Jan.1 - March 31, 2009 in € million	Jan.1 - March 31, 2009 in %	Change against previous year in € million	Change against previous year in %
Earnings after taxes (EAT)		**32.6**	**5.1**	**31.0**	**4.5**	**1.6**	**5.2**
Translation differences		9.1	1.4	-1.7	-0.3	10.8	635.3
Changes in the fair value measurement of derivative financial instruments		-32.4	-5.1	-23.0	-3.3	-9.4	-40.9
Deferred taxes recognized directly in equity		10.6	1.7	7.5	1.1	3.1	41.3
Income and expenses recognized directly in equity		**-12.7**	**-2.0**	**-17.2**	**-2.5**	**4.5**	**26.2**
Comprehensive income for the period	(17)	**19.9**	**3.1**	**13.8**	**2.0**	**6.1**	**44.2**

Consolidated Statement of Financial Position

Assets

	(Note)	March 31, 2010 in € million	Dec. 31, 2009 in € million	March 31, 2009 *) in € million	Jan. 1, 2009 in € million
Non-current assets					
Intangible assets	(18)	1,244.4	1,248.2	1,267.0	1,274.9
Property, plant and equipment	(19)	554.7	556.7	527.9	525.1
Financial assets	(20)	12.1	14.9	7.3	12.6
Financial assets accounted for using the equity method	(20)	2.1	2.1	4.0	3.6
Other assets	(24)	6.9	6.1	4.1	4.0
Deferred tax assets		18.0	16.9	0.7	1.4
Total non-current assets		**1,838.2**	**1,844.9**	**1,811.0**	**1,821.6**
Current assets					
Inventories	(21)	665.3	648.7	694.6	661.4
Trade receivables	(22)	418.2	391.2	387.0	460.4
Contract production receivables	(23)	107.5	98.4	191.1	138.9
Deferred tax assets			1.2		1.0
Financial assets	(20)	82.9	9.5	2.1	4.0
Other assets	(24)	6.6	27.2	14.9	35.6
Cash and cash equivalents	(25)	84.1	120.8	92.3	69.9
Prepayments		7.3	7.2	4.0	3.3
Total current assets		**1,371.9**	**1,304.2**	**1,386.0**	**1,374.5**
Total assets		**3,210.1**	**3,149.1**	**3,197.0**	**3,196.1**

*) Disclosure for informational purposes only

Equity and Liabilities

	(Note)	March 31, 2010 in € million	Dec. 31, 2009 in € million	March 31, 2009 *) in € million	Jan. 1, 2009 in € million
Equity	(26)				
Subscribed capital		52.0	52.0	52.0	52.0
Capital reserves		353.8	353.6	354.6	354.5
Revenue reserves		453.5	420.9	356.3	325.3
Treasury shares		-93.4	-93.4	-100.1	-100.1
Other comprehensive income		-15.1	-2.4	-31.5	-14.3
Total equity and liabilities		**750.8**	**730.7**	**631.3**	**617.4**
Non-current liabilities					
Pension provisions		392.0	389.9	374.7	371.7
Other provisions	(27)	166.6	159.1	224.0	224.0
Financial liabilities	(28)	251.8	238.8	196.0	200.4
Other liabilities	(30)	34.9	34.0	30.0	28.6
Deferred tax liabilities		247.8	266.9	212.9	227.6
Total non-current liabilities		**1,093.1**	**1,088.7**	**1,037.6**	**1,052.3**
Current liabilities					
Pension provisions		21.7	21.7	18.5	18.5
Income tax liabilities		33.7	12.5	29.0	23.0
Other provisions	(27)	271.3	262.0	265.5	255.4
Financial liabilities	(28)	55.3	41.0	147.8	136.0
Trade payables		320.6	320.9	463.7	495.7
Contract production liabilities	(29)	578.5	607.0	532.0	520.6
Other liabilities	(30)	85.1	64.6	71.6	77.2
Total current liabilities		**1,366.2**	**1,329.7**	**1,528.1**	**1,526.4**
Total equity and liabilities		**3,210.1**	**3,149.1**	**3,197.0**	**3,196.1**

*) Disclosure for informational purposes only

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity

in € million	Sub-scribed capital	Capital reserves	Revenue reserves	Treasury shares	Other comprehen-sive income	Group equity
Balance at January 1, 2009	**52.0**	**354.5**	**325.3**	**-100.1**	**-14.3**	**617.4**
Changes in the fair value measurement of derivative financial instruments					-15.5	**-15.5**
Translation differences					-1.7	**-1.7**
= Income and expenses recognized directly in equity					**-17.2**	**-17.2**
Earnings after taxes (EAT)			31.0			**31.0**
= Comprehensive income for the period			**31.0**		**-17.2**	**13.8**
Matching Stock Program (MSP)		0.1				**0.1**
Balance at March 31, 2009	**52.0**	**354.6**	**356.3**	**-100.1**	**-31.5**	**631.3**
Balance at January 1, 2010	**52.0**	**353.6**	**420.9**	**-93.4**	**-2.4**	**730.7**
Changes in the fair value measurement of derivative financial instruments					-21.8	**-21.8**
Translation differences					9.1	**9.1**
= Income and expenses recognized directly in equity					**-12.7**	**-12.7**
Earnings after taxes (EAT)			32.6			**32.6**
= Comprehensive income for the period			**32.6**		**-12.7**	**19.9**
Matching Stock Program (MSP)		0.2				**0.2**
Balance at March 31, 2010	**52.0**	**353.8**	**453.5**	**-93.4**	**-15.1**	**750.8**

Reference is made to the disclosures on equity components provided in section 26 of the Selected Explanatory Notes.

Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows

	Jan. 1 to March 31, 2010 in € million	Jan. 1 to March 31, 2009 in € million
Earnings after taxes (EAT)	32.6	31.0
Amortization of and impairment losses on intangible assets and property, plant and equipment	31.4	30.7
Profit/loss of companies accounted for using the equity method		-0.4
Gains/losses on the disposal of property, plant and equipment and intangible assets	0.1	-1.3
Change in pension provisions	2.1	3.0
Change in other provisions	16.8	10.2
Other non-cash items	1.0	5.4
Movements in working capital		
Changes in inventories	-16.6	-33.2
Changes in trade receivables	-27.0	73.4
Changes in contract production receivables and payables	-37.6	-40.8
Changes in other assets	14.7	20.9
Changes in trade payables	-0.3	-32.0
Changes in other liabilities	21.1	-4.2
Net interest result	1.2	3.2
Interest paid	-5.2	-5.8
Interest received	2.6	0.3
Income taxes	15.9	12.0
Income taxes paid and received	-1.6	-12.6
Cash flow from operating activities	**51.2**	**59.8**
Payments for investments in		
Intangible assets	-5.2	-2.0
Property, plant and equipment	-14.7	-25.4
Financial assets	-73.0	
Proceeds from disposals of		
Property, plant and equipment	0.4	3.0
Cash flow from investing activities	**-92.5**	**-24.4**
Increase/decrease in other financial liabilities	1.9	-11.4
Cash flow from financing activities	**1.9**	**-11.4**
Effect of changes in exchanges rates on cash funds	2.7	-1.6
Other changes in funds	**2.7**	**-1.6**
Change in cash and cash equivalents	**-36.7**	**22.4**
Cash and cash equivalents at January 1	**120.8**	**69.9**
Cash and cash equivalents at March 31	**84.1**	**92.3**

Selected Explanatory Notes

Group Segment Information

Segment information

The activities of the MTU Group's operating segments as well as changes in the presentation of segment information are described in section 1 of the interim group management report and section 4 of the Selected Explanatory Notes of the Quarterly Financial Report for the period ended March 31, 2010. Reference is also made to the Annual Report of MTU Aero Engines Holding AG for the year ended December 31, 2009.

Segment information for the period from January 1 to March 31, 2010 was as follows:

Segment Information Jan. 1 to March 31, 2010

in € million	Commercial and Military engine business (OEM) Jan.1 to March 31, 2010	Commercial Maintenance business (MRO) Jan.1 to March 31, 2010	Other Group Entities Jan.1 to March 31, 2010	Consolidation/ reconciliation Jan.1 to March 31, 2010	Group Jan.1 to March 31, 2010
External revenues	396.3	243.9			640.2
Inter-segment revenues	5.1	1.1	2.9	-9.1	
Total revenues	**401.4**	**245.0**	**2.9**	**-9.1**	**640.2**
Gross profit	**86.6**	**27.2**	**2.9**	**-1.6**	**115.1**
Earnings before interest and taxes (EBIT)	**42.9**	**13.1**	**0.7**	**1.1**	**57.8**
Amortization/depreciation resulting from purchase price allocation	9.9	1.1			11.0
Adjusted earnings before interest and taxes (EBIT adjusted)	**52.8**	**14.2**	**0.7**	**1.1**	**68.8**
Result from equity accounted investments					
Assets (March 31, 2010)	**2,824.1**	**816.4**	**833.8**	**-1,264.2**	**3,210.1**
Liabilities (March 31, 2010)	**2,011.9**	**389.9**	**259.2**	**-201.7**	**2,459.3**
Capital expenditure in:					
Intangible assets	3.2	2.0			5.2
Property, plant and equipment	11.2	3.5			14.7
Total capital expenditure on intangible assets and property, plant and equipment	14.4	5.5			19.9
Key segment data:					
EBIT in %	10.7	5.3	24.1		9.0
EBIT adjusted in %	13.2	5.8	24.1		10.7

Segment information for the period from January 1 to March 31, 2009 was as follows:

Segment Information Jan. 1 to March 31, 2009

in € million	Commercial and Military engine business (OEM) Jan.1 to March 31, 2009	Commercial Maintenance business (MRO) Jan.1 to March 31, 2009	Other Group Entities Jan.1 to March 31, 2009	Consolidation/ reconciliation Jan.1 to March 31, 2009	Group Jan.1 to March 31, 2009
External revenues	392.8	300.3			693.1
Inter-segment revenues	6.0	2.1	1.9	-10.0	
Total revenues	**398.8**	**302.4**	**1.9**	**-10.0**	**693.1**
Gross profit	**86.5**	**30.2**	**1.9**	**0.2**	**118.8**
Earnings before interest and taxes (EBIT)	**44.5**	**18.1**	**-0.4**	**1.5**	**63.7**
Amortization/depreciation resulting from purchase price allocation	10.3	1.2			11.5
Adjusted earnings before interest and taxes (adjusted EBIT)	**54.8**	**19.3**	**-0.4**	**1.5**	**75.2**
Result from equity accounted investments					
Assets (Dec. 31, 2009)	**2,788.2**	**808.6**	**816.2**	**-1,263.9**	**3,149.1**
Liabilities (Dec. 31, 2009)	**1,977.7**	**399.6**	**241.9**	**-200.8**	**2,418.4**
Capital expenditure in:					
Intangible assets	2.0				2.0
Property, plant and equipment	18.0	7.4			25.4
Total capital expenditure on intangible assets and property, plant and equipment	**20.0**	**7.4**			**27.4**
Key segment data:					
EBIT in %	11.2	6.0	-21.1		9.2
EBIT adjusted in %	13.7	6.4	-21.1		10.8

The following table reconciles group segment revenues to group revenues, segment result (EBIT) to group earnings before tax (EBT) and segment assets to group assets:

Reconciliation to MTU Consolidated Financial Statements

in € million	Jan. 1 to March 31, 2010	Jan. 1 to March 31, 2009
Total revenues		
Revenues of reportable segments	649.3	703.1
Consolidation	-9.1	-10.0
Group revenues	**640.2**	**693.1**
Adjusted earnings before interest and taxes (EBIT adjusted)		
Adjusted EBIT of reportable segments	67.7	73.7
Amortization/depreciation resulting from purchase price allocation	-11.0	-11.5
Consolidation	1.1	1.5
Earnings before interest and taxes (EBIT)	**57.8**	**63.7**
Interest income	2.8	0.3
Interest expense	-4.0	-3.5
Result from equity accounted investments		0.4
Other financial result	-8.1	-17.9
Earnings before taxes (EBT)	**48.5**	**43.0**

Reconciliation to MTU Consolidated Financial Statements

in € million	March 31, 2010	Dec. 31, 2009
Assets		
Assets of reportable segments	4,474.3	4,413.0
Consolidation	-1,264.2	-1,263.9
Group assets	**3,210.1**	**3,149.1**
Liabilities		
Liabilities of reportable segments	2,661.0	2,619.2
Consolidation	-201.7	-200.8
Group liabilities	**2,459.3**	**2,418.4**

Information on geographical regions

The following table shows figures for the group by geographical region:

Segment Information by Geographical Region 2010

in € million	Revenues by seat of customer Jan.1 -March 31, 2010	Capital expenditure on intangible assets and property, plant and equipment Jan.1 -March 31, 2010	Non-current assets March 31, 2010
Germany	144.2	17.1	1,717.1
Europe	73.2	1.8	57.0
North America	332.0	0.3	27.1
South America	34.2		
Africa	1.8		
Asia	49.7	0.7	37.0
Australia/Oceania	5.1		
	640.2	**19.9**	**1,838.2**

Segment Information by Geographical Region 2009

in € million	Revenues by seat of customer Jan.1 -March 31, 2009	Capital expenditure on intangible assets and property, plant and equipment Jan.1 -March 31, 2009	Non-current assets Dec. 31, 2009
Germany	111.3	20.2	1,732.5
Europe	82.6	6.5	53.0
North America	375.3	0.5	25.1
South America	25.6		
Africa	0.7		
Asia	86.7	0.2	34.3
Australia/Oceania	10.9		
	693.1	**27.4**	**1,844.9**

Non-current assets comprise intangible assets, property, plant and equipment, non-current financial assets, non-current other assets and non-current deferred tax assets.

1 General information

MTU Aero Engines Holding AG, with its group companies ("MTU" or "Group") is one of the world's leading manufacturers of engine modules and components and is the world's leading independent provider of commercial engine MRO services.

The business activities of the Group encompass the entire life-cycle of an engine program, i.e. from development, construction, testing and production of new commercial and military engines and spare parts, through to maintenance, repair and overhaul of commercial and military engines. MTU's activities focus on two segments: "Commercial and Military Engine business (OEM)" and "Commercial Maintenance business (MRO)".

MTU's Commercial Engine business covers the development and production of modules, components and spare parts for commercial engine programs, including final assembly. MTU's Military Engine business focuses on the development and production of modules and components for engines, production of spare parts and final assembly as well as maintenance services for these engines. Commercial Maintenance business covers activities in the area of maintenance and logistical support for commercial engines.

MTU Aero Engines Holding AG has its headquarters at Dachauer Str. 665, 80995 Munich, Germany, and is registered under HRB 157 206 in the Commercial Registry at the District Court of Munich.

The Condensed Interim Consolidated Financial Statements were authorized for publication by the Board of Management of MTU Aero Engines Holding AG on April 19, 2010.

2 Financial reporting

In compliance with the provisions of § 37x (3) of the German Securities Trading Act (WpHG) in conjunction with § 37w (2) WpHG, MTU's quarterly financial report comprises condensed interim consolidated financial statements and an interim group management report. The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) relevant for interim financial reporting, as endorsed by the European Union (EU). The interim group management report has been drawn up in compliance with the applicable provisions of the WpHG.

3 Statement of compliance

The condensed interim consolidated financial statements as at March 31, 2010 have been drawn up in compliance with IAS 34. As permitted by IAS 34, MTU has elected to provide condensed information in its interim consolidated financial statements compared with the consolidated financial statements as at December 31, 2009. With the exception of the changes described in section 4 of the Selected Explanatory Notes, the same accounting policies have been applied as in the consolidated financial statements for the financial year 2009.

All of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), applicable at the end of the reporting period and applied by MTU in the condensed interim consolidated financial statements, have been endorsed by the European Commission for use in the EU. The condensed interim consolidated financial statements therefore also comply with IFRSs issued by the IASB.

From the perspective of management, the quarterly financial report contains all customary accounting adjustments necessary for a fair presentation of the operating results, financial situation and net assets of the group. Reference is made to the notes to the consolidated financial statements as at December 31, 2009 for further information regarding the basis of preparation and accounting policies used.

The condensed interim consolidated financial statements and interim group management report have neither been subject to a limited review by the group auditor nor audited in accordance with § 317 HGB.

4 Adjustments to the condensed interim consolidated financial statements

Following the endorsement of amendments from the Annual Improvement Projects 2007 – 2009 on March 24, 2010, a second sentence was added to IAS 1.69 (d). As a result, the conversion attached to the MTU convertible bond no longer automatically results in the presentation of the debt capital component as a current liability. Since the bond does not fall due for repayment until February 1, 2012, the debt capital component is now reported as a non-current liability. In accordance with IAS 1.139D the amendment is applicable for periods beginning on or after January 1, 2010. Due to the lack of any specific transitional rules in IAS 1, this change in accounting policy has been amended in accordance with IAS 8.19 (b) with retrospective effect, including adjustments to the previous year's comparative figures. In accordance with IAS 34.5 (f), this retrospective application of a change in accounting policy requires the presentation of a statement of financial position as at the beginning of the earliest comparative period (January 1, 2009).

IFRS 8 "Operating Segments", which is mandatory for annual periods beginning on or after January 1, 2009, was published in November 2006. IFRS 8 replaces IAS 14 "Segment Reporting" and – as part of the joint convergence project being conducted with the US Financial Accounting Standards Board (FASB) – brings the Standard into line with the rules contained in US GAAP Statement of Financial Accounting Standards No. 131. IFRS 8, which is only mandatory for companies listed on a stock exchange, requires operating segments to be identified on the basis of internally used criteria (the "management approach"). MTU adopted IFRS 8 with effect from the beginning of 2009. This results in changes in the way that segment information is reported compared to the comparable quarter in the previous year. Further details are provided in the section on group segment information.

In the first quarter of 2010 the group invested a total of € 73.0 million (January - March 2009: € 0.0 million) in financial assets. These financial assets are not included in the calculation of free cash flow since they can be sold at any time and are held as a liquidity reserve.

There were no other changes in estimates or forecasts in the first quarter 2010 which have a significant impact on the interim reporting period. No incidences of erroneous assessments made in earlier periods were identified during the interim reporting period which would require to be disclosed.

As a globally operating company, MTU is exposed to divergent economic development, particularly in conjunction with risk-and-revenue-sharing arrangements. Sector-related seasonal fluctuations over the course of the year are normal and can result in fluctuations in the amount of revenues and earnings reported.

5 Consolidated companies

There were no changes in the group reporting entity in the reporting period as a result of acquisitions or disinvestments, changes in shareholdings or similar corporate transactions/events. The number of subsidiaries and investments in associated companies and joint ventures included in the condensed interim consolidated financial statements has therefore not changed by comparison to December 31, 2009.

At March 31, 2010, the MTU Group comprised 23 companies including MTU Aero Engines Holding AG, Munich, Germany. (See list of major shareholdings provided in the notes to the consolidated financial statements in the Annual Report 2009, section 45.1.2).

Notes to the Consolidated Income Statement

6 Revenues

Revenues in € million	Jan. 1 to March 31, 2010	Jan. 1 to March 31, 2009
Commercial Engine business	265.3	284.6
Military Engine business	136.1	114.2
Commercial and Military Engine business (OEM)	**401.4**	**398.8**
Commercial Maintenance (MRO)	**245.0**	**302.4**
Other group entities/consolidation	-6.2	-8.1
Total revenues	**640.2**	**693.1**

7 Cost of sales

Cost of sales in € million	Jan. 1 to March 31, 2010	Jan. 1 to March 31, 2009
Cost of materials	-398.4	-452.6
Personnel expenses	-93.3	-80.4
Depreciation and amortization	-27.9	-27.5
Other cost of sales *)	-5.5	-13.8
Total Cost of sales	**-525.1**	**-574.3**

*) relates mainly to change in inventories of work in progress and exchange rate factors

8 Research and development expenses

Research and development expenses in € million	Jan. 1 to March 31, 2010	Jan. 1 to March 31, 2009
Cost of materials	-10.6	-12.9
Personnel expenses	-20.2	-15.7
Depreciation and amortization	-2.1	-1.8
Research and development expenses	**-32.9**	**-30.4**
Thereof capitalized:		
development costs (OEM)	3.1	1.7
development costs (MRO)	2.0	
Capitalized development costs	**5.1**	**1.7**
Research and development expenditure recognized as expense	**-27.8**	**-28.7**

9 Selling expenses

Selling expenses

in € million	Jan. 1 to March 31, 2010	Jan. 1 to March 31, 2009
Cost of materials	-2.3	-2.3
Personnel expenses	-12.2	-11.3
Depreciation and amortization	-0.5	-0.8
Other selling expenses	-2.1	-2.6
Total Selling expenses	**-17.1**	**-17.0**

Selling expenses mainly comprise expenses for marketing, advertising and sales personnel, valuation allowances and write-downs on trade receivables.

10 General administrative expenses

General administrative expenses

in € million	Jan. 1 to March 31, 2010	Jan. 1 to March 31, 2009
Cost of materials	-1.2	-1.8
Personnel expenses	-9.7	-8.1
Depreciation and amortization	-0.9	-0.6
Other administrative expenses	-1.0	-2.1
Total General administrative expenses	**-12.8**	**-12.6**

General and administrative expenses comprise expenses for administration which are not attributable to development, production or sales functions.

12 Interest result

Interest income

in € million	Jan. 1 to March 31, 2010	Jan. 1 to March 31, 2009
Interest income	**2.8**	**0.3**
Interest expenses		
Bank interest	-1.2	-0.8
Bonds	-2.0	-1.9
Interest expense for finance leases	-0.4	-0.5
Other interest expenses	-0.4	-0.3
Interest expenses	**-4.0**	**-3.5**
Net interest expense	**-1.2**	**-3.2**

Interest income for the first three months of 2010 increased by € 2.5 million to € 2.8 million. Interest expenses increased by € 0.5 million to € 4.0 million. As a result, the interest result improved by € 2.0 million to a net interest expense of € 1.2 million.

13 Result from equity accounted investments

Result from equity accounted investments in € million	Jan. 1 to March 31, 2010	Jan. 1 to March 31, 2009
Result from equity accounted investments	0.0	0.4
Result from equity accounted investments	**0.0**	**0.4**

The result from equity accounted investments includes the change in value of the joint arrangement Pratt & Whitney Canada Customer Service Centre Europe GmbH, Ludwigsfelde, Germany.

14 Financial result on other items

Financial result on other items in € million	Jan. 1 to March 31, 2010	Jan. 1 to March 31, 2009
Effects of changes of foreign exchange rates		
Exchange rate gains/losses on currency holdings	5.9	-0.1
Exchange rate gains/losses on financing transactions		0.1
Exchange rate gains/losses on finance leases	-0.3	-0.6
Fair value gains/losses on derivatives		
Gains/losses on currency derivatives and interest rate derivatives	-6.0	-8.3
Gains/losses on commodity contracts	3.6	-2.4
Interest portion included in measurement of assets and liabilities		
Pension provision	-5.8	-6.3
Contingent liabilities	-3.3	
Receivables, other provisions, plan assets, liabilities and advance payments received	-2.5	-0.4
Result from other financial instruments	0.3	0.1
Other financial result	**-8.1**	**-17.9**

The improvement in the first-quarter other financial result was mainly attributable to the positive effect of currency translation and the fair value measurement of derivatives. This was partly offset by the interest portion relating to the measurement of assets and liabilities.

15 Income taxes

Income tax expense comprise the following:

Income taxes in € million	Jan. 1 to March 31, 2010	Jan. 1 to March 31, 2009
Current income tax expense/income	-24.3	-18.5
Deferred tax income/expense	8.4	6.5
Total income taxes	**-15.9**	**-12.0**

16 Earnings per share

Potential ordinary shares that can be issued in conjunction with the convertible bond (issued on February 1, 2007) and the Matching Stock Program (MSP) set up on June 6, 2005 for the fourth and fifth tranches had a diluting effect on earnings per share for the period from January 1 to March 31, 2010. The Phantom Stocks relating to the third and fourth tranches which were taken into in the measurement of diluted earnings per share in the previous year did not have any diluting effect, since they were "not in the money". For the purposes of determining diluted earnings per share, the maximum number of shares that could be exercised in conjunction with conversion rights is added to the weighted average number of ordinary shares in circulation. All shares issued during the period under report are included on a weighted basis. In parallel, group earnings are adjusted by the amount of post-tax interest expense relating to the convertible bond.

The following tables show earnings per share as well as the dilutive impact of shares which could be issued in conjunction with the convertible bond and the Matching Stock Program.

Undiluted and diluted earnings per share for the three-month periods ended March 31, 2010 and 2009 were as follows:

Undiluted and diluted earnings per share

		Jan. 1 to March 31, 2010				Jan. 1 to March 31, 2010
		Undiluted earnings per share	Financial instruments reconciliation			Diluted earnings per share
			Interest expense convertible bond/shares	Current and deferred taxes	Matching Stock Program/ shares	
Earnings after taxes (EAT)	in € million	32.6	2.0	-0.7		33.9
Weighted average number of outstanding shares	shares	48,922,019	3,086,869		229,450	52,238,338
Earnings per share	**in €**	**0.67**				**0.65**

Undiluted and diluted earnings per share

		Jan. 1 to March 31, 2009				Jan. 1 to March 31, 2009
		Undiluted earnings per share	Financial instruments reconciliation			Diluted earnings per share
			Interest expense convertible bond/shares	Current and deferred taxes	Matching Stock Program/ shares	
Earnings after taxes (EAT)	in € million	31.0	1.9	-0.6		32.3
Weighted average number of outstanding shares *)	shares	48,770,945	3,086,869			51,857,814
Earnings per share	**in €**	**0.64**				**0.62**

*) The Matching Stock Program (MSP) does not have any dilutative effect.

17 Consolidated statement of comprehensive income

In the consolidated statement of comprehensive income, earnings after taxes (EAT) of € 32.6 million (January - March 2009: € 31.0 million) are reconciled to the comprehensive income for the period of € 19.9 million (January - March 2009: € 13.8 million). The improvement in comprehensive income for the period was attributable to net translation gains relating to foreign group companies amounting to € 9.1 million (January - March 2009: net translation losses of € 1.7 million). Net fair value losses (after deferred taxes) on derivative financial instruments of € 21.8 million (January - March 2009: € 15.5 million) decreased comprehensive income for the period.

Notes to the Consolidated Statement of Financial Position

18 Intangible assets

Intangible assets comprise program values and non-specific program technologies recognized in conjunction with the purchase price allocation, participations in development programs, technical software and purchased goodwill.

Expenditure of € 5.2 million (January - March 2009: € 2.0 million) was recognized as an asset for intangible assets during the first quarter. This including € 5.1 million of capitalized development costs (January - March 2009: € 1.7 million).

The amortization expense for the three-month period amounted to € 12.6 million (January - March 2009: € 12.1 million).

19 Property, plant and equipment

Capital expenditure for property, plant and equipment during the first three months of the year was € 14.7 million (January - March 2009: € 25.4 million). Additions to property, plant and equipment related mainly to technical equipment, plant and machinery and other operational and office equipment. The depreciation expense for the first three months amounted to € 18.8 million (January - March 2009: € 18.6 million).

20 Financial assets

Financial assets increased overall by € 70.6 million during the first three months of 2010 to € 97.1 million (December 31, 2009: € 26.5 million). This was due mainly to the purchase of financial assets. Further information is provided in section 4, Adjustments to the condensed interim consolidated financial statements.

21 Inventories

Inventories comprise the following:

Inventories

in € million	March 31, 2010	Dec. 31, 2009
Raw materials and supplies	292.9	308.8
Work in progress	334.2	306.0
Advance payments	38.2	33.9
Total Inventories	**665.3**	**648.7**

22 Trade receivables

Trade receivables comprise the following:

Trade receivables

in € million	March 31, 2010	Dec. 31, 2009
Third parties	374.6	344.6
Associated companies	36.8	41.4
Joint ventures	6.8	5.2
Total Trade receivables	**418.2**	**391.2**

23 Contract production receivables

Contract production receivables comprise the following:

Contract production receivables

in € million	March 31, 2010	Dec. 31, 2009
Contract production receivables	371.8	339.0
of which related to:		
Advance payments from customers	-264.3	-240.6
Net contract production receivables	**107.5**	**98.4**

24 Other assets

Other assets comprise the following:

Other assets

	Total		Non-current		Current	
in € million	March 31, 2010	Dec. 31, 2009	March 31, 2010	Dec. 31, 2009	March 31, 2010	Dec. 31, 2009
Other taxes	3.6	14.8			3.6	14.8
Receivables from employees	1.5	1.0			1.5	1.0
Receivables from suppliers	0.3	3.3			0.3	3.3
Sundry other assets	8.1	14.2	6.9	6.1	1.2	8.1
Total Other assets	**13.5**	**33.3**	**6.9**	**6.1**	**6.6**	**27.2**

Other taxes relate primarily to sales tax receivables.

25 Cash and cash equivalents

Cash and cash equivalents comprise the following:

Cash and cash equivalents

in € million	March 31, 2010	Dec. 31, 2009
Bank balances, cash at hand	39.3	85.4
Overnight and fixed term deposits	44.8	35.4
Total Cash and cash equivalents	**84.1**	**120.8**

26 Equity

Changes in equity are presented in the Consolidated Statement of Changes in Equity.

26.1 Subscribed capital

The Company's share capital is unchanged at € 52.0 million (December 31, 2009: € 52.0 million) and is divided into 52.0 million non-par-value shares (December 31, 2009: 52.0 million shares).

26.2 Capital reserves

Capital reserves includes premiums arising on the issue of shares, the equity component (and proportionate transaction costs) of the convertible bond, the fair values recorded for the Matching Stock Program (MSP) and the expense incurred from transferring treasury shares to employees in conjunction with the Employee Stock Program (MAP).

Matching Stock Program (MSP)

In order to strengthen its ability to achieve business targets, the Group created the Matching Stock Program (MSP) as a long-term remuneration instrument – with both incentive and risk character – to involve management in the ownership of the company. The MSP entitles qualifying individuals to subscribe to so-called "Phantom Stocks". Participants in MSP must be in a non-terminated service or employment relationship with MTU Aero Engines Holding AG, Munich, Germany, or one of its German subsidiaries at the date of subscription to such shares. The fair value of the Phantom Stocks is recognized on a time-apportioned basis as personnel expense and, at the same time, within equity (capital reserves) until the exercise date (vesting date). The total expense, recognized over the period until the Phantom Stocks are exercised, is determined on the basis of the fair value of the Phantom Stocks granted. The expense for the first three months of 2010 was € 0.2 million (January – March 2009: € 0.1 million).

26.3 Revenue reserves

Revenue reserves comprise the retained earnings of consolidated group companies, and earnings after taxes (EAT) for the first three months of 2010 amounting to € 32.6 million (January – March 2009: € 31.0 million). Revenue reserves increased by the amount of first-quarter earnings.

26.4 Treasury shares

The following table shows the number of treasury shares bought back and issued to employees under employee participation programs as well as the number of treasury shares and the issued share capital at the end of the reporting period.

Analysis of changes in shares and subscribed capital

Number of shares	Number of shares bought back	Shares issued to employees	Number of treasury shares held	Change in subscribed capital
Subscribed capital				**55,000,000**
Changes:				
Financial year 2006	-1,650,883		-1,650,883	
Financial year 2007				
Share buyback	-2,732,139		-2,732,139	
Matching Stock Program (MSP)/June 2007		112,612	112,612	
Financial year 2008 (Jan. 1, 2008 - March 18, 2008)	-986,641		-986,641	
	-5,369,663	112,612	-5,257,051	
Capital reduction by cancellation of shares (on March 18, 2008)			3,000,000	-3,000,000
Status after capital reduction (March 18, 2008)	**-5,369,663**	**112,612**	**-2,257,051**	**52,000,000**
Financial year 2008 (March 19, 2008 - December 31, 2008)				
Share buyback (May 2 - December 31, 2008)	-1,164,963		-1,164,963	
Employee Stock Program (MAP)/June 2008		192,959	192,959	
Financial year 2009 (January 1, 2009 - December 31, 2009)				
Employee Stock Program (MAP)/June 2009		150,863	150,863	
Financial year 2010 (January 1, 2010 - March 31, 2010)				
Employee Stock Program (MAP)/retrospective adjustment from June 2009 *)		632	632	
Share buyback/employee shares Treasury shares and subscribed capital (at March 31, 2010)	**-6,534,626**	**457,066**	**-3,077,560**	**52,000,000**

*) relates to retrospective agreement with employees

Reconciliation of weighted average number of shares with the actual number of shares in circulation

As a result of the treasury shares bought back by March 31, 2010, the issue of shares to group employees in conjunction with the exercise of the first tranche of the Matching Stock Program (MSP) in the financial year 2007 and the Employee Stock Program (MAP) in the financial years 2008 and 2009 as well as the share capital reduction carried out on March 18, 2008 by cancellation of shares, the weighted average number of shares in circulation during the first three months of 2010 was 48,922,019 shares (January - March 2009: 48,770,945 shares). At March 31, 2010, in total, 48,922,440 MTU Aero Engines Holding AG, Munich, shares were in issue (March 31, 2009: 48,770,945 shares).

The following table shows changes in the number of bought-back shares, the month-end number of treasury shares and the weighted average number of shares in circulation:

Reconcilation to weighted, average number of shares in circulation

	2010			2009		
Number of shares	Balance at beginning of month	Buyback/ Exercise MSP/ Cancellation/ MAP	Balance at end of month	Balance at beginning of month	Buyback/ Exercise MSP/ Cancellation/ MAP	Balance at end of month
Balance at January 1	**48,921,808**	**-3,078,192**		**48,770,945**	**-3,229,055**	
January	48,921,808		48,921,808	48,770,945		48,770,945
February	48,921,808		48,921,808	48,770,945		48,770,945
March	48,921,808	632	48,922,440	48,770,945		48,770,945
Share buyback/ exercise of MSP*) MAP*)		**-3,077,560**			**-3,229,055**	
Shares cancelled						
Treasury shares (March 31)		**-3,077,560**			**-3,229,055**	
Weighted average at March 31			**48,922,019**			**48,770,945**

*) including the issue of 112,612 shares to employees in June 2007 in conjunction with the Matching Stock Program (MSP) and the issue of 192,959 shares in June 2008 and 150,863 shares in June 2009 to group employees in conjunction with the Employee Stock Program (MAP)

26.5 Other comprehensive income

Other comprehensive income consists of all amounts recognized directly in equity resulting from the translation of the financial statements of foreign subsidiaries, the effects of recognizing changes in the fair value of financial instruments directly in equity (where the conditions for hedge accounting are met), net of related deferred income taxes recognized directly in equity (see Consolidated Statement of Changes in Equity for more detailed information).

27 Other provisions

Other provisions consist mainly of personnel-related obligations, pending losses on onerous contracts and warranties. Provisions for pending losses on onerous contracts relate to risks concerning the order backlog for Commercial Engine Maintenance business.

At March 31, 2010 contingent liabilities relating to business combinations totalled € 161.1 million (December 31, 2009: € 153.6 million).

28 Financial liabilities

All derivative and non-derivative financial obligations of group entities at the end of each relevant reporting period are presented as financial liabilities. Financial liabilities comprise the following:

Financial liabilities

in € million	Total			Non-current			Current		
	March 31, 2010	Dec. 31, 2009	Jan. 1, 2009	March 31, 2010	Dec. 31, 2009	Jan. 1, 2009	March 31, 2010	Dec. 31, 2009	Jan. 1, 2009
Bonds									
Convertible bond	146.0	145.0	141.5	146.0	145.0	141.5			
Interest liability on convertible bond	0.7	3.9	3.9				0.7	3.9	3.9
Liabilities to banks									
Revolving Credit Facility (RCF)			61.2						61.2
Promissory notes	66.4	65.4		64.7	64.6		1.7	0.8	
Other liabilities to banks	11.2	14.6	21.3			9.7	11.2	14.6	11.6
Liabilities to related companies*)	**4.0**						**4.0**		
Other financial liabilities									
Finance lease liabilities	25.8	25.8	34.0	24.5	24.6	25.7	1.3	1.2	8.3
Purchase price adjustment Daimler AG			15.0						15.0
Loan from the province of British Columbia to MTU Maintenance Canada	14.2	12.9	11.1				14.2	12.9	11.1
Derivative financial liabilities	38.8	12.2	48.4	16.6	4.6	23.5	22.2	7.6	24.9
Total Financial liabilities	**307.1**	**279.8**	**336.4**	**251.8**	**238.8**	**200.4**	**55.3**	**41.0**	**136.0**

*) MTU Versicherungsvermittlungs- und Wirtschaftsdienst GmbH. Munich. which is not consolidated on the grounds of immateriality

Revolving Credit Facility (RCF)

The currency used to finance the group is the Euro. This relates mainly to loans, a convertible bond issue and bank overdrafts (Revolving Credit Facility). On August 3, 2009, the existing revolving credit facility of € 250.0 million was replaced by a new credit facility with a term of 3 years. The MTU Group therefore has access to an overdraft facility of € 100.0 million with two banks.

Of these new credit facilities totalling € 100.0 million, an amount of € 29.3 million (December 31, 2009: € 27.7 million) was being utilized at March 31, 2010 for guarantees. Interest on credit lines actually drawn down is charged on the basis of customary interest reference rates plus a margin. A commitment fee is paid on credit facilities which are not being utilized.

Promissory notes

On June 3, 2009, MTU placed four promissory notes with a total nominal volume of € 65.0 million. The promissory notes, which help to diversify group financing further, are payable in full on the following maturity dates:

Promissory notes

Maturity	Note amount (nominal) in € million	Interest rate
June 5, 2012	1.5	fixed
June 5, 2014	11.5	fixed
June 5, 2012	27.0	variable*)
June 5, 2014	25.0	variable*)
	65.0	

*) 6-month Euribor plus margin

The cash inflow from the promissory notes was used to reduce bank liabilities under the Revolving Credit Facility (RCF old). The promissory notes were measured initially at their fair value (corresponding to the nominal amount) net of transaction costs amounting to € 0.4 million. At subsequent reporting dates, they are measured at amortized cost.

Convertible bond

MTU Aero Engines Finance B.V., Amsterdam, Netherlands, issued a convertible bond during the financial year 2007 with a total volume of € 180.0 million (divided into 1,800 partial bonds). In September and October 2008, MTU bought back partial convertible bonds (before maturity date) with a nominal volume of € 27.2 million. Further information is provided in the notes to the Consolidated Financial Statements in the Annual Report 2009 (section 34, Financial liabilities). The security has a par value of € 100,000 per bond and a term to maturity of five years. The bonds can be converted into registered common shares of the company corresponding to a proportionate amount (€ 1 per share) of the company's total share capital. The bonds are entitled to receive profits from the beginning of the financial year in which they are issued and the subscription rights of existing shareholders are excluded.

At a conversion price of € 49.50, the conversion ratio at issue date was 2,020.20. The coupon rate is fixed at 2.75 %, payable annually on February 1. The issuing company is Amsterdam-based MTU Aero Engines Finance B.V. which is wholly owned by MTU Aero Engines Holding AG, Munich.

The present value of the future contractually agreed cash flows under the Convertible Bonds Underwriting Agreement dated January 23, 2007 has been discounted using a market interest rate i.e. the rate the company would have had to pay if it had issued a non-convertible bond. The interest expense that will be recognized over the term of the convertible loan results from unwinding the obligation using the market interest (5.425 %) used to determine its present value.

Information regarding the retrospective change in presentation of the convertible bond as a non-current financial liability is provided in section 4, Adjustments to the condensed interim consolidated financial statements.

29 Contract production liabilities

Contract production liabilities comprise the following:

Contract production liabilities

in € million	Current March 31, 2010	Current Dec. 31, 2009
Advance payments received for contract production	842.8	847.6
of which relating to:		
Contract production receivables	-264.3	-240.6
Total Contract production liabilities	**578.5**	**607.0**

Advance payments received relate mainly to military engine program participations.

Any surplus of advance payments received over contract production receivables with a term of more than 12 months are discounted to their present value.

30 Other liabilities

Other liabilities comprise the following items:

Other liabilities

in € million	Total March 31, 2010	Total Dec. 31, 2009	Non-current March 31, 2010	Non-current Dec. 31, 2009	Current March 31, 2010	Current Dec. 31, 2009
Taxes	9.8	8.4			9.8	8.4
Social security	2.3	2.0			2.3	2.0
Employees	54.2	40.5	3.5	3.3	50.7	37.2
Accrued interest expense	21.0	21.4	21.0	21.4		
Maintenance obligation for engines	9.1	8.1	9.1	8.1		
Sundry other liabilities	23.6	18.2	1.3	1.2	22.3	17.0
Total Other liabilities	**120.0**	**98.6**	**34.9**	**34.0**	**85.1**	**64.6**

Other taxes and social security liabilities

Other taxes amounting to € 9.8 million (December 31, 2009: € 8.4 million) relate to payroll (including employees' solidarity surcharge), church taxes and sales taxes. Social security liabilities relate mainly to contributions to employees' accident insurance associations amounting to € 1.7 million (December 31, 2009: € 1.5 million) and liabilities to health insurance agencies amounting to € 0.6 million (December 31, 2009: € 0.5 million).

Employees

Liabilities to employees comprise holiday entitlements, flexi-time credits, obligations relating to pre-retirement part-time working arrangements as well as obligations resulting from earlier efficiency improvement programs. Obligations for profit-shares and bonuses, for specific liabilities relating to pre-retirement part-time working arrangements, for long-service awards and for structural measures taken in conjunction with the introduction of the ERA (Entgelt Rahmenabkommen – Framework Agreement on Pay) are included in other provisions.

Accrued interest expense

Non-current payments received on account from customers for contract production are discounted over the term of the advance payments using appropriate market interest rates and the deferred interest recognized as a liability within other liabilities until the engine is delivered. The interest expense relates to advance payments for long-term military contract production amounting to € 16.2 million (December 31, 2009: € 16.6 million) as well as payments on account relating to long-term commercial engine programs amounting to € 4.8 million (December 31, 2009: € 4.8 million).

Maintenance obligations for engines

This line item relates mainly to obligations for the maintenance of engines made available to airlines on a temporary basis (as part of commercial MRO activities) while the airlines' own engines are being maintained or repaired.

Sundry other liabilities

Sundry other current liabilities cover numerous smaller individual obligations.

32 Related party transactions

Transactions with related entities

Entities consolidated proportionately

MTU does business with MTU Maintenance Zhuhai Co. Ltd., Zhuhai, China, as part of its ordinary operating activities, buying and selling various products and services on an arm's length basis. There were no trade receivables due from this entity at March 31, 2010. Trade payables at that date amounted to € 1.4 million. Income recognized during the first three months of the year totalled € 0.4 million with expenses totalling € 0.1 million.

Entities accounted for at equity and at cost

MTU does business with entities that are accounted for at equity and at cost, as part of its ordinary operating activities, buying and selling various products and services on an arm's length basis. Entities accounted for at equity and at cost are disclosed in the notes to the Consolidated Financial Statements in the Annual Report 2009 (section 45.1.2 List of major shareholdings). Trade receivables at March 31, 2010 amounted to € 43.6 million. Trade payables at that date amounted to € 60.6 million. Income recognized during the three-month period under report amounted to € 132.8 million. Expenses totalled € 90.2 million.

Transactions with related individuals

MTU Group companies did not enter into any material contracts with members of the Board of Management, the Supervisory Board other key management personnel, or with companies in whose management or supervisory boards those persons are represented. The same applies to close members of the families of those persons.

33 Contingent liabilities and other financial commitments

Contingent liabilities and other financial obligations at March 31, 2010 amounted to € 151.6 million (December 31, 2009: € 144.5 million). The increase of € 7.1 million was mainly due to exchange rate factors. Contingent liabilities and other financial obligations are not material to the MTU Group as a whole. As in previous periods, no amounts fell due for payment during the period under report. Similarly, no amounts are expected to be paid during the financial year 2010. Information regarding the composition and nature of contingent liabilities and other financial obligations is provided in the notes to the consolidated financial statements in the Annual Report 2009 (section 43).

Purchase commitments for intangible assets and property, plant and equipment amounted to € 31.4 million at March 31, 2010.

34 Major events during the reporting period

The impact, nature and occurrence of major events arising during the reporting period are described in the Selected Explanatory notes and in the Interim Group Management Report.

35 Events after the end of the reporting period (March 31, 2010)

In its rating published on April 19, 2010 Fitch gave MTU's a corporate creditworthiness rating of "BBB-" (investment grade). The ratings issued by S&P ("BB+" with stable outlook) and Moody's ("Ba1" with positive outlook) remained unchanged.

No other significant events occured after the end of the interim reporting period (March 31, 2010) and prior to the date of authorization for issue of the quarterly financial report on April 19, 2010.

Financial Calendar

Telephone Conference on first quarter 2010 earnings	**April 20, 2010**
Annual General Meeting for the financial year 2009	**April 22, 2010**
Telephone Conference on second quarter 2010 earnings	**July 27, 2010**
Telephone Conference on third quarter 2010 earnings	**October 26, 2010**
Analysts and Investors Conference 2010	**November 9, 2010**

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MTU Aero Engines Holding AG on the Internet

- Further information about MTU Aero Engines Holding AG can be obtained via the Internet at: www.mtu.de.

- Investor Relations information is available directly at **http://www.mtu.de/de/investorrelations/latest_news/index.html**

- Information about MTU Aero Engines Holding AG's can be obtained at: **www.mtu.de/de/products_services/new_business_commercial/index.html**

Disclaimer

This report contains forward-looking assertions which reflect the current view of the management of MTU with regard to future events. Those disclosures are characterized by terms such as “expect“, “is likely that“, “assume“, “intend“, “estimate“, “aim“, “set as target“, “forecast”, “outlook“ and similar phrases and generally include information relating to expectations or targets for revenues, (adjusted) EBIT or EBITDA or other performance measures. Forward-looking assertions are based on the latest forecasts, assessments and expectations. Such information should therefore be carefully considered. Assertions of this kind are subject to risk factors and uncertainties which are often difficult to assess and which are generally not within the control of MTU. Such factors may unfavorably affect revenues and expenses. If these or other risk factors and uncertainties do in fact materialize, or if the assumption on which assertions are based turn out to be incorrect, MTU’s actual earnings may vary from those contained in, or implied by, these assertions. MTU cannot guarantee that expectations or targets will be met. MTU does not accept any responsibility for up-dating future-looking assertions by taking account of any new information or future events or other matters.

In addition to IFRS-based key figures, MTU also discloses some non-GAAP key performance indicators (e. g. EBIT, EBIT margin, EBITDA, EBITDA margin, (where applicable EBIT adjusted, EBIT margin adjusted), free cash flow and gross/net financial liabilities) which are not covered by financial reporting standards. These key performance indicators should be seen as supplementary information and not as a replacement for disclosures made in accordance with IFRS. Non-GAAP key performance indicators are not covered by IFRS or any other generally accepted set of financial reporting rules. Other entities may, under certain circumstances, use different definitions for these items.

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