Half-Yearly Financial Report January 1 to June 30, 2011

MTU Aero Engines Holding AG, Munich

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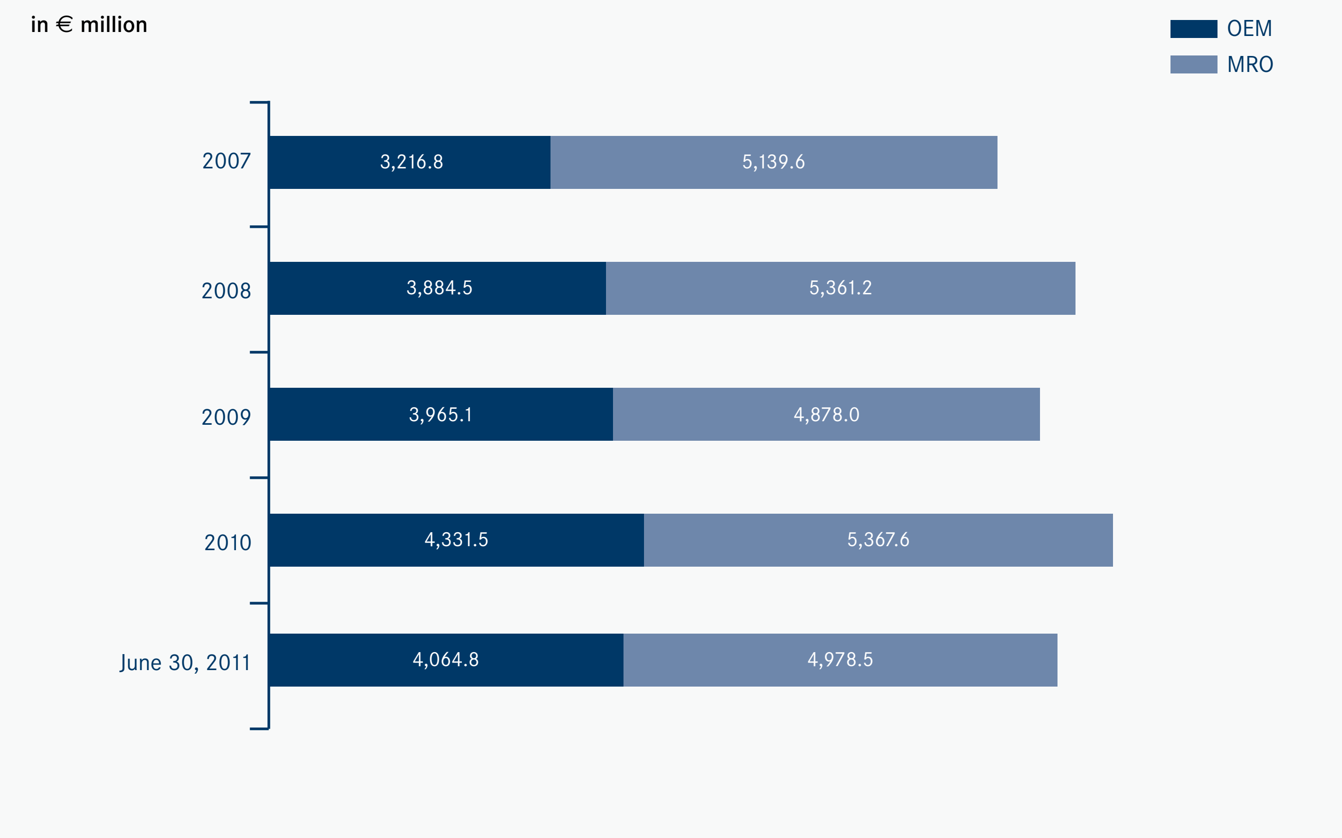
Key Facts and Figures for the Group

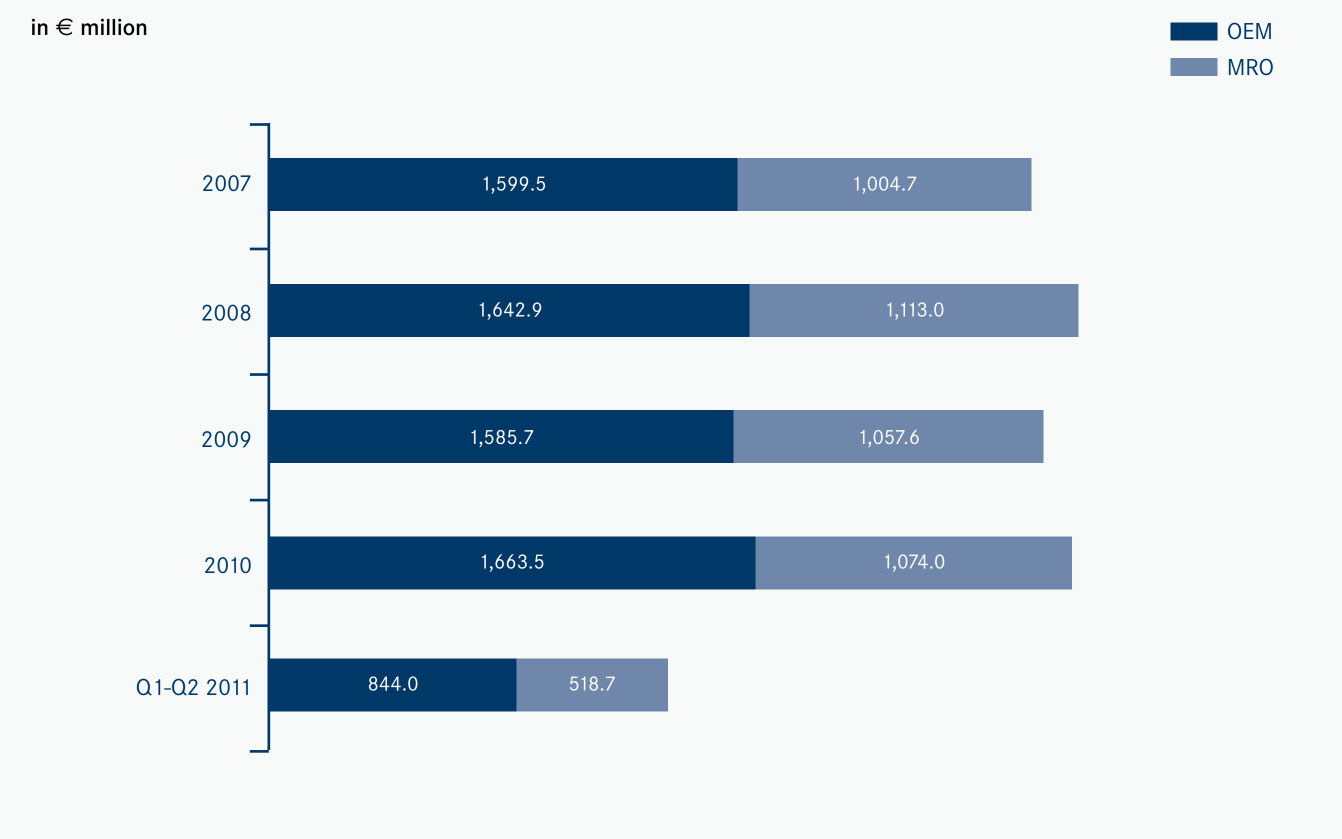
in € million (unless otherwise specified)	Jan. 1 - June 30, 2011	Jan. 1 - June 30, 2010	Change against previous year in € million	in %
Income Statement				
Revenues	1,346.5	1,348.8	-2.3	-0.2
Gross profit	261.3	245.1	16.2	6.6
Earnings before interest and taxes (EBIT)	142.7	122.2	20.5	16.8
Adjusted earnings before interest and taxes (EBIT adjusted)	164.0	144.1	19.9	13.8
Earnings before taxes (EBT)	110.9	86.9	24.0	27.6
Earnings after taxes (EAT)	77.3	60.6	16.7	27.6
Undiluted earnings per share (in €)	1.58	1.24	0.34	27.4
Diluted earnings per share (in €)	1.54	1.21	0.33	27.3
Growth rates in %				
Revenues	-0.2	-2.0		
Gross profit	6.6	13.1		
Adjusted earnings before interest and taxes (EBIT adjusted)	13.8	5.1		
Earnings before taxes (EBT)	27.6	-7.2		
Earnings after taxes (EAT)	27.6	8.8		
Undiluted earnings per share	27.4	8.8		
Diluted earnings per share	27.3	8.0		
Revenue margins in %				
Earnings before interest and taxes (EBIT)	10.6	9.1		
Adjusted earnings before interest and taxes (EBIT adjusted)	12.2	10.7		
Earnings before taxes (EBT)	8.2	6.4		
Earnings after taxes (EAT)	5.7	4.5		
Balance Sheet (previous year: December 31)				
Intangible assets	1,255.4	1,225.4	30.0	2.4
Property, plant and equipment	555.3	559.5	-4.2	-0.8
Financial assets	143.9	103.7	40.2	38.8
Working capital	168.7	140.0	28.7	20.5
Cash and cash equivalents	146.2	111.9	34.3	30.7
Pension provisions	439.7	433.2	6.5	1.5
Other provisions	385.3	340.1	45.2	13.3
Financial liabilities	243.9	261.9	-18.0	-6.9
Deferred taxes, current tax liabilities	291.3	302.7	-11.4	-3.8
Equity	882.2	819.3	62.9	7.7
Financial position	35.5	-56.2	91.7	
Order backlog and value of MRO contracts (order volume) (previous year: December 31)	**9,043.3**	**9,699.1**	**-655.8**	**-6.8**
Commercial and Military Engine business (OEM) *)	4,064.8	4,331.5	-266.7	-6.2
Commercial Maintenance business (MRO) *)	4,978.5	5,367.6	-389.1	-7.2
Cash flow				
Cash flow from operating activities	133.4	169.0	-35.6	-21.1
Cash flow from investing activities	-47.8	-71.7	23.9	33.3
Free cash flow	83.6	125.1	-41.5	-33.2
Free cash flow margin (in %)	6.2	9.3		
Cash flow from financing activities	-43.5	-70.8	27.3	38.6
Change in cash and cash equivalents	34.3	32.5	1.8	5.5
Number of employees at quarter end	**8,038**	**7,739**	**299**	**3.9**
Commercial and Military Engine business (OEM)	5,006	4,867	139	2.9
Commercial Maintenance business (MRO)	3,032	2,872	160	5.6

*) before consolidation

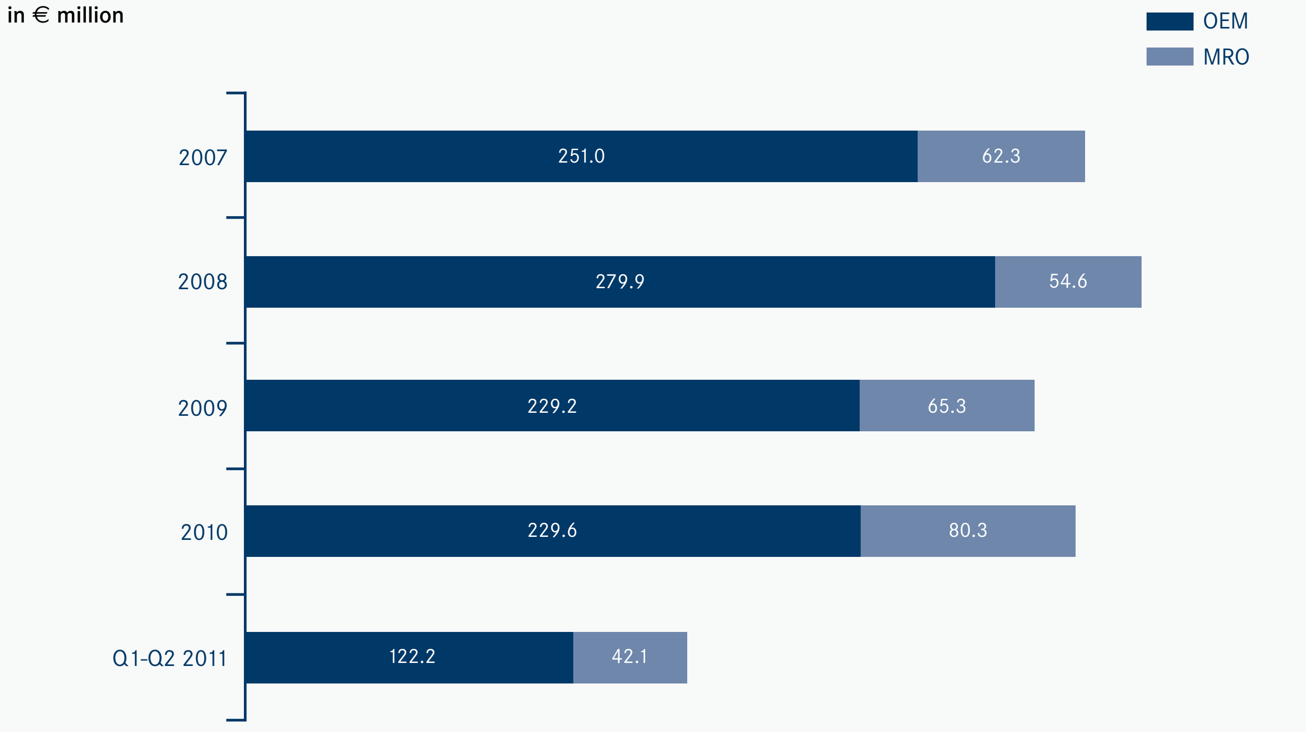
Order backlog incl. value of MRO contracts (order volume) by segment (before consolidation)



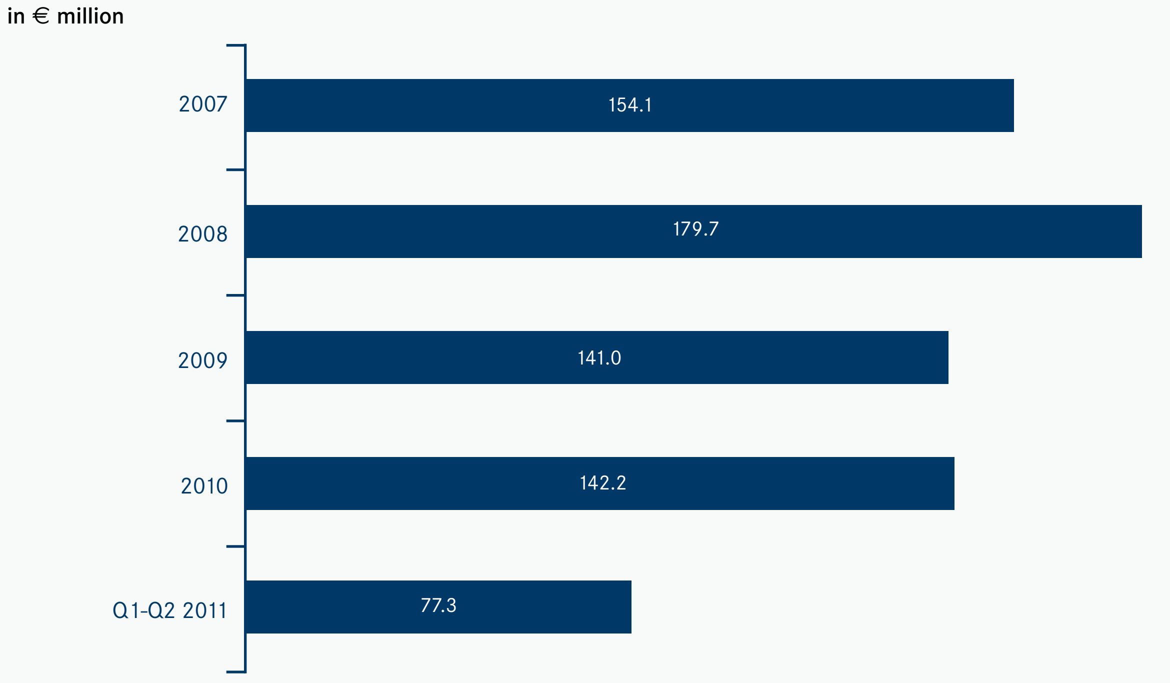
Revenues by segment (before consolidation)



EBIT adjusted by segment (before consolidation)



Earnings after tax



General Economic Environment

As typical during the recovery phase after a recession, the global economy is growing at a slower rate in 2011 than in the previous year when worldwide gross domestic product (GNP) grew by 3.8 %. The second quarter saw the first signs of slight slowdown in economic growth. GNP grew seasonally adjusted by 1.8 % in the USA, compared with 3.1 % in the same quarter one year earlier. Spending by consumers and businesses was reduced in most countries.

This “gentle dip” was caused by rising energy and raw material prices on the one hand and the expiry of economic stimulus programs in a whole host of countries on the other. Natural catastrophes in Japan, military intervention in Libya and the ongoing sovereign debt crisis in the euro-zone also played a role.

The underlying basis for economic recovery nevertheless remains stable. More jobs were created during the first half of the year, while industrial production and global trading volumes remained robust. Despite the debt crisis in the euro-zone, the German economy grew by 1.5 % in the first quarter 2011. During the same period, the French economy expanded by a steady 1 % and the euro-zone as a whole by 0.8 %.

After going through a phase of above-average growth, Asian economies are now likely to grow at a slower pace. Even so, Asia remains the world’s fastest growing region and can boast low debt levels and a stable banking sector. With rises of GNP of 9.8 % in 2010 and 9.7 % in the first quarter 2011, China was very much the engine for regional growth.

Decreases in energy prices towards the second quarter should help to give another boost to consumer spending. After an average price of US dollar 109 per barrel in April, the price of crude oil (WTI) dropped to US dollar 96 per barrel in June.

The US currency is particularly important for MTU’s international business. The US dollar weakened significantly against the euro during the first half of 2011, losing in value continuously since the beginning of the year. The average rate of the US dollar to the euro during the six-month period to June 30, 2011 (US $ 1.40) was higher than in the same period last year (US $ 1.33). Reference is made to section 3.2 (Operating results, financial situation and net assets) of the Interim Group Management Report for comments on the impact of changes in exchange rate parities.

Sector Environment

Air traffic grew at a slightly slower pace in the second quarter 2011 than in the same period last year. After the sharp rise recorded for 2010, growth rates dropped back to their long-term average of just under 5 %. According to IATA passenger numbers worldwide were up 5,9 % against June 2010, while freight traffic volumes fell by 3 %.

Worldwide transport capacities and the number of hours flown by engines – the main drivers for maintenance business – rose by 5 % to 6 % in the second quarter.

IATA published its latest financial forecast in June. It is now expected that the airlines will generate net profits amounting to US dollar 4 billion in 2011, significantly lower than the US dollar 8.6 billion forecast in March. Airline revenues are expected to rise by 7.9 % in 2011 to approximately US dollar 600 billion. IATA forecasts that air traffic will grow by 4.4 % in 2011, compared to the 5.6 % still being forecast in March. The decrease in the forecast for the year is attributed to the natural catastrophes in Japan, unrest in the Middle East and North Africa and rising oil prices.

The airlines are increasingly ordering new fuel-efficient aircraft. In June, boosted by orders placed at the Paris Air Show, the order backlog for aircraft with more than 100 seats rose to 7,560 aircraft and hence 13% above the level at the end of June 2010 (6,700 aircraft).

Prospects for the business jet sector remain modest. Flight activities and sales of pre-owned aircraft are stagnating. In this situation, it is unlikely that there will be any significant increase in the number of aircraft delivered.

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.

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 2011 and 2012. Expenditure on research and development during the first six months of the year totalled € 118.0 million. The research and development ratio – measured as R&D expenditure divided by revenues – increased by 0.8 percentage points to 8.8 % (January - June 2010: 8.0 %).

Research and development expenses

	Jan. 1 - June 30, 2011 in € million	Jan. 1 - June 30, 2010 in € million	Change against previous year in € million	in %
Commercial Engine business	66.7	58.9	7.8	13.2
Commercial Maintenance business	4.8	5.9	-1.1	-18.6
Military Engine business	46.5	43.0	3.5	8.1
Research and development (before amounts capitalized)	**118.0**	**107.8**	**10.2**	**9.5**
R&D ratio (as % of revenues)	8.8	8.0	0.8	

The amounts invested are sub-divided 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 contract production receivables or liabilities in accordance with IAS 11 due to the fact that the work is commissioned specifically by national and international consortia. R&D expenses of € 118.0 million (January - June 2010: € 107.8 million) included € 73.8 million (January - June 2010: € 70.1 million) relating to company-funded R&D expenditure. Of this amount, € 69.0 million (January - June 2010: € 64.2 million) related to Commercial and Military Engines business (OEM).

The six-month expense for Commercial Maintenance business was € 4.8 million (January - June 2010: € 5.9 million) and related primarily to new repair techniques.

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

Research and development expenses reported in income statement (own financed)

	Jan. 1 - June 30, 2011 in € million	Jan. 1 - June 30, 2010 in € million	Change against previous year in € million	in %
Commercial Engine business	55.6	50.0	5.6	11.2
Commercial Maintenance business	4.8	5.9	-1.1	-18.6
Military Engine business	13.4	14.2	-0.8	-5.6
Own financed R&D expenditure	**73.8**	**70.1**	**3.7**	**5.3**
Capital expenditure on assets required to be capitalized				
Commercial and Military Engine business	-11.9	-7.4	-4.5	-60.8
Commercial Maintenance business	-2.3	-2.0	-0.3	-15.0
Total capitalized assets	**-14.2**	**-9.4**	**-4.8**	**-51.1**
Research and development expenses per income statement	**59.6**	**60.7**	**-1.1**	**-1.8**
Capitalization ratio in %	**19.2**	**13.4**	**5.8**	**43.3**

Development costs capitalized for the Military and Commercial Engine business amounted to € 11.9 million (January - June 2010: € 7.4 million) and related to the GE38 and GEnx engine programs and the PW1100G being developed for the Airbus A320neo.

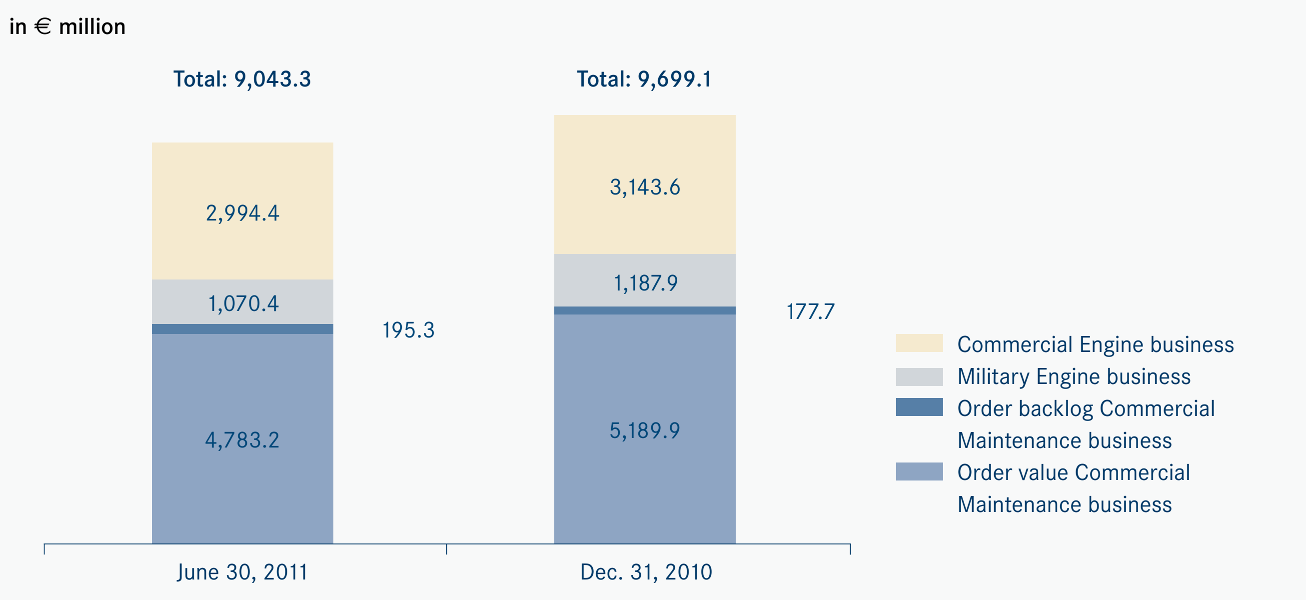
Capitalized development costs in the Commercial Maintenance segment amounted to € 2.3 million (January - June 2010: € 2.0 million) and arose in connection with the rationalization of production processes and cost optimization of repair techniques.

3 Financial Situation

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

MTU's order backlog consists of firm orders placed by customers which commit the group to delivering products or providing services plus the contractually agreed order value of maintenance, repair and overhaul (MRO) contracts.

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



The order backlog at June 30, 2011 amounting to approximately € 9 billion (December 31, 2010: about € 9.7 billion) corresponds to a workload of approximately three years.

3.2 Operating results, financial situation and net assets

Revenues

Compared with the first half of the previous year, revenues fell marginally by € 2.3 million (0.2 %) to € 1,346.5 million. Revenues from Commercial and Military Engine business (OEM) increased by € 25.0 million (3.1 %) to € 844.0 million, while revenues from Commercial Maintenance business (MRO) fell by € 25.3 million (4.7 %) to € 518.7 million. Adjusted for the US dollar impact (i.e. using the same exchange rate as in the previous year), group revenues for the six-month period would have increased by € 62.4 million (4.6 %).

Cost of sales and gross profit

Cost of sales for the first six months of 2011 decreased by € 18.5 million (1.7 %) to € 1,085.2 million. The six-month gross profit improved accordingly by € 16.2 million (6.6 %) to € 261.3 million. The gross profit margin also improved from 18.2 % to 19.4 %.

Financial result

The financial result for the first half of the year was a net expense of € 31.8 million (January - June 2010: € 35.3 million). The improvement in financial result on other items for the six-month period was mainly attributable to he lower interest expense arising in conjunction with the measurement of assets and liabilities. Changes in net losses amounting to € 10.3 million (January - June 2010: net gains of € 10.3 million) arising on the translation of foreign currency holdings and in net gains amounting to € 4.9 million (January - June 2010: net losses of € 17.0 million) on currency and interest rate derivatives more or less offset each other when comparing the two six-month periods.

Earnings before taxes (EBT)

As a result of higher earnings before interest and taxes (EBIT) and the improved financial result, earnings before taxes (EBT) for the six-month period rose by € 24.0 million (27.6 %) to € 110.9 million (January – June 2010: € 86.9 million).

Earnings after taxes (EAT)

Earnings after taxes (EAT) rose to € 77.3 million (January – June 2010: € 60.6 million), in line with the improvement in earnings before taxes (EBT). Adjusted earnings before taxes (EAT adjusted) amounted to € 89.1 million (January – June 2010: € 73.3 million), an improvement of € 15.8 million (21.6 %) over the first half of 2010.

Consolidated statement of comprehensive income

In the consolidated statement of comprehensive income, earnings after taxes (EAT) of € 77.3 million (January - June 2010: € 60.6 million) are reconciled to the comprehensive income for the period of € 113.6 million (January - June 2010: € 9.8 million). Income and expenses recognized directly in equity during the six-month period under report (net of deferred taxes) comprise a positive impact of € 42.0 million (January - June 2010: negative impact of € 66.2 million) from the fair value measurement of derivative financial instruments and a negative impact of € 5.7 million (January – June 2010: positive impact of € 15.4 million) relating to the currency translation of the financial statements of foreign subsidiaries.

Financial position

The principles and objectives of financial management, as described in the Annual Report 2010 (page 72 onwards), remain unchanged.

The group's external financing comprises mainly loans, a convertible bond, credit lines available from banks and the issue of three promissory notes.

At June 30, 2011, the MTU Group has access to credit facilities of € 100.0 million with two banks. Of these credit facilities, € 18.0 million (December 31, 2010: € 29.0 million) were being utilized at June 30, 2011 for guarantees.

Financial position

	Jan. 1 - June 30, 2011 in € million	Jan. 1 - June 30, 2010 in € million	Change against previous year in € million	in %
Cash flow from operating activities	133.4	169.0	-35.6	-21.1
Cash flow from investing activities	-47.8	-71.7	23.9	33.3
Cash flow from financing activities	-43.5	-70.8	27.3	38.6
Exchange rate differences	-7.8	6.0	-13.8	
Change in cash and cash equivalents	**34.3**	**32.5**	**1.8**	**5.5**
Cash and cash equivalents at				
the beginning of the reporting period	111.9	120.8	-8.9	-7.4
the end of the reporting period	146.2	153.3	-7.1	-4.6

Free cash flow

MTU manages liquidity using the key performance indicator „Free cash flow". Free cash flow is defined by the group as the cash inflow from operating activities less cash outflow for investments in intangible assets, property, plant and equipment and financial assets. Investments in financial assets which are not measured at fair value through profit or loss are not taken into account in the calculation of free cash flow since such investments can be sold at any time and held as a liquidity reserve. Free cash flow during the first half of 2011 fell by € 41.5 million to € 83.6 million (January – June 2010: € 125.1 million).

Cash flow from operating activities

The cash flow from operating activities for the first six months of 2011 decreased by € 35.6 million to € 133.4 million (January - June 2010: € 169.0 million), primarily as a result of higher amounts tied up in working capital and higher tax payments.

Cash flow from investing activities

The cash outflow from investing activities for the six-month period was € 47.8 million compared with € 71.7 million in the previous year. Investments in property, plant and equipment in the six-month period increased to € 36.7 million (January - June 2010: € 34.9 million). The cash outflow for intangible assets amounted to €12.9 million (January - June 2010: € 9.5 million) and related mainly to capitalized development costs for the PW1100G (for the Airbus A320neo), the GE38 (for Sikorsky Aircraft Corporation's transportation CH-53K helicopter), the GEnx (for the Boeing 787 and 747-8) and maintenance techniques. Investments in financial assets were € 35.1 million lower than in the same period last year as a result of the reduced volume of money market instruments acquired as a liquidity reserve.

Proceeds from the sale of property, plant and equipment during the first six months of 2011 totalled € 0.6 million (January - June 2010: € 3.1 million).

Cash flow from financing activities

The cash outflow from financing activities during the period from January to June 2011 was € 43.5 million (January - June 2010: € 70.8 million).

Cash and cash equivalents

The various cash flows resulted in an increase in cash and cash equivalents of € 34.3 million (January - June 2010: increase of € 32.5 million).

Cash and cash equivalents comprise the following at June 30, 2011:

Cash and cash equivalents

	June 30, 2011 in € million	Dec. 31, 2010 in € million	Change against previous year in € million	in %
Bank balances, cash at hand	96.5	47.7	48.8	
Overnight and fixed terms deposits	49.7	64.2	-14.5	-22.6
Total cash and cash equivalents	**146.2**	**111.9**	**34.3**	**30.7**

Financial position

MTU defines "financial position" as financial liabilities less available cash funds. As a result of the strong business performance, the group has a positive financial position of € 35.5 million at June 30, 2011 (December 31, 2010: negative financial position of € 56.2 million).

Financial position

	June 30, 2011 in € million	Dec. 31, 2010 in € million	Change against previous year in € million	in %
Convertible bond	-152.2	-152.4	0.2	0.1
Financial liabilities to banks				
Promissory notes	-25.0	-25.3	0.3	1.2
Other bank credits	-35.8	-34.4	-1.4	-4.1
Financial liabilities to related parties *)	-2.2		-2.2	
Finance lease liabilities	-23.9	-24.9	1.0	4.0
Derivative financial liabilities				
not measured at fair value through profit or loss	-1.7	-19.5	17.8	91.3
measured at fair value through profit or loss	-3.1	-5.4	2.3	42.6
Financial liabilities	**-243.9**	**-261.9**	**18.0**	**6.9**
Cash funds:				
Cash and cash equivalents	146.2	111.9	34.3	30.7
Financial assets not measured at fair value trough profit or loss	67.2	72.0	-4.8	-6.7
Derivative financial assets				
not measured at fair value through profit or loss	62.1	17.6	44.5	
measured at fair value through profit or loss	3.9	4.2	-0.3	-7.1
Financial position	**35.5**	**-56.2**	**91.7**	

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

Net assets position

Changes in items in the statement of financial position

Group total assets at June 30, 2011 increased by 2.7 % compared to December 31, 2010.

Non-current assets went up by € 46.3 million to € 1,879.7 million (December 31, 2010: € 1,833.4 million) and current assets by € 45.6 million to € 1,638.3 million.

A total of € 56.7 million of intangible assets were capitalized in the first half of the year (January - June 2010: € 9.5 million).

Airbus announced towards the end of 2010 that re-engining of the successful A320 family of aircraft had been started. A new engine for the new A320neo series will be supplied by MTU's cooperation partner, Pratt&Whitney. Two engines which are particularly fuel-efficient – the PW1100G from Pratt&Whitney and the Leap-X von CFM International – will be offered for the A319, A320 and A321 models with the additional abbreviation "neo" (new engine option). These modernized aircraft will use up to 15 % less fuel, fly more quietly, have lower operating costs and cause less CO2 and NOx emissions. The first orders were placed by airlines immediately after Airbus' announcement to re-engine these models. MTU's share of the PW1100G engine for the A320 family will be at least 15 %. During the first half of 2011, a total amount of € 42.2 million (January - June 2010: € 0.0 million) was capitalized in conjunction with the PW1100G engine program. Cash outflows will take place on the basis of a fixed schedule agreed with the cooperation partner over the period from 2011 until probably 2018. No payments were made during the first half of 2011. Alongside capitalizing the acquired program participation, MTU also recognized intangible assets of € 5.8 million (January - June 2010: € 0.0 million) relating to internally generated and bought-in development work for the new engine for the A320 family.

Internally generated development work was also capitalized in the first half of 2011 in the Commercial and Military Engine business segment for the GE38 engine program amounting to € 3.3 million (January - June 2010: € 3.8 million) and for the GEnX amounting to € 2.8 million (January - June 2010: € 3.6 million). Expenditure of € 2.3 million (January - June 2010: € 2.0 million) was also capitalized in the first half of 2011 in connection with the rationalization of production processes and cost optimization of repair techniques in the Commercial Maintenance business segment.

Inventories increased by € 17.9 million to € 718.9 million, current financial assets by € 16.1 million to € 94.0 million and cash and cash equivalents by € 34.3 million to € 146.2 million. Trade and contract production receivables decreased by € 22.2 million to stand in total at € 647.9 million at June 30, 2011.

Group equity rose by € 62.9 million to € 882.2 million at June 30, 2011 (December 31, 2010: € 819.3 million). Equity was increased during the first six months of 2011 by earnings after taxes (EAT) amounting to € 77.3 million (January - June 2010: € 60.6 million), income recognized directly in equity in conjunction with the fair value measurement of derivative financial instruments amounting to € 42.0 million (January – June 2010: reduction of € 66.2 million) and the sale of treasury shares in conjunction with the Employee Stock Program (MAP) amounting to € 7.5 million (January - June 2010: € 2.5 million). Equity was decreased by a net negative currency translation impact of € 5.7 million (January - June 2010: equity increased by € 15.4 million), payment of the dividend for the financial year 2010 amounting to € 53.6 million (January - June 2010: € 45.5 million) and by payments in connection with the Matching Stock Program (MSP) amounting to € 4.6 million (January - June 2010: € 2.3 million).

As a result of these various factors, the equity ratio improved from 23.9 % at December 31, 2010 to 25.1 % at June 30, 2011.

Pension provisions increased by € 6.5 million in line with schedule. Other provisions went up by € 45.2 million compared to the end of the previous year, mainly as a result of development compensation payments still to be made and the measurement of contingent liabilities identified in conjunction with the purchase price allocation.

Income tax liabilities take account of advance payments made during the period and decreased by € 25.7 million as a result of advance payments made before the reporting date.

Financial liabilities were reduced by € 18.0 million compared to December 31, 2010. The convertible bond runs until February 1, 2012 and is therefore reported as current debt at June 30, 2011. Similarly, two tranches of the promissory notes have been reclassified to current debt due to the fact that they fall due for payment on June 5, 2012.

Trade payables stood at € 355.4 million at June 30, 2011 and were therefore € 69.1 million lower than at the end of the previous financial year.

Contract production liabilities increased compared to December 31, 2010 by € 9.6 million to € 675.9 million. Within that figure, advance payments from customers are reported as contract production liabilities to the extent that they exceed contract production receivables.

Other liabilities increased compared to December 31, 2010 in particular as a result of the engine program participation in the PW1100G being developed for the Airbus A320neo (€ 42.2 million), payroll and church taxes and solidarity surcharge (€ 7.7 million) as well as mainly holiday entitlement and flexi-time credits (€ 13.1 million). Numerous smaller items within other liabilities increased by a total of € 3.2 million during the sixmonth period to June 30, 2011, such that other liabilities overall rose by € 66.2 million to € 244.3 million (December 31, 2010: € 178.1 million).

Employees

At June 30, 2011 the group had a total of 8,038 employees (June 30, 2010: 7,739 employees).

4 Opportunity and Risk Report

In order to take best advantage of market opportunities and to recognize and manage related risks, the Board of Management has set up an integrated opportunity and risk management system, which is linked to the group's value-oriented performance indicators and its organizational structure. This system also incorporates the group's internal control system with respect to financial reporting processes pursuant to § 289 (5) and § 315 (2) no. 5 HGB. A detailed description of the main features of the system and the methods used is provided in the Annual Report 2010 (pages 89 to 91).

Opportunities

Thanks to its business model, with activities spread over the whole life-cycle of commercial and military engine programs, MTU considers that it is well positioned. MTU considers that a good system of opportunities management enables it to best use its future potential in the fields of development, series and spares part business and Commercial Maintenance business and that it will be able to respond quickly to the market's needs. MTU believes that the group's opportunities potential remains similar to that described in the Annual Report 2010. For a comprehensive description of the group's opportunities, reference is made to the Annual Report 2010, page 82 et seq. (Forecasts) and page 97 (SWOT analysis).

Outlook

The Group now forecasts for the financial year 2011 that adjusted EBIT will be € 325 million and that adjusted EAT will be slightly higher than in the previous year.

Risks

As part of its entrepreneurial activities and in view of the wide range of activities it undertakes with partner companies and consortium partner companies, especially in the USA, risks arise that may have an adverse impact on business and economic developments. As a result of its comprehensive risk management system, MTU knows its risk profile and is in a position to manage those risks actively.

MTU considers that there have been no significant changes in the risk profile discussed in the Annual Report 2010. Reference is made to pages 92 to 97 of the Annual Report 2010 for a detailed description of risks.

Overall conclusion regarding MTU's risk situation

There has been no significant change in the MTU Group's overall risk situation compared with the assessment made as at December 31, 2010. The risks to which the MTU Group is exposed are limited and manageable. From today's perspective, they do not pose any threat to the going concern status of the MTU Group.

6 Significant Transactions with Related Parties

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.

7 Subsequent Events

Events after the end of the reporting period (June 30, 2011)

There have been no significant events after the end of the interim reporting period (June 30, 2011) and prior to the date of authorization for issue of this Half-Yearly Financial Report on July 21, 2011.

Consolidated Income Statement

January - June (Q1 - Q2)

	(Note)	Jan. 1 - June 30, 2011 in € million	Jan. 1 - June 30, 2011 in %	Jan. 1 - June 30, 2010 in € million	Jan. 1 - June 30, 2010 in %	Change against previous year in € million	Change against previous year in %
Revenues	(6)	1,346.5	100.0	1,348.8	100.0	-2.3	-0.2
Cost of sales	(7)	-1,085.2	-80.6	-1,103.7	-81.8	18.5	1.7
Gross profit		**261.3**	**19.4**	**245.1**	**18.2**	**16.2**	**6.6**
Research and development expenses	(8)	-59.6	-4.4	-60.7	-4.5	1.1	1.8
Selling expenses	(9)	-38.3	-2.8	-39.5	-2.9	1.2	3.0
General administrative expenses	(10)	-26.3	-2.0	-24.4	-1.8	-1.9	-7.8
Other operating income and expenses		5.6	0.4	1.7	0.1	3.9	
Earnings before interest and taxes (EBIT)		**142.7**	**10.6**	**122.2**	**9.1**	**20.5**	**16.8**
Interest income		1.7	0.1	3.8	0.3	-2.1	-55.3
Interest expenses		-9.1	-0.7	-9.4	-0.7	0.3	3.2
Interest result	(12)	-7.4	-0.6	-5.6	-0.4	-1.8	-32.1
Result from equity accounted investments	(13)			-0.6	-0.1	0.6	100.0
Financial result on other items	(14)	-24.4	-1.8	-29.1	-2.2	4.7	16.2
Financial result		**-31.8**	**-2.4**	**-35.3**	**-2.7**	**3.5**	**9.9**
Earnings before taxes (EBT)		**110.9**	**8.2**	**86.9**	**6.4**	**24.0**	**27.6**
Income taxes	(15)	-33.6	-2.5	-26.3	-1.9	-7.3	-27.8
Earnings after taxes (EAT)		**77.3**	**5.7**	**60.6**	**4.5**	**16.7**	**27.6**
Earnings per share in €							
Undiluted (EPS)	(16)	1.58		1.24		0.34	
Diluted (DEPS)	(16)	1.54		1.21		0.33	

Consolidated Statement of Comprehensive Income

January - June (Q1 - Q2)

	(Note)	Jan. 1 - June 30, 2011 in € million	Jan. 1 - June 30, 2011 in %	Jan. 1 - June 30, 2010 in € million	Jan. 1 - June 30, 2010 in %	Change against previous year in € million	Change against previous year in %
Earnings after taxes (EAT)		**77.3**	**5.7**	**60.6**	**4.5**	**16.7**	**27.6**
Change in unrealized gains/losses from translation differences		**-5.7**	**-0.4**	**15.4**	**1.1**	**-21.1**	
Unrealized gains/(losses) on financial instruments							
Derivative financial instruments							
Change in unrealized gains/(losses)		68.4	5.1	-111.5	-8.3	179.9	
Realized (gains)/losses		-6.1	-0.5	13.3	1.0	-19.4	
Tax effect		-20.3	-1.5	32.0	2.4	-52.3	
Unrealized gains/losses total		**42.0**	**3.1**	**-66.2**	**-4.9**	**108.2**	
Financial assets (Afs)							
Change in unrealized gains/(losses)		-0.2				-0.2	
Realized (gains)/losses		0.2				0.2	
Tax effect							
Unrealized gains/losses total							
Other income and expenses recognized directly in equity		**36.3**	**2.7**	**-50.8**	**-3.8**	**87.1**	
Comprehensive income for the period	(17)	**113.6**	**8.4**	**9.8**	**0.7**	**103.8**	

Consolidated Income Statement

Q 2

	(Note)	Q 2 2011 in € million	Q 2 2011 in %	Q 2 2010 in € million	Q 2 2010 in %	Change against previous year in € million	Change against previous year in %
Revenues	(6)	681.7	100.0	708.6	100.0	-26.9	-3.8
Cost of sales	(7)	-555.1	-81.4	-578.6	-81.7	23.5	4.1
Gross profit		**126.6**	**18.6**	**130.0**	**18.3**	**-3.4**	**-2.6**
Research and development expenses	(8)	-25.4	-3.7	-32.9	-4.6	7.5	22.8
Selling expenses	(9)	-21.3	-3.1	-22.4	-3.2	1.1	4.9
General administrative expenses	(10)	-11.3	-1.7	-11.6	-1.6	0.3	2.6
Other operating income and expenses		4.2	0.6	1.3	0.2	2.9	
Earnings before interest and taxes (EBIT)		**72.8**	**10.7**	**64.4**	**9.1**	**8.4**	**13.0**
Interest income		0.9	0.1	1.0	0.2	-0.1	-10.0
Interest expenses		-3.8	-0.6	-5.4	-0.8	1.6	29.6
Interest result	(12)	-2.9	-0.5	-4.4	-0.6	1.5	34.1
Result from equity accounted investments	(13)			-0.6	-0.1	0.6	100.0
Financial result on other items	(14)	-8.3	-1.2	-21.0	-3.0	12.7	60.5
Financial result		**-11.2**	**-1.7**	**-26.0**	**-3.7**	**14.8**	**56.9**
Earnings before taxes (EBT)		**61.6**	**9.0**	**38.4**	**5.4**	**23.2**	**60.4**
Income taxes	(15)	-17.8	-2.6	-10.4	-1.4	-7.4	-71.2
Earnings after taxes (EAT)		**43.8**	**6.4**	**28.0**	**4.0**	**15.8**	**56.4**
Earnings per share in €							
Undiluted (EPS)	(16)	0.89		0.57		0.32	
Diluted (DEPS)	(16)	0.87		0.56		0.31	

Consolidated Statement of Comprehensive Income

Q 2

	(Note)	Q 2 2011 in € million	Q 2 2011 in %	Q 2 2010 in € million	Q 2 2010 in %	Change against previous year in € million	Change against previous year in %
Earnings after taxes (EAT)		**43.8**	**6.4**	**28.0**	**4.0**	**15.8**	**56.4**
Change in unrealized gains/losses from translation differences		**-0.4**	**-0.1**	**6.3**	**0.9**	**-6.7**	
Unrealized gains/(losses) on financial instruments							
Derivative financial instruments							
Change in unrealized gains/(losses)		17.6	2.6	-75.3	-10.6	92.9	
Realized (gains)/losses		-5.0	-0.7	9.5	1.3	-14.5	
Tax effect		-4.1	-0.6	21.4	3.0	-25.5	
Unrealized gains/losses total		**8.5**	**1.3**	**-44.4**	**-6.3**	**52.9**	
Financial assets (Afs)							
Change in unrealized gains/(losses)							
Realized (gains)/losses		0.2				0.2	
Tax effect		-0.1				-0.1	
Unrealized gains/losses total		**0.1**				**0.1**	
Other income and expenses recognized directly in equity		**8.2**	**1.2**	**-38.1**	**-5.4**	**46.3**	
Comprehensive income for the period	(17)	**52.0**	**7.6**	**-10.1**	**-1.4**	**62.1**	

Consolidated Statement of Financial Position

Assets

in € million	(Note)	June 30, 2011	Dec. 31, 2010
Non-current assets			
Intangible assets	(18)	1,255.4	1,225.4
Property, plant and equipment	(19)	555.3	559.5
Financial assets	(20)	49.9	25.8
Financial assets accounted for using the equity method			
Other assets	(24)	4.3	6.0
Deferred tax assets		14.8	16.7
Total non-current assets		**1,879.7**	**1,833.4**
Current assets			
Inventories	(21)	718.9	701.0
Trade receivables	(22)	496.3	531.9
Contract production receivables	(23)	151.6	138.2
Income tax receivables		0.3	
Financial assets	(20)	94.0	77.9
Other assets	(24)	27.0	25.8
Cash and cash equivalents	(25)	146.2	111.9
Prepayments		4.0	6.0
Total current assets		**1,638.3**	**1,592.7**
Total assets		**3,518.0**	**3,426.1**

Equity and Liabilities

in € million	(Note)	June 30, 2011	Dec. 31, 2010
Equity	(26)		
Subscribed capital		52.0	52.0
Capital reserves		340.5	348.2
Revenue reserves		541.3	517.6
Treasury shares		-90.6	-101.2
Other comprehensive income		39.0	2.7
Total equity		**882.2**	**819.3**
Non-current liabilities			
Pension provisions		415.5	409.0
Other provisions	(27)	170.4	140.0
Financial liabilities	(28)	36.1	204.7
Other liabilities	(30)	151.7	111.4
Deferred tax liabilities		245.8	231.5
Total non-current liabilities		**1,019.5**	**1,096.6**
Current liabilities			
Pension provisions		24.2	24.2
Income tax liabilities		45.5	71.2
Other provisions	(27)	214.9	200.1
Financial liabilities	(28)	207.8	57.2
Trade payables		355.4	424.5
Contract production liabilities	(29)	675.9	666.3
Other liabilities	(30)	92.6	66.7
Total current liabilities		**1,616.3**	**1,510.2**
Total equity and liabilities		**3,518.0**	**3,426.1**

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity

in € million	Subscribed capital	Capital reserve	Revenue reserves	Treasury shares	Other comprehensive income: Translation differences	Other comprehensive income: Financial assets (Afs)	Other comprehensive income: Derivative financial instruments	Group equity
Balance at January 1, 2010	**52.0**	**353.6**	**420.9**	**-93.4**	**-5.1**		**2.7**	**730.7**
Earnings after taxes (EAT)			60.6					60.6
Other income and expenses recognized directly in equity					15.4		-66.2	-50.8
Comprehensive income for the period			**60.6**		**15.4**		**-66.2**	**9.8**
Dividend payment			-45.5					-45.5
Employee Stock Program (MAP)		-0.2		2.7				2.5
Matching Stock Program (MSP)		-5.3		3.0				-2.3
Convertible bond conversion				0.1				0.1
Balance at June 30, 2010	**52.0**	**348.1**	**436.0**	**-87.6**	**10.3**		**-63.5**	**695.3**
Balance at January 1, 2011	**52.0**	**348.2**	**517.6**	**-101.2**	**4.0**	**-0.1**	**-1.2**	**819.3**
Earnings after taxes (EAT)			77.3					77.3
Other income and expenses recognized directly in equity					-5.7		42.0	36.3
Comprehensive income for the period			**77.3**		**-5.7**		**42.0**	**113.6**
Dividend payment			-53.6					-53.6
Employee Stock Program (MAP)		1.0		6.5				7.5
Matching Stock Program (MSP)/ Share Matching Plan (SMP)		-8.7		4.1				-4.6
Balance at June 30, 2011	**52.0**	**340.5**	**541.3**	**-90.6**	**-1.7**	**-0.1**	**40.8**	**882.2**

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

in € million	Jan. 1 - June 30, 2011	Jan. 1 - June 30, 2010
Earnings after taxes (EAT)	**77.3**	**60.6**
Amortization and depreciation on intangible assets and property, plant and equipment	64.2	63.1
Result of entities accounted for at cost	-0.4	
Result of equity accounted investments		0.6
Gain/loss on disposal of assets	0.5	0.2
Change in pension provisions	6.5	6.7
Change in other provisions	43.6	16.9
Other non-cash items	0.7	8.4
Movements in working capital		
Changes in inventories	-17.9	-9.7
Changes in trade receivables	35.6	-88.9
Changes in contract production receivables and liabilities	-3.8	100.6
Changes in other assets	2.5	4.7
Changes in trade payables	-69.1	-8.6
Changes in other liabilities	24.0	35.1
Change in financial assets		-28.2
Net interest result	7.4	5.6
Interest paid	-9.6	-10.3
Interest received	2.0	3.5
Profit distributions received	0.4	
Income taxes	33.6	26.3
Income taxes paid and received	-64.1	-17.6
Cash flow from operating activities	**133.4**	**169.0**
Disbursements for investments in:		
Intangible assets	-12.9	-9.5
Property, plant and equipment	-36.7	-34.9
Financial assets	-60.3	-95.4
Proceeds from disposals and disinvestiture of:		
Property, plant and equipment	0.6	3.1
Financial assets	61.5	65.0
Cash flow from investing activities	**-47.8**	**-71.7**
Dividend payment	-53.6	-45.5
Repayment of promissory notes		-30.0
Proceeds (+)/repayments (-) other financial liabilities	2.6	2.2
Sale of treasury shares for Employee Stock Program (MAP)	7.5	2.5
Cash flow from financing activities	**-43.5**	**-70.8**
Effect of changes in exchanges rates on cash funds	-7.8	6.0
Change in cash and cash equivalents	**34.3**	**32.5**
Cash and cash equivalents at January 1	**111.9**	**120.8**
Cash and cash equivalents at June 30	**146.2**	**153.3**

Selected Explanatory Notes

Group Segment Information

Segment information

The activities of the MTU Group's operating segments are described in the Annual Report 2010 of MTU Aero Engines Holding AG. There have been no changes in the identification of reportable segments.

Segment information for the period from January 1 to June 30, 2011 was as follows:

Segment information 2011

in € million	Commercial and Military Engine business		Commercial Maintenance business		Other Group Entities		Consolidation/ reconciliation		Group	
	Jan. 1 - June 30, 2011	Q 2 2011	Jan. 1 - June 30, 2011	Q 2 2011	Jan. 1 - June 30, 2011	Q 2 2011	Jan. 1 - June 30, 2011	Q 2 2011	Jan. 1 - June 30, 2011	Q 2 2011
External revenues	829.3	415.2	517.2	266.5					1,346.5	681.7
Inter-segment revenues	14.7	7.8	1.5	0.6	4.0	2.2	-20.2	-10.6		
Total revenues	**844.0**	**423.0**	**518.7**	**267.1**	**4.0**	**2.2**	**-20.2**	**-10.6**	**1,346.5**	**681.7**
Gross profit	**189.3**	**90.2**	**69.6**	**35.0**	**4.0**	**2.2**	**-1.6**	**-0.8**	**261.3**	**126.6**
Amortization	21.2	10.6	4.1	2.1					25.3	12.7
Depreciation	28.2	14.3	10.7	5.4					38.9	19.7
Earnings before interest and taxes (EBIT)	**102.8**	**52.0**	**40.2**	**20.6**	**-0.8**		**0.5**	**0.2**	**142.7**	**72.8**
Amortization/depreciation resulting from purchase price allocation	19.4	9.7	1.9	1.0					21.3	10.7
Adjusted earnings before interest and taxes (EBIT adjusted)	**122.2**	**61.7**	**42.1**	**21.6**	**-0.8**		**0.5**	**0.2**	**164.0**	**83.5**
Result from equity accounted investments										
Assets (June 30, 2011)	**3,084.0**		**872.1**		**813.0**		**-1,251.1**		**3,518.0**	
Liabilities (June 30, 2011)	**2,136.4**		**448.3**		**241.1**		**-190.0**		**2,635.8**	
Significant non-cash expenses	**82.7**	**29.8**	**4.7**	**3.2**	**0.2**	**0.1**			**87.6**	**33.1**
Total capital expenditure on intangible assets and property, plant and equipment	**77.2**	**8.6**	**16.2**	**10.6**					**93.4**	**19.2**
Key segment data:										
EBIT as % of revenues	12.2	12.3	7.8	7.7	-20.0				10.6	10.7
EBIT adjusted as % of revenues	14.5	14.6	8.1	8.1	-20.0				12.2	12.2

*) Non-cash items relate primarily to changes in other provisions.

Segment information for the period from January 1 to June 30, 2010 was as follows:

Segment information 2010

in € million	Commercial and Military Engine business		Commercial Maintenance business		Other Group Entities		Consolidation/ reconciliation		Group	
	Jan. 1 - June 30, 2010	Q 2 2010	Jan. 1 - June 30, 2010	Q 2 2010	Jan. 1 - June 30, 2010	Q 2 2010	Jan. 1 - June 30, 2010	Q 2 2010	Jan. 1 - June 30, 2010	Q 2 2010
External revenues	807.7	411.4	541.1	297.2					1,348.8	708.6
Inter-segment revenues	11.3	6.2	2.9	1.8	5.1	2.2	-19.3	-10.2		
Total revenues	**819.0**	**417.6**	**544.0**	**299.0**	**5.1**	**2.2**	**-19.3**	**-10.2**	**1,348.8**	**708.6**
Gross profit	**174.4**	**87.8**	**68.1**	**40.9**	**5.1**	**2.2**	**-2.5**	**-0.9**	**245.1**	**130.0**
Amortization	21.4	10.7	3.9	2.0					25.3	12.7
Depreciation	26.8	13.2	1.0	5.8					37.8	19.0
Earnings before interest and taxes (EBIT)	**83.2**	**40.3**	**37.1**	**24.0**	**0.5**	**-0.2**	**1.4**	**0.3**	**122.2**	**64.4**
Amortization/depreciation resulting from purchase price allocation	19.8	9.9	2.1	1.0					21.9	10.9
Adjusted earnings before interest and taxes (EBIT adjusted)	**103.0**	**50.2**	**39.2**	**25.0**	**0.5**	**-0.2**	**1.4**	**0.3**	**144.1**	**75.3**
Result from equity accounted investments			-0.6	-0.6					-0.6	-0.6
Assets (Dec. 31, 2010)	**3,022.8**		**894.0**		**887.4**		**-1,378.1**		**3,426.1**	
Liabilities (Dec. 31, 2010)	**2,165.4**		**490.8**		**267.2**		**-316.6**		**2,606.8**	
Significant non-cash expenses	**107.4**	**69.2**	**2.2**	**1.2**	**0.2**	**0.1**			**109.8**	**70.5**
Total capital expenditure on intangible assets and property, plant and equipment	**31.6**	**17.2**	**12.8**	**7.3**					**44.4**	**24.5**
Key segment data:										
EBIT as % of revenues	10.2	9.7	6.8	8.0	9.8	-9.1			9.1	9.1
EBIT adjusted as % of revenues	12.6	12.0	7.2	8.4	9.8	-9.1			10.7	10.6

*) Non-cash items relate primarily to changes in other provisions.

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

Reconciliation of revenues and earnings

in € million	Jan. 1 - June 30, 2011	Jan. 1 - June 30, 2010
Total revenues		
Revenues of reportable segments	1,366.7	1,368.1
Consolidation	-20.2	-19.3
Group revenues	**1,346.5**	**1,348.8**
Adjusted earnings before interest and taxes (EBIT adjusted)		
Adjusted EBIT of reportable segments	163.5	142.7
Amortization/depreciation resulting from purchase price allocation	-21.3	-21.9
Consolidation	0.5	1.4
Earnings before interest and taxes (EBIT)	**142.7**	**122.2**
Interest income	1.7	3.8
Interest expense	-9.1	-9.4
Result from equity accounted investments		-0.6
Other financial result	-24.4	-29.1
Earnings before taxes (EBT)	**110.9**	**86.9**

Reconciliation of assets and liabilities

in € million	June 30, 2011	Dec 31, 2010
Assets		
Assets of reportable segments	4,769.1	4,804.2
Consolidation	-1,251.1	-1,378.1
Group assets	**3,518.0**	**3,426.1**
Liabilities		
Liabilities of reportable segments	2,825.8	2,923.4
Consolidation	-190.0	-316.6
Group liabilities	**2,635.8**	**2,606.8**

Information on geographical regions

The following tables show figures for the group by geographical region:

Revenues by seat of customer

in € million	Jan. 1 - June 30, 2011	Jan. 1 - June 30, 2010
Germany	210.4	260.4
Europe	142.8	148.7
North America	847.3	762.7
South America	43.2	61.8
Africa	4.0	4.3
Asia	93.4	100.2
Australia/Oceania	5.4	10.7
	1,346.5	**1,348.8**

Capital expenditure on intangible assets and property, plant and equipment

in € million	Jan. 1 - June 30, 2011	Jan. 1 - June 30, 2010
Germany	89.9	39.1
Europe	2.3	3.5
North America	1.0	0.6
South America		
Africa		
Asia	0.2	1.2
Australia/Oceania		
	93.4	**44.4**

Non-current assets

in € million	June 30, 2011	Dec. 31, 2010
Germany	1,762.9	1,708.7
Europe	59.8	60.4
North America	21.9	26.1
South America		
Africa		
Asia	35.1	38.2
Australia/Oceania		
	1,879.7	**1,833.4**

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

1 General disclosures

MTU Aero Engines Holding AG and its subsidiary companies (hereafter referred to as "MTU" or "group") comprise 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 and Military Engine business covers the development and production of modules, components and spare parts for engine programs, including final assembly. MTU also provides maintenance services for military engines. The Commercial Engine Maintenance segment 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 157206 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 July 21, 2011.

2 Basis of preparation

In compliance with the provisions of § 37w of the German Securities Trading Act (WpHG) in conjunction with § 37y no. 2 WpHG, MTU's Half-Yearly Financial Report comprises Condensed Interim Consolidated Financial Statements, an Interim Group Management Report and a Responsibility Statement from the company's legal representatives. 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 June 30, 2011 have been drawn up in compliance with IAS 34.

The accounting policies applied in the Condensed Interim Consolidated Financial Statements correspond to those used in the Consolidated Financial Statements at December 31, 2010 and also comply with IAS 34 "Interim Financial Reporting". The following Standards have been mandatory since January 1, 2011:

- Revised IAS 24 "Related Party Disclosures"
- Improvements to International Financial Reporting Standards (2010)
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"
- Amendment to IFRIC 14 "Prepayments of a Minimum Funding Requirement"

These Standards do not have a significant impact on assets and liabilities, the financial position and the results of operations of the MTU Group.

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 Half-Yearly Financial Report contains all customary accounting adjustments necessary for a fair presentation of the operating results, financial situation and net assets of the MTU Group. Reference is made to the notes to the Consolidated Financial Statements as at December 31, 2010 for further information regarding the basis of preparation and accounting policies used.

4 Adjustments to the Condensed Interim Consolidated Financial Statements

With the exception of contingent liabilities, there were no other changes in estimates or forecasts in the first six months of the financial year 2011 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.

5 Consolidated companies

In a move aimed at strengthening and expanding MTU's market position in the industrial gas turbine line of business (IGT) in South East Asia, MTU Aero Engines GmbH, Munich, founded MTU Maintenance Service Center Ayutthaya Ltd. in Ayutthaya, Thailand, during the first half of 2011. In addition, MTU Maintenance Zhuhai Ltd., China, which is consolidated on a proportionate basis, acquired 100 % of the shares of MTU Maintenance Hong Kong Limited, Hong Kong, China, during the six-month period.

These two entities are allocated to the Commercial Maintenance business segment (MRO) and are not material for the fair presentation of the group's net assets, financial position and results of operations. These entities are therefore not consolidated and are included in non-current financial assets with a total carrying amount of € 0.1 million.

The number of consolidated entities, investments in associated companies and joint ventures and financial assets included in the Condensed Interim Consolidated Financial Statements has therefore increased by comparison to December 31, 2010 by the addition of two shareholdings in two entities. At June 30, 2011, the MTU Group comprised 25 companies including MTU Aero Engines Holding AG, Munich. (See list of major shareholdings provided in the notes to the Consolidated Financial Statements in the Annual Report 2010, note 43.1.2).

Notes to the Consolidated Income Statement

6 Revenues

Revenues

in € million	Jan. 1 - June 30, 2011	Jan. 1 - June 30, 2010	Q 2 2011	Q 2 2010
Commercial Engine business	633.5	569.7	323.9	304.4
Military Engine business	210.5	249.3	99.1	113.2
Commercial and Military Engine business (OEM)	**844.0**	**819.0**	**423.0**	**417.6**
Commercial Maintenance (MRO)	**518.7**	**544.0**	**267.1**	**299.0**
Other Group Entities/consolidation	-16.2	-14.2	-8.4	-8.0
Total revenues	**1,346.5**	**1,348.8**	**681.7**	**708.6**

7 Cost of sales

Cost of sales

in € million	Jan. 1 - June 30, 2011	Jan. 1 - June 30, 2010	Q 2 2011	Q 2 2010
Cost of materials	-857.3	-824.3	-432.2	-425.9
Personnel expenses	-205.4	-201.0	-103.5	-107.7
Depreciation and amortization	-57.2	-56.0	-28.9	-28.1
Other cost of sales *)	34.7	-22.4	9.5	-16.9
Total cost of sales	**-1,085.2**	**-1,103.7**	**-555.1**	**-578.6**

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

8 Research and development expenses

Research and development expenditure

in € million	Jan. 1 - June 30, 2011	Jan. 1 - June 30, 2010	Q 2 2011	Q 2 2010
Cost of materials	-35.2	-27.5	-15.2	-16.9
Personnel expenses	-34.8	-38.6	-16.4	-18.4
Depreciation and amortization	-3.8	-4.0	-1.8	-1.9
Research and development expenditure	**-73.8**	**-70.1**	**-33.4**	**-37.2**
Thereof capitalized:				
Development costs (OEM)	11.9	7.4	6.6	4.3
Development costs (MRO)	2.3	2.0	1.4	
Capitalized development costs	**14.2**	**9.4**	**8.0**	**4.3**
Research and development expenditure recognized as expense	**-59.6**	**-60.7**	**-25.4**	**-32.9**

9 Selling expenses

Selling expenses				
in € million	Jan. 1 - June 30, 2011	Jan. 1 - June 30, 2010	Q 2 2011	Q 2 2010
Cost of materials	-5.6	-5.6	-3.6	-3.3
Personnel expenses	-25.0	-25.3	-12.8	-13.1
Depreciation and amortization	-1.2	-1.3	-0.7	-0.8
Other selling expenses	-6.5	-7.3	-4.2	-5.2
Total selling expenses	**-38.3**	**-39.5**	**-21.3**	**-22.4**

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

10 General and administrative expenses

General and administrative expenses				
in € million	Jan. 1 - June 30, 2011	Jan. 1 - June 30, 2010	Q 2 2011	Q 2 2010
Cost of materials	-2.9	-2.5	-1.5	-1.3
Personnel expenses	-18.0	-17.7	-7.3	-8.0
Depreciation and amortization	-2.0	-1.8	-1.0	-0.9
Other administrative expenses	-3.4	-2.4	-1.5	-1.4
Total general administrative expenses	**-26.3**	**-24.4**	**-11.3**	**-11.6**

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

12 Interest result

Interest result				
in € million	Jan. 1 - June 30, 2011	Jan. 1 - June 30, 2010	Q 2 2011	Q 2 2010
Interest income	**1.7**	**3.8**	**0.9**	**1.0**
Interest expenses				
Bank interest	-1.8	-2.3	-1.0	-1.1
Interest expense for bonds	-4.0	-3.9	-2.0	-1.9
Interest expense for finance leases	-0.6	-0.7	-0.3	-0.3
Interest expense attributable to non-consolidated companies	-0.1		-0.1	
Other interest expenses	-2.6	-2.5	-0.4	-2.1
Interest expenses	**-9.1**	**-9.4**	**-3.8**	**-5.4**
Net interest expense	**-7.4**	**-5.6**	**-2.9**	**-4.4**

13 Result from equity accounted investments

Result from equity accounted investments				
in € million	Jan. 1 - June 30, 2011	Jan. 1 - June 30, 2010	Q 2 2011	Q 2 2010
Result from equity accounted investments		-0.6		-0.6
Result from equity accounted investments		**-0.6**		**-0.6**

The result from equity accounted investments reported for the previous year included the group's share of the net result of Pratt & Whitney Canada Customer Service Centre Europe GmbH, Ludwigsfelde. The carrying amount of the investment in the joint venture was written down to zero at December 31, 2010. This valuation has been retained because business conditions have not changed in the period since the impairment was recorded.

14 Financial result on other items

Financial result on other items				
in € million	Jan. 1 - June 30, 2011	Jan. 1 - June 30, 2010	Q 2 2011	Q 2 2010
Result from related entities	0.4		0.4	
Total	**0.4**		**0.4**	
Effects of changes of foreign exchange rates				
Exchange rate gains/losses on currency holdings	-10.3	10.3	-1.8	4.4
Exchange rate gains/losses on financing transactions	0.7	0.1	0.4	0.1
Exchange rate gains/losses on finance leases	0.3	-0.7	0.1	-0.4
Fair value gains/losses on derivatives				
Gains/losses on currency derivatives and interest rate derivatives	4.9	-17.0	2.2	-11.0
Gains/losses on commodity contracts	-0.4	1.2	-0.9	-2.4
Interest portion included in measurement of assets and liabilities				
Pension provisions	-11.0	-11.4	-5.5	-5.6
Contingent liabilities	-5.1	-6.6	-2.5	-3.3
Receivables, other provisions, plan assets, liabilities and advance payments received	-1.3	-6.5	0.5	-4.0
Result from other financial instruments	-2.6	1.5	-1.2	1.2
Total	**-24.8**	**-29.1**	**-8.7**	**-21.0**
Financial result on other items	**-24.4**	**-29.1**	**-8.3**	**-21.0**

The improvement in financial result on other items for the six-month period was mainly attributable to the lower interest expense arising in conjunction with the measurement of assets and liabilities. Changes in net losses amounting to € 10.3 million (January - June 2010: net gains of € 10.3 million) arising on the translation of foreign currency holdings and in net gains amounting to € 4.9 million (January - June 2010: net losses of € 17.0 million) on currency and interest rate derivatives more or less offset each other when comparing the two six-month periods.

15 Income taxes

Income tax expense comprise the following:

Income taxes

in € million	Jan. 1 - June 30, 2011	Jan. 1 - June 30, 2010	Q 2 2011	Q 2 2010
Current income tax expense	-38.1	-43.2	-17.7	-18.9
Deferred tax income/expense	4.5	16.9	-0.1	8.5
Total income taxes	**-33.6**	**-26.3**	**-17.8**	**-10.4**

16 Earnings per share

Potential ordinary shares that can be issued in conjunction with the convertible bond (issued on February 1, 2007) and the Share Matching Plan set up for the first time with effect from the beginning of 2010 had a diluting effect on earnings per share for the period from January 1 to June 30, 2011. 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 posttax 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 Share Matching Plan.

Undiluted and diluted earnings per share for the six-month periods ended June 30, 2011 and June 30, 2010 were as follows:

Undiluted and diluted earnings per share

		Jan. 1 - June 30, 2011					Jan. 1 - June 30, 2011
		Undiluted earnings per share	Financial instruments reconciliation				Diluted earnings per share
			Interest expense convertible bond/shares	Current and deferred taxes	Matching stock program/ number of shares	Share Matching Plan / number of shares	
Earnings after taxes (EAT)	in € million	77.3	4.0	-1.3			80.0
Weighted average number of shares	shares	48,795,754	3,084,849			12,081	51,892,684
Earnings per share	**in €**	**1.58**					**1.54**

Undiluted and diluted earnings per share

		Jan. 1 - June 30, 2010					Jan. 1 - June 30, 2010
		Undiluted earnings per share	Financial instruments reconciliation				Diluted earnings per share
			Interest expense convertible bond/shares	Current and deferred taxes	Matching stock program/ number of shares	Share Matching Plan / number of shares	
Earnings after taxes (EAT)	in € million	60.6	3.9	-1.3			63.2
Weighted average number of shares	shares	48,943,891	3,084,849		8,968		52,037,708
Earnings per share	**in €**	**1.24**					**1.21**

17 Consolidated statement of comprehensive income

In the consolidated statement of comprehensive income, earnings after taxes (EAT) of € 77.3 million (January - June 2010: € 60.6 million) are reconciled to the comprehensive income for the period of € 113.6 million (January - June 2010: € 9.8 million). The sharp improvement in comprehensive income for the period is attributable to fair value gains (after taxes) on derivative financial instruments amounting to € 42.0 million (January - June 2010: fair value losses of € 66.2 million). By contrast, the currency translation of the financial statements of foreign subsidies had a net negative impact on comprehensive income for the period of € 5.7 million (January - June 2010: net positive impact of € 15.4 million).

Notes to the Consolidated Statement of Financial Position

18 Intangible assets

Intangible assets comprise capitalized program values and non-specific program technologies, participations in development programs, technical software and purchased goodwill.

A total of € 56.7 million of intangible assets were capitalized in the first half of the year (January - June 2010: € 9.5 million). MTU's share of the PW1100G engine for the A320 family will be at least 15 %. During the first half of 2011, a total amount of € 42.2 million (January - June 2010: € 0.0 million) was therefore capitalized in the Commercial Engine business in conjunction with the participation in the PW1100G engine program. In addition, MTU also recognized internally generated and bought-in development work for the new engine for the A320 family amounting to € 5.8 million in the first half of 2011 (January - June 2010: € 0.0 million) as intangible assets.

Internally generated development work was also capitalized in the first half of 2011 in the Military and Commercial Engine business segment for the GE38 engine program amounting to € 3.3 million (January - June 2010: € 3.8 million) and for the GEnX amounting to € 2.8 million (January - June 2010: € 3.6 million). Expenditure of € 2.3 million (January - June 2010: € 2.0 million) was also capitalized in the first half of 2011 in connection with the rationalization of production processes and cost optimization of repair techniques in the Commercial Maintenance business.

Capitalized intangible assets totalling € 56.7 million in the first half of 2011 (January - June 2010: € 9.5 million) comprise € 44.1 million (January - June 2010: € 0.1 million) of purchased and € 12.6 million (January - June 2010: € 9.4 million) of internally generated intangible assets. The amortization expense for the six-month period amounted to € 25.3 million (January - June 2010: € 25.3 million).

19 Property, plant and equipment

Capital expenditure for property, plant and equipment during the first six months of the year was € 36.7 million (January - June 2010: € 34.9 million). Additions to property, plant and equipment related mainly to technical equipment, plant and machinery as well as to other operational and office equipment. The depreciation expense for the six-month period amounted to € 38.9 million (January - June 2010: € 37.8 million).

20 Financial assets

Financial assets increased overall by € 40.2 million during the six three months of 2011 to € 143.9 million (December 31, 2010: € 103.7 million), whereby the increase was primarily due to higher fair values of derivative financial instruments.

21 Inventories

Inventories comprise the following:

Inventories

in € million	June 30, 2011	Dec. 31, 2010
Raw materials and supplies	304.2	323.1
Work in progress	379.1	347.4
Advance payments	35.6	30.5
Total inventories	**718.9**	**701.0**

22 Trade receivables

Trade receivables comprised the following:

Trade receivables		
in € million	June 30, 2011	Dec. 31, 2010
Third parties	461.3	498.4
Associated companies, joint ventures and other investee companies	35.0	33.5
Total trade receivables	**496.3**	**531.9**

23 Contract production receivables

Contract production receivables comprised the following::

Contract production receivables		
in € million	June 30, 2011	Dec. 31, 2010
Contract production receivables	448.7	424.3
of which related to:		
Advance payments from customers	-297.1	-286.1
Net contract production receivables	**151.6**	**138.2**

24 Other assets

Other assets comprise:

Other assets						
	Total		Non-current		Current	
in Mio. €	June 30, 2011	Dec. 31, 2010	June 30, 2011	Dec. 31, 2010	June 30, 2011	Dec. 31, 2010
Other taxes	12.6	16.0			12.6	16.0
Receivables from employees	1.4	1.4			1.4	1.4
Receivables from suppliers	5.1	5.3			5.1	5.3
Sundry other assets	12.2	9.1	4.3	6.0	7.9	3.1
Total other assets	**31.3**	**31.8**	**4.3**	**6.0**	**27.0**	**25.8**

Other taxes relate primarily to transaction tax receivables.

25 Cash and cash equivalents

Cash and cash equivalents comprise the following:

Cash and cash equivalents		
in € million	June 30, 2011	Dec. 31, 2010
Bank balances, cash at hand	96,5	47,7
Overnight and fixed term deposits	49,7	64,2
Total cash and cash equivalents	**146,2**	**111,9**

MTU cannot freely access cash and cash equivalents amounting to € 12.0 million (December 31, 2010: € 15.9 million) held by MTU Maintenance Zhuhai Co. Ltd., Zhuhai, China.

26 Equity

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

26.1 Subscribed capital

The Company's share capital amounts to € 52.0 million (December 31, 2010: € 52.0 million) and is divided into 52.0 million non par-value shares (December 31, 2010: 52.0 million).

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 and Share Matching Plan as well as the difference arising without income statement effect on transferring treasury shares to employees in conjunction with the Employee Stock Program.

Matching Stock Program (MSP)
In order to strengthen its ability to achieve business targets, the Group had created the MSP as a long-term remuneration instrument - with both incentive and risk character - to involve management in the ownership of the company. The MSP entitled qualifying individuals to subscribe to Phantom Stocks. The MSP expired after exercise of the fifth and final tranche in June 2011.

Share Matching Plan (SMP)
A detailed description of the SMP is provided in the Management Compensation Report section of the Corporate Governance Report in the Annual Report 2010. Members of the Board of Management are entitled to invest the amount to be disbursed under the Performance Share Plan (PSP) in shares of MTU Aero Engines Holding AG, which must then be held for a further three years. At the end of the vesting period, these shares are "matched", whereby each Board of Management member is awarded one additional free share for every three MTU shares held. The entitlement to additional free shares is deemed to have been fulfilled once the corresponding number of such shares has been transferred to the member of the Board of Management. The total value of the matching shares available for allocation at the end of the vesting period is limited to three times the initial purchase price.

Employee Stock Program (MAP)
In the second quarter 2011 (previous year: second quarter 2010), the Board of Management of MTU Aero Engines Holding AG allocated shares to group employees under an Employee Stock Program ("MAP"). The plan set up in 2011 runs for two years to end of May 2013 (plan set up in 2010: to end of May 2012). The purchase price for registered shares of MTU Aero Engines Holding AG is based on the lowest price quoted on April 13, 2011 and was thus € 48.10 per share (previous year: € 42.58 per share). Under the terms of the MAP Employee Stock Program, MTU grants a so-called "match" to each MAP participant at the end of a two-year vesting period. In other words, at the end of the program term, each MAP participant receives a taxable money amount equivalent to 50 % of the amount invested in MTU shares at the beginning of the program. The total cost incurred in the first half of 2011 for the match in conjunction with the MAP was € 0.9 million (January - June 2010: € 0.9 million) which is being recognized as an expense on a time-apportioned basis over the term of the program. The liability at June 30, 2011 amounted to € 1.1 million (December 31, 2010: € 2.0 million).

26.3 Revenue reserves

Revenue reserves comprise the retained earnings of consolidated group companies, and earnings after taxes (EAT) for the first six months of 2011 amounting to € 77.3 million (January – June 2010: € 60.6 million) less dividend payments for the financial year 2010 amounting to € 53.6 million (January – June 2010: € 45.5 million). Revenue reserves went up by € 23.7 million during the six-month period under report (January - June 2010: € 15.1 million) as a result of the positive earnings after taxes (EAT) for the period.

26.4 Treasury shares

Reconciliation of weighted average number of shares in circulation

As a result of the treasury shares bought back by June 30, 2011, the issue of shares to group employees in conjunction with the exercise of the first, fourth and fifth tranches of the Matching Stock Program and the Employee Stock Program in the financial years 2007 to 2011, the weighted average number of shares in circulation during the first six months of 2011 was 48,795,754 shares (January - June 2010: 48,943,891 shares). At the end of the reporting period, a total of 49,012,488 MTU Aero Engines Holding AG shares was in issue (June 30, 2010: 49,052,407 shares). The treasury shares were acquired to enable the group to meet contractual obligations relating to convertible bonds and to issue shares to group employees in conjunction with the Matching Stock Program, the Share Matching Plan and the Employee Stock Program.

The following table shows how the number of bought back shares, month-end quantities and the weighted average number of shares in circulation have changed.

Reconcilation of weighted average number of shares in circulation

	2011			2010		
Number of shares	in circulation	Treasury shares	in circulation	in circulation	Treasury shares	in circulation
Balance at January 1	**48,752,407**	**3,247,593**		**48,921,808**	**3,078,192**	
Buy-back and issue of shares						
January	48,752,407		48,752,407	48,921,808		48,921,808
February	48,752,407		48,752,407	48,921,808		48,921,808
March	48,752,407		48,752,407	48,921,808	-632	48,922,440
April	48,752,407		48,752,407	48,922,440		48,922,440
May	48,752,407		48,752,407	48,922,440		48,922,440
June (bond conversion)	48,752,407		48,752,407	48,922,440	-2,020	48,924,460
June (MSP/MAP issue, MAP match)	48,752,407	-260,081	49,012,488	48,924,460	-127,947	49,052,407
Treasury shares (June 30)		**2,987,512**			**2,947,593**	
Weighted average at June 30			**48,795,754**			**48,943,891**

27 Other provisions

Other provisions have increased in total by € 45.2 million since December 31, 2010 to stand at € 385.3 million at June 30, 2011 and comprise warranty obligations, pending losses on onerous contracts, personnel-related obligations, retrospective costs and development compensation payments still to be made in conjunction with risk-and-revenue-sharing arrangements in place with Pratt&Whitney for commercial engine programs.

Provisions for contingent liabilities relating to business combinations (due to the unwinding of interest), warranties for engines already delivered, price adjustments and postponed engine delivery increased in total to € 156.1 million at June 30, 2011 (December 31, 2010: € 124.9 million).

28 Financial liabilities

All non-derivative and derivative financial obligations at the relevant balance sheet are reported as financial liabilities. Financial liabilities comprise the following:

Financial liabilities

	Total		Non-Current		Current	
in € million	June 30, 2011	Dec. 31, 2010	June 30, 2011	Dec. 31, 2010	June 30, 2011	Dec. 31, 2010
Bonds						
Convertible bond	150.5	148.6		148.6	150.5	
Interest liability on convertible bond	1.7	3.8			1.7	3.8
Liabilities to banks						
Promissory notes	25.0	25.3	11.4	24.7	13.6	0.6
Other liabilities to banks	35.8	34.4	24.2	26.3	11.6	8.1
Liabilities to related companies *)	2.2				2.2	
Other financial liabilities						
Finance lease liabilities	23.9	24.9	0.2	0.2	23.7	24.7
Derivative financial liabilities	4.8	24.9	0.3	4.9	4.5	20.0
Total financial liabilities	**243.9**	**261.9**	**36.1**	**204.7**	**207.8**	**57.2**

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

Convertible bond

MTU Aero Engines Finance B.V., Amsterdam, Netherlands, issued a convertible bond during the financial year 2007 with a total nominal amount 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 2010 (Note 33, Financial liabilities). 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 present value of the future contractually agreed cash flows 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.

The convertible bond runs until February 1, 2012 and was therefore reclassified as current debt at June 30, 2011.

Revolving Credit Facility (RCF)

At June 30, 2011, the MTU Group has access to a credit facility of € 100.0 million with two banks. Of these credit facilities, € 18.0 million (December 31, 2010: € 29.0 million) were being utilized at June 30, 2011 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

Of the four promissory notes placed on June 3, 2009 with a nominal amount of € 65.0 million (less transaction costs of € 0.4 million), MTU bought back € 30.0 million on June 7, 2010 and € 10.0 million on December 6, 2010, leaving notes outstanding at June 30, 2011 with a nominal value of € 25.0 million. The promissory notes comprise the following tranches which fall due for payment at their maturity date:

Promissory notes

Maturity	Interest rate type	Original note amount (nominal) in € million	Buy-back June 7, 2010 in € million	Buy-back December 6, 2010 in € million	Remaining note amount (nominal) in € million
June 5, 2012	fixed	1.5			1.5
June 5, 2014	fixed	11.5			11.5
June 5, 2012	variable*)	27.0	15.0		12.0
June 5, 2014	variable*)	25.0	15.0	10.0	
		65.0	**30.0**	**10.0**	**25.0**

*) 6-month Euribor plus margin

Two tranches of the promissory notes have been reclassified to current debt due to the fact that they fall due for payment on June 5, 2012. The promissory notes are measured at amortized cost.

29 Contract production liabilities

Contract production liabilities comprise the following:

Contract production liabilities

in € million	June 30, 2011	Dec. 31, 2010
Advance payments received for contract production	973.0	952.4
of which relating to:		
Contract production receivables	-297.1	-286.1
Total contract production liabilities	**675.9**	**666.3**

Advance payments received relate mainly to military engine program participations. Any surplus of advance payments received over contract production receivables with a remaining term of more than 12 months are discounted to their present value.

30 Other liabilities

Other liabilities comprise the following items:

Other liabilities

	Total		Non-current		Current	
in € million	June 30, 2011	Dec. 31, 2010	June 30, 2011	Dec. 31, 2010	June 30, 2011	Dec. 31, 2010
Liabilities relating to employees						
Social security	1.8	2.1			1.8	2.1
Part-time pre-retirement working arrangements	23.5	20.5	21.3	18.3	2.2	2.2
Other	50.7	37.6	2.4	2.7	48.3	34.9
Accrued interest expense	17.8	18.7	17.8	18.7		
Maintenance work still to be performed on engines	7.0	8.8	7.0	8.8		
Repayment of development cost subsidy PW2000	58.7	57.3	58.0	57.3	0.7	
Sundry other liabilities	60.1	24.5	45.2	5.6	14.9	18.9
Other taxes	24.7	8.6			24.7	8.6
Total other liabilities	244.3	178.1	151.7	111.4	92.6	66.7

Liabilities relating to employees

Liabilities relating to employees include holiday entitlements, flexitime credits, obligations resulting from earlier efficiency improvement programs as well as obligations under pre-retirement part-time working arrangements in place since 2010 (TV FlexÜ). Obligations for profit-shares and bonuses, for specific liabilities relating to pre-retirement part-time working arrangements (settlement arrears), for long-service awards and for structural measures taken in conjunction with the introduction of the ERA (Entgelt Rahmenabkommen – Framework Agreement on Pay) are also included in other provisions.

Social security liabilities relate mainly to contributions to employees‘ accident insurance associations amounting to € 1.1 million (December 31, 2010: € 1.5 million) and liabilities to health insurance agencies amounting to € 0.7 million (December 31, 2010: € 0.6 million).

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. Accrued interest expense of € 17.8 million (December 31, 2010: € 18.7 million) relates to advance payments received for long-term military construction contracts.

Outstanding maintenance work on engines

This line item relates mainly to obligations for the maintenance of leased 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.

Repayment of grants towards development costs
In the financial years 1976 to 1991, MTU received grants towards the internally generated costs of developing the PW2000 engine from the German Federal Ministry of Economics and Technology which were recognized in the income statement. Once the contractually agreed sales figures of PW2000 production engines have been reached for the Boeing 757 and C17, MTU is obliged to pay back the grants (government subsidy of development costs) within a timeframe of ten years. The probability of repayment has increased significantly as a result of the strong demand for engines for the C17 aircraft. The liability – recognized initially at December 31, 2010 at an amount of € 57.3 million – is measured at amortized cost and using the effective interest method. The first instalment of the repayment is expected to become due in early 2012.

Sundry other liabilities
MTU's share of the PW1100G engine for the A320 family will be at least 15 %. At 30 June 2010 a total amount of € 42.2 million (December 31, 2010: € 0.0 million) was recognized as a liability in conjunction with agreements between MTU und Pratt&Whitney relating to participation in the PW1100G engine program. Cash outflows relating to the program participation will take place on the basis of a fixed schedule agreed with the cooperation partner over the period from 2011 until probably 2018. No payments were made during the first half of 2011.

Other taxes
Other taxes amounting to € 24.7 million (December 31, 2010: € 8.6 million) relate mainly to payroll (including employees' solidarity surcharge) and church taxes.

32 Related party transactions

Transactions with related entities
Transactions with related entities are undertaken as part of the group's ordinary operating activities, buying and selling various products and services on an arm's length basis.

Proportionately consolidated entity (MTU Maintenance Zhuhai)
There were no trade receivables due from MTU-Zhuhai at either June 30, 2011 or December 31, 2010. Trade payables with this entity totalled € 5.1 million (December 31, 2010: € 1.8 million). Income recognized during the first six months of the year totalled € 0.8 million (January - June 2010: € 1.0 million), with expenses totalling € 14.5 million (January - June 2010: € 4.6 million).

Entities accounted for at equity and at cost
Entities accounted for at equity and at cost are disclosed in note 43.1.2 (Major shareholdings) of the Annual Report for the year ended December 31, 2010. Trade receivables from these entities at June 30, 2011 amounted to € 35.0 million (December 31, 2010: € 33.5 million). Trade payables at that date amounted to € 50.7 million (December 31, 2010: € 90.9 million). Income recognized during the six-month period under report amounted to € 339.3 million (January – June 2010: € 305.2 million), with expenses totalling € 188.1 million (January – June 2010: € 208.1 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 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.

33 Contingent liabilities and other financial commitments

Contingent liabilities and other financial obligations at June 30, 2011 amounted to € 109.0 million (December 31, 2010: € 126.6 million). Contingent liabilities and other financial obligations are not material to the MTU Group. As in previous periods, with the exception of lease payments, no amounts fell due for payment during the period under report. Similarly, no amounts are expected to be paid for the financial year 2011. 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 2010 (Note 42).

Purchase commitments for intangible assets and property, plant and equipment amounted to € 37.0 million at June 30, 2011 (December 31, 2010: € 30.0 million).

34 Events after the end of the reporting period (June 30, 2011)

There have been no significant events after the end of the interim reporting period (June 30, 2011) and prior to the date of authorization for issue of this Half-Yearly Financial Report on July 21, 2011.

35 Publication of Half-Yearly Financial Report

The Half-Yearly Financial Report of MTU Aero Engines Holding AG, Munich, for the period from January 1 to June 30, 2011 will be published on the Internet on August 1, 2011.

Declaration of Legal Representatives (Responsibility Statement)

To the best of our knowledge, and in accordance with the applicable reporting principles, the Interim Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit of the group, and the Interim Group Management Report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Munich, July 21, 2011

Egon Behle

Chairman of the Board of Management

Dr. Rainer Martens

Member of the Board of Management, Chief Operating Officer

Dr. Stefan Weingartner

Member of the Board of Management President and CEO Commercial Maintenance

Reiner Winkler

Member of the Board of Management, Chief Financial Officer

Review Report

To MTU Aero Engines Holding AG, Munich

We have reviewed the condensed interim consolidated financial statements of MTU Aero Engines Holding AG, Munich, comprising consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and selected explanatory notes, together with the interim group management report of MTU Aero Engines Holding AG, Munich, for the period from January 1 to June 30, 2011 that are part of the semi annual financial report pursuant to § [Article] 37w Abs. [paragraph] 2 WpHG [Wertpapierhandelsgesetz: German Securities Trading Act]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and of the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review such that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Munich, July 22, 2011

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Prof. Dr. Plendl)
German Public Auditor

(Prosig)
German Public Auditor

Financial Calendar

Telephone Conference on second quarter 2011 earnings	**August 1, 2011**
Telephone conference on third quarter 2011 earnings	**October 26, 2011**
MTU analysts and investors conference 2011	**November 22, 2011**

Contacts

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Translation

The German version takes precedence.

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**

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