Positive first-half-year business results – MTU Aero Engines lifts forecast

- **New revenues target: € 2,750 million**
- **EBIT (adjusted) expected to rise to € 310 million**
- **Year-end free cash flow estimated at € 120 million**

Munich, July 27, 2010 – MTU Aero Engines Holding AG has posted successful results for the first six months of 2010, with revenues amounting to € 1,348.8 million, compared with first-half-year revenues of € 1,376.0 million in 2009. Operating profit[1] has improved by 5% to € 144.1 million (1-6/09: € 137.1 million). At 10.7%, the EBIT margin is 0.7 percentage points higher than the figure for the equivalent period one year earlier. Net income increased by 9% from € 55.7 million in the first six months of 2009 to € 60.6 million. The net income figure reflects the lower financial result attributable to currency translation differences at the reporting date.

"MTU has achieved good results in the past six months," said Egon Behle, CEO of MTU Aero Engines Holding AG. "The market is picking up as expected and we are additionally benefiting from the tailwind of the euro's falling exchange rate against the U.S. dollar. These circumstances have permitted us to lift our full-year forecast. We are now aiming for revenues of around € 2,750 million by the end of the year and earnings (EBIT adjusted) in the region of € 310 million. We expect free cash flow to reach € 120 million, even while maintaining the present high level of investments in the company's future." At the beginning of the year, MTU had assumed that revenues and earnings in 2010 would remain at the previous year's level (2009 revenues: € 2,610.8 million; 2009 EBIT adjusted: € 292.3 million). For free cash flow, the company had estimated a target of at least € 100 million. MTU maintains the original net income forecast of around € 141.0 million.

Revenues in the commercial engine business have remained stable and amounted to € 569.7 million for the first six months of 2010 (1-6/09: € 570.2 million). The major part of these revenues, from both new engine and spare parts sales, were generated by the V2500 program for the Airbus A320 family, the PW2000 for the Boeing 757 and C-17, and the CF6-80C for the Boeing 747 and Airbus models A310 and A330. The GP7000 engine for the A380 is also generating an increasing volume of business.

Revenues in the military engine business increased by 8%, mainly as a result of the settlement of outstanding invoices. At June 30, 2010, these revenues amounted to € 249.3 million, compared with € 231.9 million at the end of June 2009. The main source of these revenues was the EJ200 Eurofighter engine. On the subject of possible cutbacks in the German defense budget, Behle said: "Until such time as concrete resolutions have been passed, we are not in a position to make public statements concerning the impact this might have on our military business."

[1] **EBIT adjusted = Earnings before interest and tax, calculated on a comparable basis**

MTU Aero Engines Holding AG
Investor Relations
Dachauer Straße 665
80995 München • Germany
Tel +49 (0)89 14 89-83 13
Fax +49 (0)89 14 89-95 139
www.mtu.de

Revenues in the commercial maintenance business came to € 544.0 million at the end of June 2010, compared with € 589.0 million one year earlier. The signs of recovery in this operating segment are particularly evident when the results are compared on a quarterly basis: MTU's revenues from maintenance services increased by 22% between the first and second quarters of 2010. The main source of commercial maintenance revenues was the V2500 engine.

MTU's order backlog has increased by 14% to € 4,717.2 million since the end of 2009 (Dec. 31, 2009: € 4,150.9 million). This corresponds to 1.8 times annual revenues in 2009. New orders focused mainly on the V2500 and PW1000G engines. "The volume of air traffic has returned to pre-crisis levels, in both the passenger and cargo sectors. We are pleased to see that this upturn has resulted in a corresponding increase in our order backlog," says Behle.

The increase in EBIT is above all attributable to increased earnings in the OEM segment, where MTU has seen its half-year earnings rise by 5% to € 103.0 million, from € 98.4 million in the first six months of 2009. The EBIT margin in the OEM business has grown by 0.3 percentage points to attain a level of 12.6%.

Earnings before interest and tax in the commercial maintenance business came to € 39.2 million in the first six months of 2010, compared with € 39.9 million in the equivalent period of 2009. At the same time, the EBIT margin gained 0.4 percentage points to reach 7.2%. "This is within the predicted margin range in the commercial maintenance segment of around 7% for the full year," notes CFO Reiner Winkler. "And we expect the recovery we have seen in the commercial MRO business to be sustained through to the end of the year," he adds.

MTU has increased its research and development expenditure by 15% to € 107.8 million (1-6/09: € 93.9 million). This applies particularly to spending on in-house research and development projects, which increased by 32% to € 70.1 million (1-6/09: € 53.1 million). The main focus of the research and development activities lay on the PW1000G engine for the Mitsubishi Regional Jet and the Bombardier CSeries, the GEnx engine destined for the Boeing 787 Dreamliner and Boeing 747-8, and the GE38 engine for the Sikorsky CH-53K heavy-lift transport helicopter.

At the end of June 2010, free cash flow amounted to € 125.1 million or 88% higher than in the half-year figures for 2009 (1-6/09: € 66.7 million). This is already higher than the level MTU set out to achieve as its full-year target for 2010.

MTU's capital expenditure in the first six months of 2010 amounted to € 44.4 million. This compares with € 59.6 million in the first half of 2009, when the company's plant in Poland was still under construction.

The number of MTU employees at June 30, 2010 was 7,739, which is approximately the same number of people as at the end of 2009 (December 31, 2009: 7,665 employees).

MTU Aero Engines – Key financial data for January through June 2010

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

MTU Aero Engines	**H1 2009**	**H1 2010**	**Change**
Revenues	1,376.0	1,348.8	- 2.0 %
of which OEM business	802.1	819.0	+ 2.1 %
of which commercial engine business	570.2	569.7	- 0.1 %
of which military engine business	231.9	249.3	+ 7.5 %
or which commercial MRO business	589.0	544.0	- 7.6 %
EBIT (calculated on a comparable basis)	137.1	144.1	+ 5.1 %
of which OEM business	98.4	103.0	+ 4.7 %
of which commercial MRO business	39.9	39.2	- 1.8 %
EBIT margin (calculated on a comparable basis)	*10.0 %*	*10.7 %*	
in the OEM business	*12.3 %*	*12.6 %*	
in the commercial MRO business	*6.8 %*	*7.2 %*	
Net income (IFRS)	55.7	60.6	+ 8.8 %
Earnings per share (undiluted)	€ 1.14	€ 1.24	+ 8.8 %
Free cash flow	66.7	125.1	+ 87.6 %
Research and development expenses	93.9	107.8	+ 14.8 %
of which company-funded R&D	53.1	70.1	+ 32.0 %
of which outside-funded R&D	40.8	37.7	- 7.6 %
Capital expenditure	59.6	44.4	- 25.5 %
	Dec. 31, 09	**June 30, 10**	**Change**
Order backlog	4,150.9	4,717.2	+ 13.6 %
of which OEM business	3,965.1	4,524.6	+ 14.1 %
of which commercial MRO business	185.8	198.0	+ 6.6 %
Employees	7,665	7,739	+ 1.0 %

Outlook 2010

in € million	**2009**	**February outlook**	**New outlook**
Revenues	2,610.8	stable	~ 2,750
EBIT adjusted	292.3	stable	~ 310
Free cash flow	120.2	~ 100	~ 120
Net income	141.0	stable	stable

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

Contacts:

Inka Koljonen
Director Investor Relations
Tel.: + 49 (0)89 14 89-83 13
Mobile: + 49 (0)89176-1001 6268

Claudia Heinle
Investor Relations
Tel.: + 49 (0)89 14 89-39 11
Mobile: + 49 (0)176-1001 8069

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