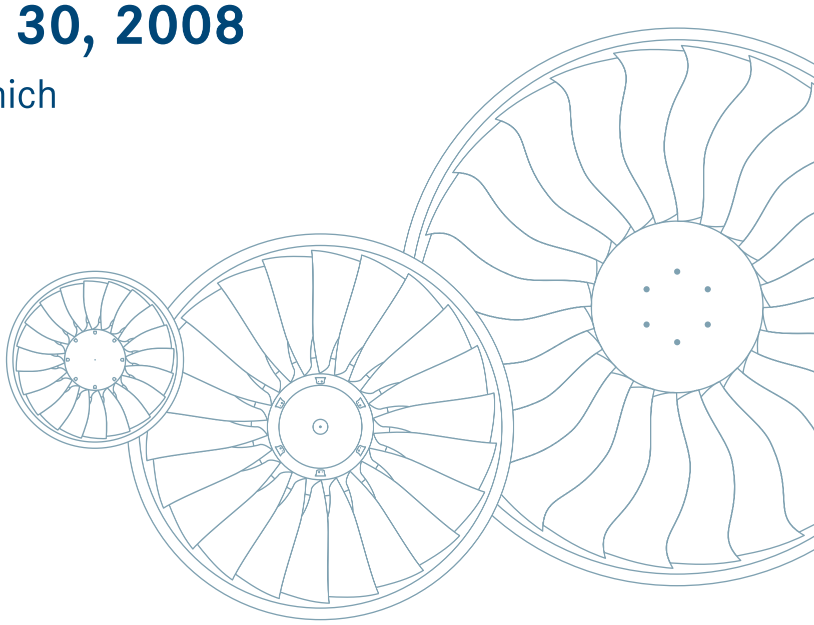
Quarterly Financial Report
January 1 to September 30, 2008

MTU Aero Engines Holding AG, Munich



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Key facts and figures for the Group

in € million (unless otherwise specified)	2008	2007
Revenues and earnings		
Revenues	1,982.9	1,886.8
thereof: commercial and military engine business (OEM)	1,196.3	1,153.8
thereof: commercial maintenance business (MRO)	807.9	753.2
Gross profit	340.4	311.6
Gross profit in %	17.2	16.5
Earnings before interest, tax, depreciation and amortization (EBITDA adjusted)	295.0	280.8
EBITDA adjusted in %	14.9	14.9
Net profit	118.6	117.0
Order backlog and value of contracts (Previous year: Dec. 31)		
Order backlog and value of MRO contracts (order volume)	8,056.7	8,356.4
Commercial and military engine business (OEM)	3,132.3	3,216.8
Commercial maintenance business (MRO)	4,924.4	5,139.6
Balance sheet (Previous year: Dec. 31)		
Total assets	3,139.4	3,085.5
Equity	568.5	562.0
Equity ratio in %	18.1	18.2
Financial liabilities	334.7	326.5
Cash flow		
Cash flow from operating activities	242.5	181.8
Cash flow from investing activities	-118.0	-60.1
Free cash flow	124.5	121.7
Free cash flow as % of revenues	6.3	6.5
Cash flow from financing activities	-109.2	-121.9
Number of employees at quarter end (Previous year: Dec. 31)	7,327	7,130
Commercial and military engines business (OEM)	4,727	4,610
Commercial maintenance business (MRO)	2,600	2,520
Share data		
Earnings per share (in €)		
Basic earnings per share	2.39	2.22
Diluted earnings per share	2.31	2.12

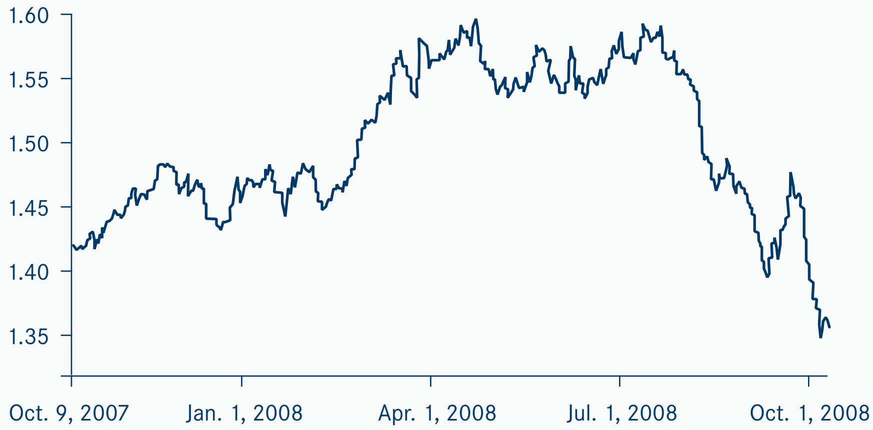
General economic environment

The global financial crisis is putting the brakes on the world economy. In its World Economic Outlook published on October 8, 2008, the International Monetary Fund (IMF) reduced its forecast of global growth for 2009 from 3.9 % to 3.0 %. This would be the lowest growth rate for six years.

As a consequence of the crisis, the IWF also forecasts that the volume of global trading with goods and services will slow down. Compared with the 7.2 % increase recorded in 2007, the growth rate will only be in the region of 4 % in 2009.

The US dollar is extremely important for MTU's international business. The US dollar exchange rates changed as follows during the third quarter: The Euro/US-dollar exchange rate stood at 1.5775 on July 1, 2008 and initially stayed at this level. The US dollar became increasingly stronger from mid-August onwards and closed the quarter on September 30, 2008 at 1.4303. The average exchange rate of 1.5219 during the first three quarters of 2008 was less favourable for MTU than the previous year's corresponding rate of 1.3443. Further information is provided in the "Outlook" section of the interim group management report (section 5).

Development of US dollar exchange rate



Situation in the aviation industry

According to IATA, international passenger figures were up by 1.3 % in August 2008 compared with the previous month whereas global air freight traffic fell by 2.7 %. Aviation experts see this decrease as an early sign that international trade is slowing down. For the first eight months of the year, international passenger figures and air freight traffic rose by 4.1 % and 1.2 % respectively. These increases are lower than in the last three years when passenger figures grew by between 6 % and 7 % and freight volumes by between 3 % and 4 %. The number of passengers flying within the USA during the first eight months of the year was down by 3 %.

The on-going global financial crisis and economic downturn is having a sharp impact on airlines: Passenger figures, which had already slipped slightly during the first half of the year, continued to fall in July and August, with all geographical regions now affected.

The airline industry reacted to these developments during the first eight months of the year with capacity cut-backs, some with immediate effect and some planned for the coming years. In particular, the B737 and MD80 fleets of the US airlines are being affected by the current spate of sidelining aircraft. Since older and, in fuel consumption terms, less efficient engines account for only approximately 3 % of the MTU's commercial OEM revenues, the MTU Group has been affected to a very limited extent by these developments. The three engine programs (V2500, PW2000 and CF6-80C) that generate most revenues and which account for approximately two thirds of commercial engine business revenues, have a significantly lower average sidelining ratio.

Although various counter-measures have been initiated, and despite the fact that the pressure from fuel prices has begun to ease, the IATA predicts that – depending on oil price levels – airlines will record a total loss of US dollar two to five billion in 2008. Almost all of these losses will be borne by the North American airlines; European and Asian airlines are expected to generate break-even earnings. The average fuel price during the third quarter was US dollar 145 per barrel (US dollar 27 higher than the price of crude oil) and therefore 7 % below its second quarter level (US dollar 156 per barrel). This reflects the anticipated decrease in demand for crude oil. Analysts are predicting falling energy prices over the next two years which should help to ease the pressure on airline finances.

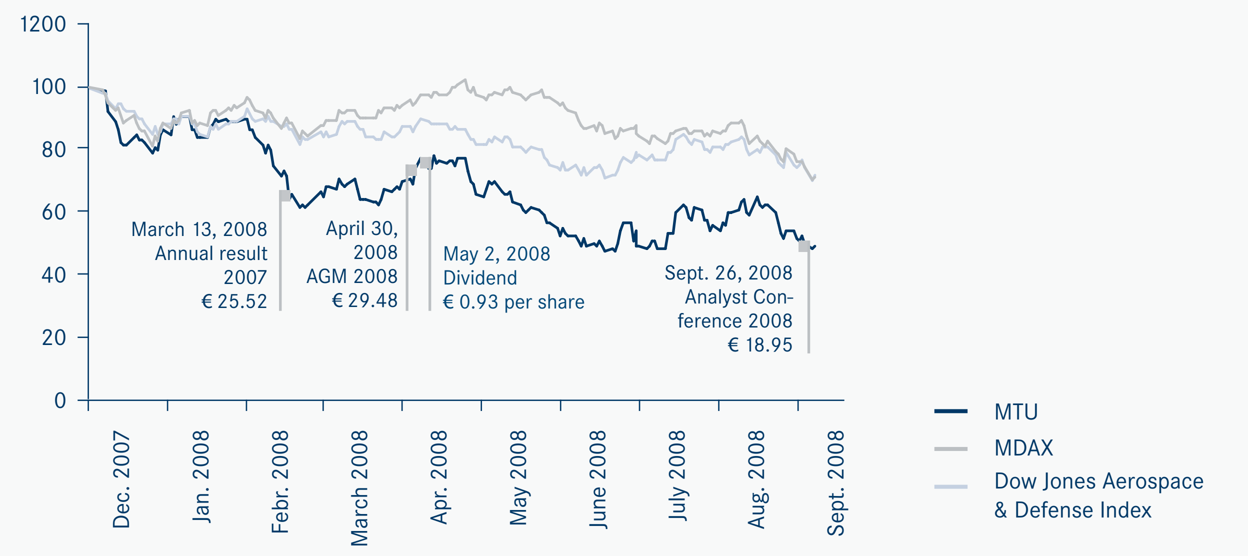
Airbus' and Boeing's order-books currently comprise approximately 7,500 aircraft. This record figure corresponds to a production workload of seven to eight years – the highest level ever in the history of the aviation industry. Excluding the impact of a long drawn-out strike at Boeing, it is estimated that a total of between 950 and 1,000 aircraft will be delivered in 2008. This would mean an increase of between 5 % and 10 % compared with 2007.

The MTU share

The capital markets have been exposed to extreme negative factors during the first nine months of the year.

The financial crisis, highly volatile commodity prices, a fluctuating US dollar and ongoing worries about the health of the economy have all had a negative impact on the performance of the capital markets worldwide. Even though oil prices fell and the US dollar gained in value from August onwards, aviation sector stocks found themselves suffering in the wake of the financial crisis and, overall, lost a significant amount of ground during the first nine months of the year. As a result of these adverse factors, MTU share lost 52 % of its value over the course of the period under report.

The MTU share Dec. 31, 2007 to Sept. 30, 2008



Ownership of MTU shares is widely based (100 % free float). As a result of share buybacks, an average of € 49.5 million par value of shares was in circulation during the period from January 1 to September 30, 2008.

Boston Company Asset Management LLC, Boston, Massachusetts, USA, and Franklin Templeton Institutional, LLC, New York, USA, surpassed the threshold of 3 % of the voting rights of MTU Aero Engines Holding AG at September 30, 2008.

Basic earnings per share increased to € 2.39 per share (January – September 2007: € 2.22 per share). Diluted earnings per share – which assumes that all shares are issued for the convertible bond and in the previous year for the Matching Stock Program (MSP) – increased to € 2.31 per share (January – September 2007: € 2.12 per share). Further information on earnings per share is provided in the notes to the interim financial statements (section 14).

1 The operating environment

1.1 Business activities and markets

MTU Aero Engines Holding AG (MTU or "the company") with its consolidated group of companies ranks among the world's largest manufacturers of aircraft engines. In revenue terms, the company is the world's largest independent provider of commercial aero engine maintenance services.

MTU operates in two principal segments: OEM business – which includes spare parts for commercial and military engines and military MRO – and commercial MRO business.

OEM business (commercial and military engine business)

MTU works in partnership with the world's leading engine manufacturers - General Electric, Pratt & Whitney and Rolls-Royce – on programs to develop and manufacture commercial engines. It designs and manufactures modules and components and carries out final assembly work. Major engine programs at present include the GP7000 for the Airbus A380 and the V2500 for the Airbus A320 family. MTU's work on engine modules is focused on low-pressure turbines and high-pressure compressors. The company is also active in the industrial gas turbine (IGT) sector, developing and manufacturing stationary gas turbines.

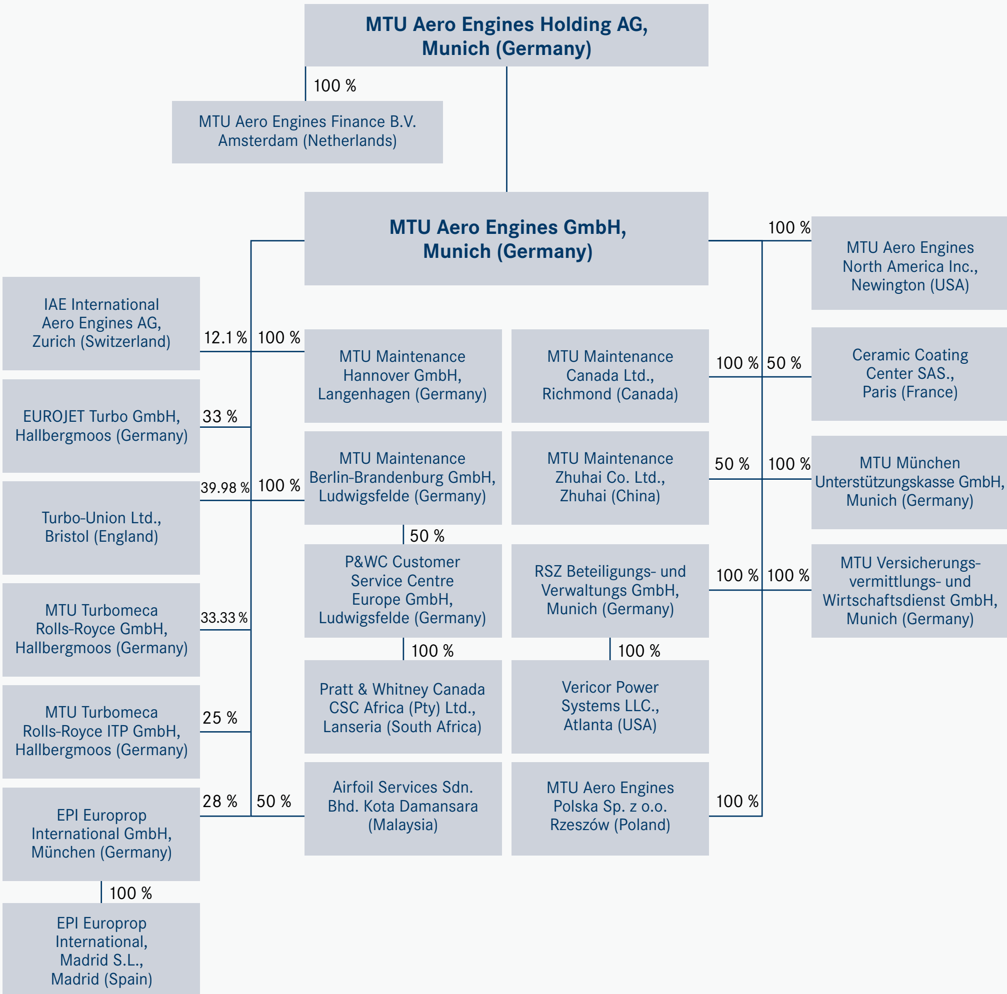
In the military domain, MTU develops and maintains engine modules and components, manufactures spare parts, supervises engine final assembly and provides maintenance services. As lead industrial partner to the German armed forces, the company provides support for virtually every type of aero engine in service with the Bundeswehr. MTU is the German partner in all major military engine programs at a European level, the most important of these being the EJ200 for the Eurofighter and the TP400-D6 for the new A400M military transporter.

MRO business (commercial maintenance business)

All Commercial MRO activities are pooled in the MTU Maintenance Group, which repairs and overhauls aero engines and industrial gas turbines. The company is particularly active in the high-growth markets of the V2500, CF6, CFM56, CF34 and PW2000 programs and in the field of industrial gas turbines. Commercial MRO customers include airlines and IGT operators all over the world.

1.2 Organization and locations

Structure of the MTU Group



MTU Aero Engines Holding AG and its affiliates are present in the most important markets and regions. The global network of affiliates and associated companies, the maintenance business and the research and development activities are all controlled from the company's central offices in Munich, which is also the location of its main manufacturing site. This facility also develops, manufactures, assembles, tests and markets commercial and military engine components and modules, develops new manufacturing processes and repair techniques, and assembles and repairs military engines.

All the company's commercial MRO activities are pooled under MTU Maintenance. MTU Maintenance Hannover, based in Langenhagen, is the largest maintenance plant in the MTU network. It supports mid-sized and large commercial engines and provides services such as customer training and a 24-hour service. Langenhagen is also the location of the final assembly line for the PW6000 engine that powers the Airbus A318.

Small engines and industrial gas turbines are supported by MTU Maintenance Berlin-Brandenburg, located at Ludwigsfelde near Berlin, which also assembles the TP400-D6 production engines for the A400M military transporter.

Further information concerning the activities of the group's foreign subsidiaries is provided in the Annual Report 2007 (pages 24 and 25).

1.3 Significant events during the nine-month period to September 30, 2008

Earnings for the period from January 1 to September 30, 2008 have not been affected by any major exceptional items.

Share capital reduction by cancellation of shares

Information regarding the share capital reduction by withdrawal of shares is provided in section 21.1.

2 Research and development

As a result of various new engine programs, expenditure in research and development during the first nine months of the year increased to € 120.1 million. Of this amount € 59.9 million related to own financed activities and € 60.2 million to externally financed activities. The main areas of focus are the development of new engine technologies aimed at extending MTU's technological leadership in engine programs and the improving of existing technologies used in the MRO segment. The research and development ratio, measured as R&D expenditure divided by revenues, remained constant at the previous year's level of 6.1 %. On average, 678 employees were engaged in R&D activities during the first three quarters of the year, approximately 9 % of the group's workforce.

Some of the main highlights of the group's new aero engine products are:

- The **geared turbofan** is currently the most important development program at MTU. The geared turbofan is the **exclusive propulsion system for the new Mitsubishi Regional Jet and the C-Series from Bombardier**, which will be taking up regular service from 2013 onwards. The core engine of the geared turbofan also has a third application in the PW810, a propulsion unit designed for heavy business jets with the first customer being Cessna Citation Columbus. The special low-pressure turbines required for this application are also being developed by MTU. MTU has meanwhile concluded the design phase of the test engines for all three aero engine programs.

- In July an important milestone was reached for a new generation of aero engines with the maiden flight of the geared turbofan demonstrator engine on the Pratt & Whitney flight testbed. Almost 50 hours of flight tests on a Boeing 747SP confirmed the outstanding improvements with regard to economical fuel consumption and lower noise emissions (see also the section "Environmental report"). After completing the first flight tests, the process of refitting the engine for preparation for use in an Airbus A340 was commenced in October 2008.

- MTU is providing two key components for the geared turbofan demonstrator with the high-pressure compressor from the PW6000 and the fast-rotating low-pressure turbine developed in the Clean Technology program. MTU is also developing the fast-rotating low-pressure turbine for the series version of the drive fan and – in cooperation with Pratt&Whitney – a new high-pressure compressor, which was successful in achieving its efficiency targets on the MTU compressor testbed in March 2008.

Picture: Geared turbofan demonstrator engine on the flying testbed of a Boeing 747

- The main focus of development activities for military applications was on the **TP400-D6, the propulsion unit for the military transporter Airbus A400M**. In January, four engines were delivered to Airbus for flight tests. A further engine successfully completed 130 ground tests on a flying testbed using a converted Hercules C-130. In May the TP400-D6 passed the critical „Large Bird Strike" test, which requires a direct strike by a bird in the medium-pressure compressor. The MTU compressor did not suffer any critical damage and was safely shut down as required by the licensing authorities.

- With its participation in the **GE38 helicopter propulsion unit from General Electric** MTU has taken over full responsibility for a US military aero engine program for the first time. Its first application is the CH53K heavy-duty helicopter from Sikorsky. MTU is supplying the power turbines and is also responsible for the maintenance, final assembly and testing of the GE38 models for a future European heavy-duty helicopter.

The following table summarizes research and development expenses during the period under report (before amounts that are required to be capitalized), analyzed into commercial and military engine business and commercial maintenance business.

Research and development expenses

in € million	Group Jan. 1 - Sept. 30, 2008	OEM Jan. 1 - Sept. 30, 2008	MRO Jan. 1 - Sept. 30, 2008
Commercial engine business	54.5	54.5	
Commercial maintenance business	4.5		4.5
Commercial engine/maintenance business	**59.0**	**54.5**	**4.5**
Military engine business	**61.1**	**61.1**	
Research and development (before amounts capitalized)	**120.1**	**115.6**	**4.5**
R&D ratio (as % of revenues)	6.1	9.7	0.6

The group invested the equivalent of 6.1 % of revenues in R&D activities during the first nine months of the year. Technological changes within the aviation sector take place at an extremely rapid pace and require a continual source of innovation. Research and development expenditure will remain at a high level in 2009 and 2010. Further comments on the expected level of investment during the fourth quarter 2008 are provided in the "Outlook" section of the interim group management report (section 5).

The amounts invested are sub-divided into own and externally financed R&D expenditure. Own financed expenditure is borne by the group whereas externally financed expenditure is commissioned by customers for which revenues are received. Own financed expenditure is reported as R&D expense section 7 to the interim consolidated financial statements. By contrast, externally financed R&D activities are accounted as construction contracts for in accordance with IAS 11 due to the fact that the work is commissioned specifically by national and international consortia. Own and externally financed expenditure during the first three quarters of 2008 totalled € 59.9 million and € 60.2 million respectively. Own financed research and development expenditure of € 59.9 million comprises € 55.4 million for commercial and military engine business (OEM) and € 4.5 million for commercial maintenance business (MRO). Development costs of € 0.8 million and € 1.6 million were capitalized for OEM and MRO business respectively.

The following table analyzes the research and development expenses reported in the income statement (section 7 of the notes to the interim consolidated financial statements).

Research and development expenses reported in income statement

in € million	Group Jan. 1 - Sept. 30, 2008	OEM Jan. 1 - Sept. 30, 2008	MRO Jan. 1 - Sept. 30, 2008
Commercial engine business	54.5	54.5	
Commercial maintenance business	4.5		4.5
Military engine business	0.9	0.9	
Own financed expenditure	59.9	55.4	4.5
- capitalized development costs (OEM)	-0.8	-0.8	
- capitalized development costs (MRO)	-1.6		-1.6
Research and development expenses per income statement	**57.5**	**54.6**	**2.9**

3 Financial situation

3.1 Key figures at a glance

Key figures at a glance

in € million	Jan. 1 - Sept. 30, 2008
Revenues	**1,982.9**
Gross profit	340.4
Operating profit (EBITDA adjusted)	**295.0**
Depreciation/amortization and non-recurring items	
Current depreciation/amortization	-56.9
Write-down on assets resulting from PPA	-36.2
Capitalized development costs	0.8
Earnings before interest and tax (EBIT)	**202.7**
Financial result	-26.2
Earnings before tax (EBT)	**176.5**
Income taxes	-57.9
Net profit	**118.6**
Basic earings per share in €	**2.39**
Diluted earnings per share in €	**2.31**

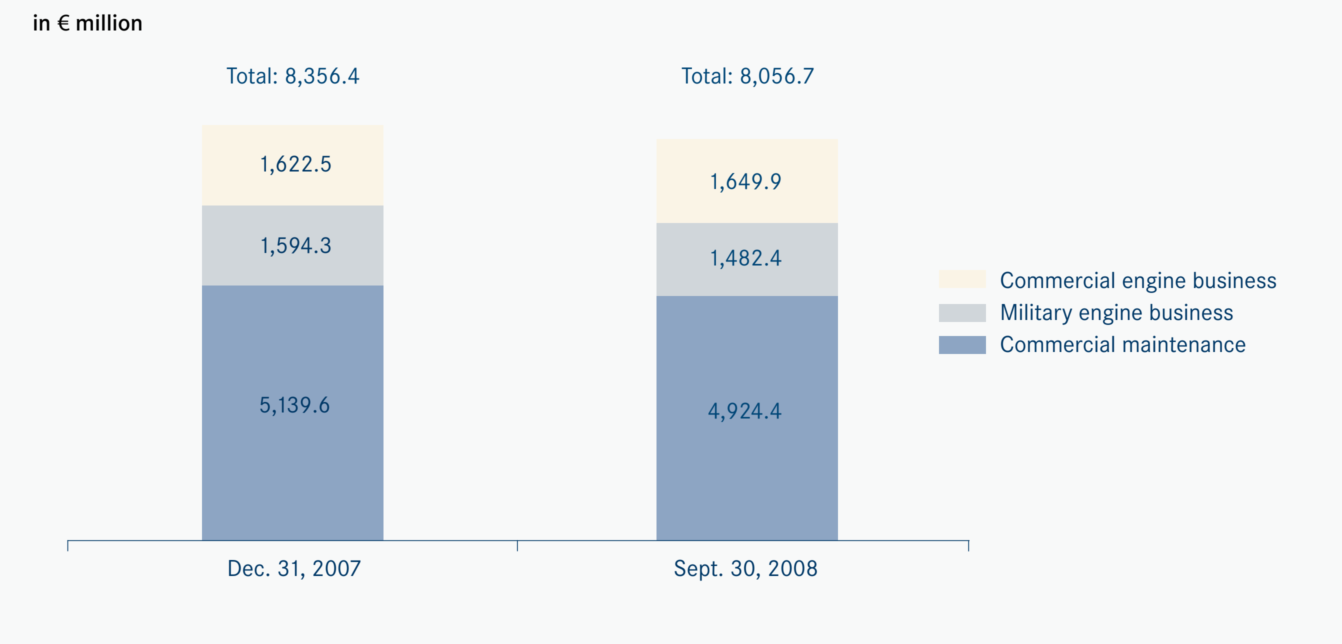
3.2 Order backlog and value of MRO contracts (order volume)

Order backlog including value of MRO contracts (order volume)

in € million	Sept. 30, 2008	Dec. 31, 2007
Commercial engine business	1,649.9	1,622.5
Military engine business	1,482.4	1,594.3
Commercial and military engine business (OEM)	**3,132.3**	**3,216.8**
Order backlog commmercial maintenance	96.4	94.7
Order value commercial maintenance	4,828.0	5,044.9
Commercial maintenance business (MRO)/order volume	**4,924.4**	**5,139.6**
Total	**8,056.7**	**8,356.4**

Further information relating to the order volume is contained in section 2.1 of the Annual Report 2007.

Order backlog including value of MRO orders



The group's order backlog including the value of MRO contracts (order volume) at September 30, 2008 totalled € 8,056.7 million (unconsolidated basis) and was therefore € 299.7 million lower than at December 31, 2007. The order backlog for commercial engine business went up by € 27.4 million compared with December 31, 2007. Due to the delivery of the second tranche of EJ200 engines for the Eurofighter, the order backlog for military engine business decreased by € 111.9 million during the period under report. The order-book for MRO business was € 216.9 million lower than at December 31, 2007.

Further information regarding the order backlog of the individual segments is provided in section 3.4. The order backlog at September 30, 2008 corresponds to a workload of approximately three years. Excluding the value of MRO contracts, the backlog corresponds to a workload of just under one and a half years.

3.3 Operating results, financial situation and net assets

Group operating results for the nine-month period to September 30, 2008

Revenues
Revenues for the period from January 1 to September 30, 2008 rose by € 96.1 million (5.1 %) to € 1,982.9 million. Commercial and military engine business (OEM) revenues were up by € 42.5 million (3.7 %) while commercial maintenance (MRO) revenues increased by € 54.7 million (7.3 %). Adjusted for the US dollar impact (i.e. using the same exchange rate as in the previous year), group revenues for the nine-month period would have increased by € 314.0 million (16.6 %).

Cost of sales and gross profit
Cost of sales for the first nine months of 2008 increased by € 67.3 million (4.3 %) to € 1,642.5 million. The fact that this increase was less pronounced than the increase in revenues was attributable to OEM business. Cost of sales for this segment were practically unchanged against the corresponding period one year earlier (up by € 3.2 million or 0.3 %), while cost of sales for MRO business went up by € 59.3 million (8.7 %) to € 744.3 million.

With cost of sales increasing overall at a slower pace than revenues, the gross profit for the nine-month period improved overall by € 28.8 million (9.2 %) to € 340.4 million.

Research and development expenses
Research and development expenses before capitalization of development costs totalled € 59.9 million in the nine-month period from January to September 2008, € 2.2 million (3.8 %) higher than one year earlier.

Selling and general administrative expenses
Selling expenses increased by € 0.6 million whereas general administrative expenses decreased by € 9.6 million compared with the corresponding period last year.

Depreciation and amortization
Depreciation and amortization included in expense lines by function in the first nine months of the year totalled € 93.1 million (January-September 2007: € 115.5 million). An analysis into current expense and expense resulting from the purchase price allocation is shown in the reconciliation of EBIT to EBITDA adjusted (see Operating profit (EBITDA adjusted and margin)).

Operating profit (EBITDA adjusted and margin)
Scheduled depreciation and amortization as well as the impact of the purchase price allocation (resulting from the acquisition of the company) are added back to earnings before financial result and taxes (EBIT). This gives rise to earnings before financial result, taxes, depreciation and amortization (EBITDA adjusted).

EBITDA adjusted for the nine-month period increased by € 14.2 million (5.1 %) to € 295.0 million as a result of the increase in gross profit. The adjusted EBITDA margin was unchanged at 14.9 % thanks to the increase in revenues.

Reconciliation of EBIT to EBITDA adjusted

in € million	Jan. 1 to Sept. 30, 2008	Jan. 1 to Sept. 30, 2007
Earnings before interest and tax (EBIT)	**202.7**	165.3
+ Depreciation/amortization of:		
Intangible assets		
- Current amortization	6.0	7.5
- Acquisition-related amortization expense (PPA)	30.1	31.8
	36.1	**39.3**
Property, plant and equipment		
- Current depreciation	50.9	51.9
- Acquisition-related depreciation expense (PPA)	6.1	9.6
	57.0	**61.5**
Total depreciation/amortization	**93.1**	**100.8**
+ Impairment losses on:		
Intangible assets		14.7
Earnings before interest, tax, depreciation and amortization (EBITDA)	**295.8**	**280.8**
- Capitalized development costs	-0.8	
Earnings before interest, tax, depreciation and amortization (EBITDA adjusted)	**295.0**	280.8

Financial result

The financial result for the nine-month period to September 30, 2008 was a net expense of € 26.2 million compared with a net expense of € 49.5 million in the corresponding period last year. The improvement was mainly due to the fee (€ 19.1 million) incurred in the previous year on early repayment of the High Yield Bond and to the positive impact of the fair value measurement of foreign currency holdings.

Earnings before tax (EBT)

As a result of the improved EBIT and financial result figures, earnings before tax (EBT) for the nine-month period rose sharply by € 60.7 million (52.4 %).

Group net profit for the period

The net profit for the nine-month period increased by € 1.6 million (1.4 %) to € 118.6 million (January-September 2007: € 117.0 million). The relatively small increase was due to the tax reduction recorded in the previous year in conjunction with the Business Tax Reform 2008.

Financial position

The consolidated cash flow statement shows the sources and applications of cash flows for the first nine-month periods of 2007 and 2008 and for the third quarters of 2007 and 2008 classified into cash flows from operating, investing and financing activities.

Financial position

in € million	**Jan. 1 to Sept. 30, 2008**	Jan. 1 to Sept. 30, 2007	**Q 3 2008**	Q 3 2007
Cash flow from operating activities	242.5	181.8	109.3	61.3
Cash flow from investing activities	-118.0	-60.1	-62.0	-21.2
Free Cashflow	**124.5**	121.7	**47.3**	40.1
Cash flow from financing activities	-109.2	-121.9	-37.2	-19.4
Change in cash and cash equivalents	16.7	-1.0	10.8	20.4
Cash and cash equivalents at January 1/July 1	67.3	102.2	73.2	80.8
Cash and cash equivalents at September 30	84.0	101.2	84.0	101.2

Cash flow from operating activities

The cash flow from operating activities for the nine-month period totalled € 242.5 million (January-September 2007: € 181.8 million). This increase was largely attributable to the lower level of funds tied up in working capital, even though significantly higher tax payments were made during the first three quarters of the year.

The third quarter cash flow from operating activities in 2008 was € 109.3 million compared with € 61.3 million one year earlier. This increase was also largely attributable to the lower level of funds tied up in working capital, in particular reflecting lower receivables and higher advance payments from customers.

Cash flow from investing activities

The cash outflow for investing activities for the nine-month period was € 118.0 million compared with € 60.1 million in the previous year. Capital expenditure on property, plant and equipment was up by € 2.1 million while investments in intangible assets jumped by € 39.9 million. Additions to financial assets include a capital increase at the level of the subsidiary, MTU Aero Engines Polska, Poland, amounting to € 20.6 million.

The negative cash outflow from investing activities in the third quarter 2008 totalled € 62.0 million (January-September 2007: € 21.2 million). The increase was due to the participation in the GE38 engine development program for the Sikorsky CH53K heavy-duty helicopter (for further details, please refer to section 2 (Research and development)).

Free cash flow

Free cash flow (the sum of the cash inflow from operating activities and the cash outflow for investing activities) for the nine-month period totalled € 124.5 million (January-September 2007: € 121.7 million). Third-quarter free cash flow amounted to € 47.3 million (third quarter 2007: € 40.1 million).

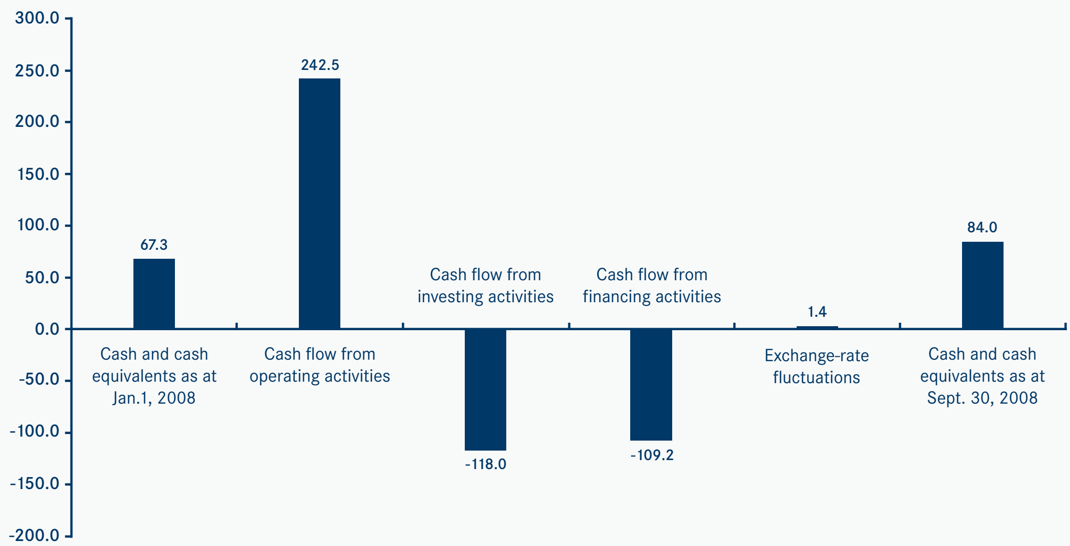
Cash flow from financing activities

The cash outflow from financing activities during the period from January to September 2008 was € 109.2 million compared with € 121.9 million one year earlier. Financing activities during the period under report included the buy-back of treasury shares totalling € 45.9 million (net of shares issued in conjunction with the Employee Stock Program MAP using its German acronym), the dividend payment for 2007 of € 46.3 million and a € 9.1 million reduction of the RCF overdraft. The cash outflow in the previous year was mainly affected by the dividend payment and share buy-backs. The outflow in third quarter totalled € 37.2 million (third quarter 2007: € 19.4 million). As a result of the free cash inflow, the RCF overdraft was reduced in the third quarter 2008 by € 31.1 million to € 60.5 million. During the third quarter of the previous year, the RCF overdraft had been increased by € 50.0 million up to a level of € 73.0 million to finance share buy-backs.

Cash and cash equivalents

After adjustment for the effects of exchange-rate fluctuations, the various cash flows resulted in an increase in cash and cash equivalents of € 16.7 million (January-September 2007: decrease of € 1.0 million).

Analysis of cash inflows and outflows



Net financial liabilities

Net financial liabilities are calculated as gross financial liabilities less financial assets and represent a key figure for the group's liquidity position. Compared with December 31, 2007, net financial liabilities increased by € 19.0 million (8.5 %). Financial liabilities at September 30, 2008 increased primarily as a result of the currency-related increase in the negative fair values of derivatives and decrease in the derivative financial instruments.

Net financial liabilities

in € million	**Sept. 30, 2008**	Dec. 31, 2007	Change
Convertible bond	169.0	167.3	1.7
Financial liabilities to banks			
Revolving Credit Facility (RCF)	60.5	69.6	-9.1
Other bank credits	23.1	26.5	-3.4
Financial liabilities to related companies	1.6		1.6
Finance lease liabilities	38.9	41.7	-2.8
Loan from the province of British Columbia to MTU Maintenance Canada	12.5	12.5	
Derivative financial liabilities	29.1	8.9	20.2
Gross financial debt	**334.7**	**326.5**	**8.2**
Cash and cash equivalents	84.0	67.3	16.7
Derivative financial instruments	8.3	35.8	-27.5
Net financial liabilities	**242.4**	**223.4**	**19.0**

Net assets

Changes in balance sheet items

The balance sheet total at September 30, 2008 increased by € 53.9 million or 1.7 % compared with December 31, 2007.

Non-current assets increased over by € 28.8 million despite the depreciation-related decrease in the carrying amount of property, plant and equipment. This was primarily due to the capitalization (as intangible assets) of amounts invested for the GE38 engine program and to the capital increase at the level of MTU Aero Engines Polska, Poland, recorded within financial assets. Current assets also increased overall by € 25.1 million. This included a € 68.0 million increase in inventories and a € 29.6 million decrease in trade and contract production receivables. By contrast, current other assets went down by € 28.9 million to € 29.9 million compared with December 31, 2007, mainly as a result of lower other taxes receivable and the fair value measurement of derivatives.

Cash and cash equivalents increased during the period from January 1 to September 30, 2008 by € 16.7 million to € 84.0 million thanks to the net increase in the various cash flows.

Group equity rose from € 562.0 million to € 568.5 million. On the one hand, it was increased by the group net profit of € 118.6 million recorded for the nine-month period. On the other, it was reduced by further share buy-backs totalling € 45.9 million (net of shares issued in conjunction with the Employee Stock Program), the dividend payment of € 46.3 million for the financial year 2007 and a € 17.0 million decrease in other comprehensive income. Information regarding the share capital reduction by withdrawal of shares for a nominal amount of € 3.0 million and the issue of shares in conjunction with the Employee Stock Program MAP is provided in section 21.

The equity ratio, at 18.1 %, was virtually unchanged from the end of the previous financial year (18.2 %).

Pension provisions increased by € 15.8 million in line with schedule.

Whereas other non-current provisions decreased mainly as a result of the utilization of contingent liabilities, current other provisions increased by € 16.4 million. This was mainly due to the higher level of income tax provisions compared with December 31, 2007.

Financial liabilities increased despite the reduction in the RCF overdraft. The main reason for the increase was the higher level of negative fair values of derivatives (see section 23).

Trade payables amounted to € 440.2 million at September 30, 2008, and therefore remained lower than the figure at the end of 2007 (€ 462.9 million).

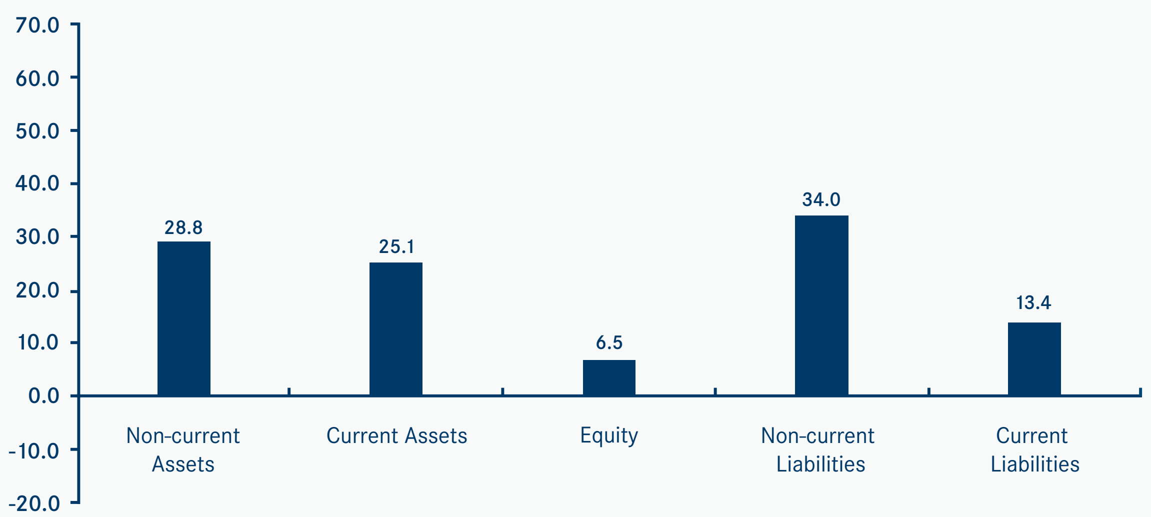
Sundry other liabilities increased by € 76.6 million to € 627.0 million mainly reflecting the higher level of advance payments from customers which, net of the corresponding receivables, were up by € 93.3 million. This increase was partly offset by a € 4.9 million decrease in personnel-related provisions and a € 4.0 million decrease in tax liabilities.

The following table shows the changes in assets and liabilities during the period from December 31, 2007 to September 30, 2008, analyzed by current and non-current items:

Change in Assets, Equity and Liabilities

(Statement of changes between December 31, 2007 and September 30, 2008)	€ million	€ million
Non-current Assets		
Intangible assets	33.5	
Property, plant and equipment	-26.0	
Financial assets	20.6	
Other assets	0.6	
Deferred tax assets	0.1	28.8
Current Assets		
Inventories	68.0	
Trade and contract production receivables	-29.6	
Other assets	-28.9	
Cash and cash equivalents	16.7	
Prepayments	-1.1	25.1
Change in Assets		**53.9**
Equity		6.5
Non-current Liabilities		
Provisions	-14.5	
Financial liabilities	7.7	
Other liabilities	57.2	
Deferred tax liabilities	-16.4	34.0
Current Liabilities		
Provisions	16.2	
Financial liabilities	0.5	
Trade payables	-22.7	
Other liabilities	19.4	13.4
Change in Equity and Liabilities		**53.9**

Change in Assets, Equity and Liabilities



3.4 Business segments

Business performance by segment				
	2008	2007	Change	
in € million			in € million	in %
Commercial and military engine business (OEM)				
Revenues	1,196.3	1,153.8	42.5	**3.7**
Order backlog (Previous year: Dec. 31, 2007)	3,132.3	3,216.8	-84.5	**-2.6**
Capital expenditure on property, plant and equipment and on intangible assets	76.3	29.8	46.5	**156.0**
Number of employees	4,663	4,657	6	**0.1**
Earnings before interest and tax (EBIT)	175.9	134.5	41.4	**30.8**
Commercial maintenance business (MRO)				
Revenues	807.9	753.2	54.7	**7.3**
Order backlog and value of MRO contracts*) (previous year: Dec. 31, 2007)	4,924.4	5,139.6	-215.2	**-4.2**
Capital expenditure on property, plant and equipment and on intangible assets	21.3	25.8	-4.5	**-17.4**
Number of employees	2,564	2,420	144	**6.0**
Earnings before interest and tax (EBIT)	28.9	30.8	-1.9	**-6.2**

*) includes value of orders (see explanation Annual Report 2007; section 2.1)

Commercial and military engine business (OEM segment)

Earnings performance for the nine-month period to September 30, 2008

Revenues

Revenues generated by the OEM segment in the first nine months of 2008 amounted to € 1,196.3 million and were thus € 42.5 million (3.7 %) higher than in the corresponding period one year earlier. Within those figures, revenues from commercial engine business rose by € 29.9 million (3.7 %) to € 841.4 million. Military engine revenues went up by € 12.6 million (3.7 %) to € 354.9 million. Adjusted for the US dollar impact, revenues would have amounted to € 1,307.5 million and the increase would have been € 153.7 million (13.3 %).

Cost of sales and gross profit

Segment cost of sales include material and personnel expenses, scheduled depreciation and amortization, the change in inventories of work in progress and expenses charged to MTU by consortium leaders in return for marketing new engines. At € 920.2 million, the cost of sales for engine business during the nine-month period was roughly at the same level as the previous year's € 917.0 million. The gross profit increased by € 39.3 million thanks to the fact that cost of sales increased at a slower pace than revenues. The gross profit percentage improved to 23.1 % (January-September 2007: 20.5 %).

Operating profit (EBITDA adjusted and margin)

Segment earnings before interest, taxes, depreciation and amortization (EBITDA adjusted) for the nine-month period improved by € 36.4 million (17.3 %) to € 246.9 million. The adjusted EBITDA margin improved from 18.2 % to 20.6 %.

Earnings performance for the third quarter 2008

Revenues

Revenues generated by the OEM segment in the third quarter 2008 totalled € 438.2 million, which was € 52.6 million (13.6 %) up on the previous year. Commercial engine revenues rose by € 43.9 million (16.5 %) to € 310.5 million while military engine revenues went up by € 8.7 million (7.3 %) to € 127.7 million. Adjusted for the US dollar impact, revenues would have amounted to € 469.0 million and the increase would have been € 83.4 million (21.6 %).

Cost of sales and gross profit

At € 343.4 million, third-quarter cost of sales in the commercial and military engine business was well above the previous year's figure of € 289.8 million. Due to the fact that cost of sales increased faster than revenues, the gross profit was virtually unchanged at € 95.0 million. The third-quarter gross margin percentage fell from 24.8 % in 2007 to 21.7 % in 2008.

Operating profit (EBITDA adjusted and margin)

Segment earnings before interest, taxes, depreciation and amortization (EBITDA adjusted) for the third quarter 2008 decreased by € 4.6 million (5.4 %) to € 80.1 million. The adjusted EBITDA margin fell from 22.0 % to 18.3 %.

Commercial maintenance (MRO segment)

Earnings performance for the nine-month period to September 30, 2008

Revenues

Revenues generated by the MRO segment in the first nine months of 2008 amounted to € 807.9 million, which was € 54.7 million (7.3 %) higher than in the corresponding period in 2007. Adjusted for the US dollar impact, segment revenues would have amounted to € 914.6 million and the increase would have been € 161.4 million (21.4 %).

Cost of sales and gross profit

Cost of sales for the third quarter 2008 increased by € 59.3 million (8.7 %) to € 744.3 million. The gross profit decreased accordingly by € 4.6 million (6.7 %) to € 63.6 million. The gross profit percentage decreased to 7.9 %.

Operating profit (EBITDA adjusted and margin)

Earnings before interest, taxes, depreciation and amortization (EBITDA adjusted) for the nine-month period fell by € 20.1 million (28.6 %) to € 50.2 million. The adjusted EBITDA margin fell from 9.3 % to 6.2 %.

Earnings performance for the third quarter 2008

Revenues

Commercial maintenance revenues, at € 294.9 million, were € 47.0 million (19.0 %) up on the third quarter 2007. Adjusted for the US dollar impact, segment revenues would have amounted to € 323.9 million and the third-quarter increase would have been € 76.0 million (30.7 %).

Cost of sales and gross profit

Cost of sales for the third quarter increased by € 32.3 million (13.6 %) to € 269.4 million. However, because revenues increased during the period at a faster pace than cost of sales, the gross profit improved by € 14.7 million (136.1 %) to € 25.5 million and the gross profit percentage improved to 8.6 %.

Operating profit (EBITDA adjusted and margin)

Third-quarter earnings before interest, taxes, depreciation and amortization (EBITDA adjusted) increased by € 5.4 million (35.3 %) to € 20.7 million. The adjusted EBITDA margin edged up from 6.2 % to 7.0 %.

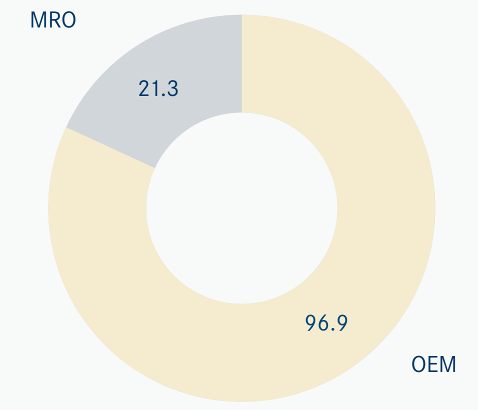
3.5 Capital expenditure

Capital expenditure by segment

in € million	Jan. 1 to Sept. 30, 2008	Jan. 1 to Sept. 30, 2007
OEM segment		
Intangible assets	46.0	5.3
Property, plant and equipment	30.3	24.5
Financial assets	20.6	5.3
Total OEM segment	**96.9**	**35.1**
MRO segment		
Intangible assets	1.9	2.7
Property, plant and equipment	19.4	23.1
Total MRO segment	**21.3**	**25.8**
Total	**118.2**	**60.9**

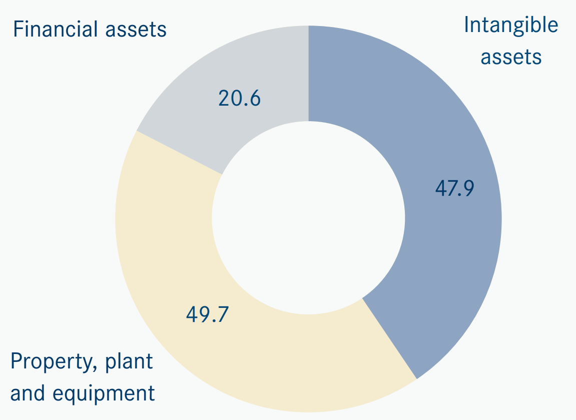
Capital expenditure by segment Jan. - Sept. 2008

in € million



Capital expenditure by type of asset Jan. - Sept. 2008

in € million



Capital expenditure during the first nine months of the year totalled € 118.2 million (January-September 2007: € 60.9 million). This comprised € 96.9 million spent by the OEM segment (January-September 2007: € 35.1 million) and € 21.3 million spent by the MRO segment (January-September 2007: € 25.8 million).

Within the OEM segment, a total of € 46.0 million was invested in intangible assets (January-September 2007: € 5.3 million), € 30.3 million in property, plant and equipment (January-September 2007: € 24.5 million) and € 20.6 million in financial assets (January-September 2007: € 5.3 million).

The increase in capital expenditure on intangible assets was primarily due to the participation in the GE38 engine development program for the Sikorsky CH53K heavy-duty helicopter during the third quarter (for further details, please refer to the section 2 (Research and development)).

Additions to property, plant and equipment related to the purchase of machinery, specialized equipment and IT hardware.

In accordance with the shareholders' resolution taken on May 9, 2008, the subscribed capital and capital reserves of the subsidiary MTU Aero Engines Polska, Poland, were increased by € 14,811.32 and € 20.6 million respectively. The relevant payments were made on May 14, 2008.

Within the MRO segment, a total of € 1.9 million was invested in intangible assets (January-September 2007: € 2.7 million) and € 19.4 million in property, plant and equipment (January-September 2007: € 23.1 million) during the period from January 1 to September 30, 2008. Investments in intangible assets related to specialized procedures to repair and maintain engines more economically. Expenditure on property, plant and equipment largely related to expenditure for a new testbed and for large-sized engines at MTU Maintenance Hannover GmbH, Langenhagen.

3.6 Employees

At September 30, 2008, MTU had 7,327 employees, an increase of 131 employees since June 30, 2008. This comprised 90 employees in the OEM segment and 41 employees on the MRO segment.

Compared with December 31, 2007, MTU's workforce increased by 197 employees. The additional staff requirements comprised 117 employees in the OEM segment and 80 employees in the MRO segment.

At the end of the third quarter, 6,693 employees (91.3 %) worked for group companies in Germany and 634 employees (8.7 %) for group companies outside Germany.

3.7 Environmental report

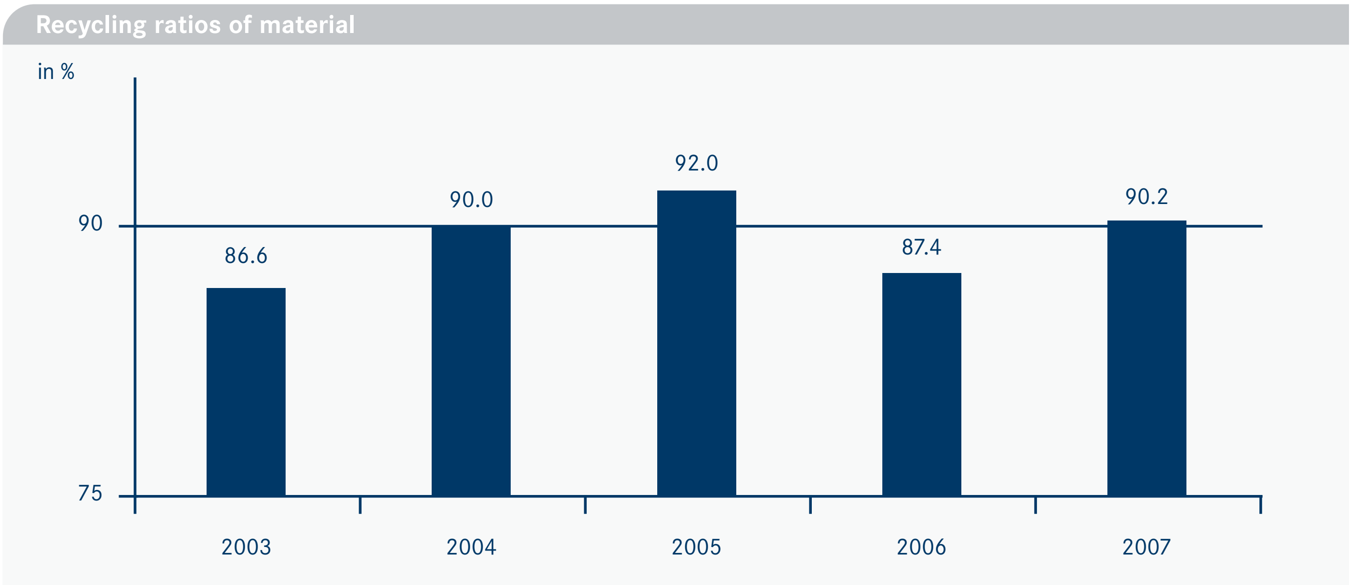
Due to the ecological problems and challenges associated with the global economic development process, the protection of both the environment and its natural resources is becoming increasingly important, both nationally and internationally. The mastering of these challenges is more than just a duty to be fulfilled at the various MTU Group locations: it is considered to be an important part of the group's responsibility to its employees, customers, partners, neighbours and society as a whole.

Protection of the environment is a fundamental corporate objective and as such is firmly embedded in the philosophy of the MTU Group. It is implemented in accordance with other corporate objectives and is regularly assessed by the Board of Management.

High environmental standards apply at all MTU locations, ensuring compliance with legal environmental requirements as a minimum. Additional in-house standards are also required to be met. Compliance with these standards is regularly monitored and confirmed by means of internal and external audits in accordance with DIN EN ISO 14001. At the group's German locations in Munich and Hannover, compliance with EMAS standards is also regularly tested. MTU Aero Engines GmbH, Munich is also a dedicated partner of the „Umweltpakt Bayern“, an environmental protection initiative organised by the State of Bavaria, and supports ecologically relevant measures introduced by both the Bavarian State Government and the City of Munich.

All processes and methods – encompassing the development, manufacture and servicing of engines – are subject to strict environmental protection criteria. Key points for production are the conservation of resources through the re-use of parts, for instance the repair and renewed use of engine parts after the completion of repairs. Thanks to new methods and processes around 70 % of all engine blades are given a new lease of life for a third, fourth and fifth time. The saving of resources by reducing the amount of raw materials and energy consumed as well as the direct recycling of materials are standard practices at MTU, exemplified by separate collection procedures and the recycling of high-grade cuttings.

The following diagram shows material recycling ratios achieved in the MTU recycling process:



Recyling brings benefits for the environment and for customers, who no longer have to purchase new parts and thereby save resources and reduce expenditure.

In conjunction with the group's integrated management system, environmental protection activities are reviewed and developed, along with all other activities, as part of a process of continual improvement. Targets are regularly appraised by the Board of Management and the results are published in environmental reports issued by the various locations.
Recertification of environmental management systems with ISO 14001 and EU Regulation (EC) No. 761/2001 was successfully completed in spring 2008. The first-time certification of the group's requirements for a work and safety management system in accordance with OPHSAS 18001 was also successfully concluded. All of these measures underline the importance for MTU of an open and natural dialogue with customers, partners, authorities and neighbours. The workforce is fully informed and trained with regard to environmental issues.

Product technologies

MTU's products make a significant contribution towards clean, quieter air traffic. MTU is therefore focused on new engine concepts and on developing and enhancing MTU components such as compressors and turbines. Using a combination of sophisticated aircraft and turbofan technology, MTU has, for example, been successful in reducing the specific fuel consumption for the Airbus A380 and its GP7000 engines from a current average of 4.3 litres per passenger and 100 km and to 2.9 litres per passenger and 100 km, a 27 % improvement. MTU develops and manufactures the low-pressure turbine for the GP7000. With the aid of this key component, efficiency levels of over 93 % have been achieved for the first time.
In order to meet future challenges – both in the medium and long-term – MTU has set out its definition for the Claire (Clean Air Engine) technology program. This envisages the introduction of three evolutionary engine concepts aimed at reducing NO_x and CO_2 emissions and lessening noise levels. The first Claire aero engine concept – an engine that features a geared turbofan – will be available to the first users from 2013 onwards. The introduction of a gearbox between the fan and the low-pressure turbine makes it possible to operate a slowly rotating fan together with a fast-moving turbine, which means that both components work under optimal conditions, enabling the use of a far smaller and lighter low-pressure turbine. In the second phase of Claire, the use of a counter-rotating fan – already developed and tested by MTU in the 1980s – will serve to further reduce CO_2 emissions. From the year 2035, MTU plans to include an exhaust heat exchanger in the aircraft engine that reintroduces the remaining energy from exhaust fumes into the gas turbine process. This innovation will make it possible to reduce fuel consumption by 30% in comparison to today's engines. Some of the key components involved in Claire technology program have already proven their basic suitability in various tests.

The further development of MTU components plays a crucial role in achieving further improvement to engines, the aim always being to better current benchmarks in terms of efficiency, weight and component utilization. The target is to raise the efficiency of the high-pressure compressors to well over 90 % and to achieve weight reductions of at least 20 %. For the low-pressure turbine, efficiency levels even higher than 93 % and weight reductions of 25 % and more are being targeted. In technological terms, the main focuses are on achieving a continual improvement in 3D aerodynamics, working with sophisticated materials and developing new construction techniques.

The avoidance of environmentally hazardous materials and production and repair processes can make a further significant contribution to reducing the environmental impact of future products. For MTU, this includes the elimination of mercury, cadmium and chromate in materials used for components, compounds and coatings.

4 Risk report

Types of risk

MTU is exposed to economic, market, credit, liquidity, general and individual business risks.

Economic risks

In order to remain successful in the market in the long term, the Board of Management has set up a group-wide risk management system in which all MTU Group entities are integrated. Significant risks which could affect the performance of the MTU Group arise from the US dollar exchange rate risk, the market price of raw materials and general economic conditions. MTU generates most of its revenues with commercial engine and with commercial maintenance business. This market depends heavily on the volume of commercial air traffic, and is subject to cyclical fluctuations which depend on factors such as the general economic situation. Rising energy costs, lost supply sources and delayed supplies represent further areas of potential risk. From today's perspective, current economic conditions do not pose any risks which could affect MTU's going concern status.

Sector risks

MTU counters the specific risks faced in the aviation sector by maintaining and extending its technological lead over its competitors. No significant impairment of the group's net asset, financial and earnings position is expected to occur. Terrorist attacks such as those in New York and Madrid have shown that such incidents can weaken the economy and have a negative effect on air traffic because flight safety is an extremely sensitive issue for the public.

Market risk

In the military engine business, the group is firmly embedded in international cooperative ventures. The customers are national and multinational agencies whose budgets vary sharply with the level of public spending.

The commercial engine market has an oligopolistic structure. MTU sells most of its products under risk- and revenue-sharing arrangements. The lead partners in the consortium determine the prices, conditions and concessions. MTU, as a consortium partner, is bound by these conditions. MTU is involved in the leading engine programs of the major engine manufacturers in the context of these partnerships. The customers of these risk- and revenue-sharing partnerships in the commercial engine and MRO business are airlines. Various types of concessions to customers are common practice in the marketing of commercial production engines. MTU is obliged to absorb these concessions to the extent of its program share in risk- and revenue-sharing agreements.

In the spare parts business for commercial maintenance, new competition has emerged from companies which manufacture parts under the FAA's system of Parts Manufacturer Approval (PMA) and sell them at lower prices than the original engine manufacturers. MTU shields itself against this competition primarily by developing advanced technologies. In the commercial MRO business, MTU faces new competition from Designated Engineering Representatives (DER). These FAA-approved independent experts develop repair techniques for engine parts. MTU is confident that DER repairs will only reach a small segment of the market. More than half of the commercial MRO business volume is based on medium-term and long-term agreements, thus mitigating the risk of price drops.

From today's perspective, no market risks are apparent which could affect MTU's going concern status.

Exchange rate and financing risks

Limiting risks of this nature is one of the key tasks of MTU. Exchange rate risks can arise as a result of the group's international activities. These risks can be managed and hedged by suitable hedging instruments as part of the group's currency strategy. Permissible hedging instruments are stipulated in the group's currency guidelines. Currency-related risks are considered to be small. External borrowings have been hedged on a long-term basis by the issue of a convertible bond which matures up to the end of January 2012. In addition, further liquid funds are available to the group in the form of an RCF overdraft facility. The group's exchange rate risks are manageable. From today's prospective, financing risks are considered to be small.

Procurement and suppler risks

For some raw materials, individual parts and components and for the provision of specific services, MTU is dependent on suppliers and third-party vendors. This could give rise to loss of supplier sources, quality problems and price increases. These risks are manageable due to the group's broad-based supplier chain.

Program risk

Besides the general business risks, MTU perceives risks particularly in the TP400-D6 engine program for the new Airbus military transporter A400M. MTU is a member of a consortium comprising four European companies. Each partner assumes responsibility for delays in proportion to its own share in the program. Potential delays in development activities, resulting in delayed certification and thus later delivery of the engines, automatically entail the risk of penalty payments as agreed under the contract. MTU has accounted for this risk by recognising provisions commensurate with the probability of occurrence. A provision of € 45 million has been recognized to cover all potential risks within the development program which MTU may have to face. Any necessary cash outflows would be manageable by drawing down on the RCF overdraft facility. From today's perspective, there are no liability issues which could have an adverse impact on the MTU Group's going concern status.

Interest rate risk

MTU's financial debt carries interest rate risks. The Revolving Credit Facility (RCF) is subject to a market-based variable interest rate. This interest rate might increase due to certain factors, such as an increase in the market interest rate or a deterioration in MTU's financial situation. The group measures the risk at a maximum of € 10 million before tax, but considers that the probability of incurrence is small.

Credit risk
In the commercial engine and commercial maintenance business, airlines are indirect and direct customers of MTU. These carriers may find themselves facing financial difficulties, with the result that they may plan or carry out restructuring measures or mergers, or apply to be placed under bankruptcy protection. Their situation affects the receivables management processes of MTU and its partners. The consortium leaders in the commercial engine and spare parts businesses have extensive receivables management systems in place. In the commercial MRO business, MTU tracks its open accounts receivable in short cycles in cooperation with the sales department. Before a deal is finalized, potential risks are assessed and any necessary precautions are taken. Wherever possible, the company takes advantage of export credit guarantees (Hermes coverage) to protect itself against political and credit risk. As a general principle, the group avoids deals for which it cannot calculate the ultimate outcome. For this reason, MTU considers that these risks are limited and manageable.

Liability risks
In the aviation industry, accidents can never be completely ruled out despite strict compliance with manufacturing quality standards and utmost diligence in performing maintenance work. In the military engine business (excluding exports), MTU is largely exempt from product risk liability through government agency indemnification. The remaining liabilities, especially in the commercial engine business, are covered by comprehensive insurance policies; this includes aircraft liability insurance. Other risks that could threaten the continued existence of the company, such as fire and interruption of business operations, are covered by insurance policies. No insurance cover has been taken out for the risk of terrorist attacks. As a result of the limitation of liability risks and insurance coverage, the risks involved are limited and manageable.

Personnel risks
The aviation industry is characterized by fierce competition for the highly skilled employees needed to develop, manufacture and maintain world-class high-tech products. MTU limits these risks by means of intensive employee training and potential manager programs, appropriate remuneration packages, deputizing arrangements and early succession planning. Liability risks which can be caused by personnel are insured. Risks in this area are therefore considered to be small.

IT risks
Information technology risks include the risk of loss of confidential data due to espionage or system failure. Because of its business with military customers, MTU takes an especially precautionary approach in the way it handles and protects restricted data, operating a highly advanced system for the protection of data and classified information. The introduction of new IT systems is a further occasion where work processes can be interrupted. Particularly in the commercial MRO business, with its complex workflows, the introduction of new IT systems represents a special challenge. MTU keeps such risks to a minimum by employing highly trained experts and a professional project management system. These risks are therefore manageable.

Overall conclusion regarding MTU’s risk situation
There has been no significant change in the overall risk situation since December 31, 2007. It is not considered appropriate to aggregate the main individual risks since it is unlikely that all hypothetical risks will result in losses in parallel. The overall risk of the individual group entities during the third quarter 2008, as measured by the group’s risk management system, remained (with revenues almost unchanged) equivalent to approximately 10 % of total equity. Fluctuations in exchange rates and the global crisis on the financial markets make it impossible at present to predict with any degree of accuracy as to how exchange rates and the economy will develop. Overall, risks are manageable and from today’s perspective, the going concern status of the MTU Group is not threatened. The overall risk situation is not expected to change significantly at the present time.

5 Outlook

General economic environment
The global economy has lost impetus as a result of the US property crisis and the turbulences on the international financial markets.

According to the survey made by the Munich-based ifo Institut, the global economic climate darkened further during the third quarter 2008. The sharp deterioration could be put down largely to a more unfavourable assessment of the current economic situation. Expectations for 2009 were also revised downwards once again. The deterioration of the global economic climate primarily affects North America and Western Europe. As in the previous survey, the most pronounced fall in the economic climate indicator was registered for the USA.

The global financial crisis and the general economic downturn will adversely affect the world's airline companies. Air-traffic volumes will decrease temporarily. That having been said, the order backlogs of the two major aircraft manufacturers, Boeing and Airbus, remain at record levels. The 7,500 firm order backlogs on hand correspond to a workload of between 7 and 8 years. According to the latest estimates, Boeing and Airbus will deliver between 950 and 1,000 aircraft to customers in 2008. This would mean an increase of between 5 % and 10 % compared with 2007.

Business environment of MTU Group
As a risk and revenue sharing partner with the major engine manufacturers, MTU can participate in and benefit from this market potential. In the light of the good capacity utilization and more favourable US dollar exchange rate parities, MTU continues to forecast that it will achieve its expectations for 2008. Due to the fact that the aviation market will continue to grow in the medium to long-term, MTU remains cautiously optimistic with regards to its growth forecasts from 2009 onwards.

Overall statement on the group's performance

Revenues
MTU recorded revenues of € 1,982.9 million for the nine-month period ended September 30, 2008. MTU expects its operating activities to continue to progress well in the fourth quarter. MTU forecasts that fourth-quarter revenues will be at a similar level to the previous year. As a result, MTU forecasts that revenues for the full year 2008 will increase to € 2,650 million. Due to current market uncertainties, it is forecast that there will be no growth or very little growth in the financial year 2009.

Operating profit (EBITDA) and net profit for the period

Based on the expected increase in revenues for the various lines of business, MTU now forecasts an EBITDA of € 400 million – 2.6 % ahead of the previous forecast – and an operating margin of 15.1 %. This forecast is based on the expectation that spare parts business within the commercial engine business will continue to grow and that stable progress will be made with military business. It also forecasts that the earnings performance of the group's MRO business will continue to stabilize.

Based on the assumption that the group's operating targets are achieved, MTU continues to forecast a group net profit of € 180 million for the financial year 2008 (group net profit 2007: € 154.1 million). This corresponds to earnings per share of € 3.50 (2007: € 2.95).

Financial position

Free cash flow for the full year 2008 is forecast to be € 100 million (unchanged). MTU's secure financing structure ensures that the necessary liquidity will be available to fund growth in 2008 and 2009 and that it has sufficient headroom in terms of credit facilities.

Capital expenditure

MTU intends to make further strategic investments during the fourth quarter 2008 in new advanced engine programs and in existing technologies. The volume of these investments will be up to € 50 million. MTU will continue this forward-looking investment strategy in 2009. The focus of investment will be on the development of new technologies and the further development of existing technologies aimed at improving fuel consumption and reducing noise pollution (see section on research and development). The group will also participate in new engine programs in conjunction with its risk and revenue sharing arrangements. With each of these measures, MTU continues to pursue its strategy of increasing business value on a sustainable basis.

Research and development

Research and development activities remain focused on innovative and improved products that can mean changing economic, technical and ecological requirements. From the financial year 2009 onwards, investment in research and development activities will be increased. These investments will be focused on optimizing fuel consumption and reducing CO_2 emissions and noise levels for the engine programs started in 2008.

Legal structure

There are currently no plans to change the group's legal structure significantly in the future. From 2009 onwards, synergy benefits should start to come through from the newly founded MTU Polska GmbH, Poland. This company is currently still in the initial build-up phase. It is planned that the company will be consolidated for the first time with effect from the beginning of the 2009 financial year.

Employees

The number of employees will increase moderately during the fourth quarter 2008 to take account of capacity requirements. In addition to the recruitment of new staff by MTU Polska GmbH, Poland, some employees from MTU Aero Engines GmbH, Munich, will be seconded to that company with a view to generating synergy benefits. For the full year, the workforce is expected to increase by approximately 3 % at the group's fully consolidated entities compared with the employees as at December 31, 2007.

6 Significant transactions with related parties (entities and individuals)

MTU Group companies did not enter into any 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.

7 Subsequent events

Events after the end of the reporting period (September 30, 2008)

After the end of the reporting period on September 30, 2008, but before the date of authorization for issue of this interim report on October 20, 2008, MTU Aero Engines Holding AG bought back convertible bonds with a nominal value of € 24 million at the current market price. This is expected to give rise to a low single-digit million gain which will be presented in the financial result.

The Company bought back a further 125,000 treasury shares at a total acquisition cost of € 2.0 million and an average cost per share of € 16.06 during the period from October 1, 2008 to October 16, 2008 in conjunction with the authorization given at the Annual General Meeting (see section 21.4 for further information regarding the authorization). Apart from the matters reported there, no significant events have occurred since the end of the interim financial reporting period.

Consolidated Income Statement

in € million	(Notes)	**Jan. 1 to Sept. 30, 2008**	Jan. 1 to Sept. 30, 2007	**Q 3 2008**	Q 3 2007
Revenues		1,982.9	1,886.8	726.8	626.2
Cost of sales	(6)	-1,642.5	-1,575.2	-606.3	-518.2
Gross profit		**340.4**	311.6	**120.5**	108.0
Research and development expenses	(7)	-57.5	-55.1	-22.9	-21.7
Selling expenses	(8)	-52.3	-51.7	-18.2	-18.3
General administrative expenses	(9)	-30.8	-40.4	-9.5	-13.7
Other operating income and expenses		2.9	0.9	0.4	-2.7
Earnings before interest and tax		**202.7**	165.3	**70.3**	51.6
Interest result	(10)	-8.8	-27.6	-3.7	-2.5
thereof: interest income		5.0	5.3	0.7	1.9
thereof: interest expenses		-13.8	-32.9	-4.4	-4.4
Result from equity accounted investments	(11)		-0.6	-0.1	
Financial result on other items	(12)	-17.4	-21.3	-10.5	-7.6
Financial result		**-26.2**	-49.5	**-14.3**	-10.1
Earnings before tax		**176.5**	115.8	**56.0**	41.5
Income taxes	(13)	-57.9	1.2	-17.8	30.5
Net profit		**118.6**	117.0	**38.2**	72.0
Earnings per share in €					
Basic	(14)	2.39	2.22	0.78	1.37
Diluted	(14)	2.31	2.12	0.75	1.30

Consolidated Balance Sheet - Assets

in € million	(Notes)	Sept. 30, 2008	Dec. 31, 2007
Non-current assets			
Intangible assets	(15)	1,168.5	1,135.0
Property, plant and equipment	(16)	513.7	539.7
Financial assets	(17)	35.3	14.7
thereof: equity investments in joint ventures		8.9	8.9
thereof: investments in associated companies		0.4	0.4
thereof: other investments		26.0	5.4
Other assets	(20)	6.8	6.2
Deferred tax assets		0.8	0.7
		1,725.1	1,696.3
Current Assets			
Inventories	(18)	655.8	587.8
Trade and contract production receivables	(19)	640.7	670.3
Other assets	(20)	29.9	58.8
Cash and cash equivalents		84.0	67.3
Prepayments		3.9	5.0
		1,414.3	1,389.2
Total assets		**3,139.4**	3,085.5

Consolidated Balance Sheet - Equity and Liabilities

in € million	(Notes)	Sept. 30, 2008	Dec. 31, 2007
Equity	(21)		
Subscribed capital		52.0	55.0
Capital reserves		355.7	460.0
Revenue reserves		264.2	191.9
Treasury shares		-97.8	-156.3
Other comprehensive income		-5.6	11.4
		568.5	562.0
Non-current liabilities			
Pension provisions		375.5	359.5
Other provisions	(22)	224.8	255.3
Financial liabilities	(23)	74.5	66.8
Other liabilities	(24)	282.0	224.8
Deferred tax liabilities	(25)	253.4	269.8
		1,210.2	1,176.2
Current liabilities			
Pension provisions		16.9	17.1
Other provisions	(22)	298.4	282.0
Financial liabilities	(23)	260.2	259.7
Trade payables		440.2	462.9
Other liabilities	(24)	345.0	325.6
		1,360.7	1,347.3
Total equity and liabilities		**3,139.4**	3,085.5

Consolidated Statement of Changes in Equity

in € million	Sub-scribed capital	Capital reserves	Revenue reserves	Treasury shares	Other comprehensive income: Translation differences	Other comprehensive income: Derivative financial intruments	Other comprehensive income: Subtotal	Total
Balance at January 1, 2007	55.0	455.7	81.4	-42.7	-2.6	15.5	12.9	562.3
Financial instruments (forward foreign exchange contracts)						3.4	3.4	3.4
Translation differences					-2.7		-2.7	-2.7
= Income and expense recognized directly in equity					-2.7	3.4	0.7	0.7
Net profit			117.0					117.0
= Total income and expense for the period			117.0		-2.7	3.4	0.7	117.7
Equity portion of convertible bond		11.9						11.9
Transaction costs (net of tax)		-2.0						-2.0
Dividend payment			-43.6					-43.6
Purchase of treasury shares				-84.5				-84.5
Matching Stock Program (MSP)		-5.5						-5.5
Balance at September 30, 2007	55.0	460.1	154.8	-127.2	-5.3	18.9	13.6	556.3
Balance at January 1, 2008	55.0	460.0	191.9	-156.3	-6.2	17.6	11.4	562.0
Financial instruments (forward foreign exchange contracts)						-21.7	-21.7	-21.7
Translation differences					4.7		4.7	4.7
= Income and expense recognized directly in equity					4.7	-21.7	-17.0	-17.0
Net profit			118.6					118.6
= Total income and expense for the period			118.6		4.7	-21.7	-17.0	101.6
Purchase of treasury shares				-54.1				-54.1
Cancellation of shares/share capital decrease	-3.0	-101.4		104.4				
Employee Stock Program (MAP)		-3.3		8.2				4.9
Dividend payment			-46.3					-46.3
Matching Stock Program (MSP)		0.4						0.4
Balance at September 30, 2008	52.0	355.7	264.2	-97.8	-1.5	-4.1	-5.6	568.5

Consolidated Cash Flow Statement

in € million	**Jan. 1 to Sept. 30, 2008**	Jan. 1 to Sept. 30, 2007	**Q 3 2008**	Q 3 2007
Net profit	**118.6**	117.0	**38.2**	72.0
Amortization of intangible assets and depreciation of property, plant and equipment	93.1	115.5	31.0	48.2
Profit/loss of companies accounted for at cost	-0.4	-0.4	-0.4	-0.4
Profit/loss of companies accounted for using the equity method		0.6	0.1	
Profit/loss on disposal of fixed assets	0.1	-0.1	-0.2	
Increase/decrease in pension provisions	15.8	15.6	4.8	4.8
Increase/decrease in other provisions	-36.0	-0.6	-17.3	27.3
Other non-cash items	12.1	-3.3	17.1	0.2
Movements in working capital *)	27.8	-56.3	40.9	-51.7
Interest income and expense	8.8	27.6	3.7	2.5
Income tax expense/refunds	57.9	-1.2	17.8	-30.5
Income tax paid/received	-48.6	-7.7	-25.3	-11.0
Dividends received	0.4	0.7	0.4	0.4
Cash generated from operations	**249.6**	207.4	**110.8**	61.8
Interest paid	-12.1	-30.9	-2.2	-2.4
Interest received	5.0	5.3	0.7	1.9
Cash flow from operating activities	**242.5**	181.8	**109.3**	61.3
Payments for investments in				
Intangible assets	-47.9	-8.0	-46.2	-0.9
Property, plant and equipment	-49.7	-47.6	-16.0	-15.4
Financial assets	-20.6	-5.3		-5.3
Proceeds from disposals of				
Property, plant and equipment	0.2	0.8	0.2	0.4
Cash flow from investing activities	**-118.0**	-60.1	**-62.0**	-21.2
Free cash flow	**124.5**	121.7	**47.3**	40.1
Proceeds from the issue of a convertible bond **)		176.7		
Other payments	-3.3	-0.2		
Dividends paid	-46.3	-43.6		
Increase in/repayment of non-current financial liabilities	-4.3	-169.1	2.5	1.1
Purchase of treasury shares ***)	-45.9	-84.5	-9.3	-69.7
Increase in/repayment of current financial liabilities	-9.4	-1.2	-30.4	49.2
Cash flow from financing activities	**-109.2**	-121.9	**-37.2**	-19.4
Exchange rate	1.4	-0.8	0.7	-0.3
Change in cash and cash equivalents	**16.7**	-1.0	**10.8**	20.4
Cash and cash equivalents at January 1/July 1	67.3	102.2	73.2	80.8
Cash and cash equivalents at September 30	84.0	101.2	84.0	101.2
Revolving credit facility (see section 23)	-60.5	-73.0	-60.5	-73.0
Net liquidity at September 30	**23.5**	28.2	**23.5**	28.2

*) Sum of increase/decrease in inventories, receivables and liabilities (excl. derivatives)
**) Excluding transaction costs
***) Net of shares issued to employees in conjunction with the Employee Stock Program (MAP) in June 2008

Group's Segment Reporting

Segment information by business segment

The activities of the various segments are described in the consolidated financial statements of MTU Aero Engines Holding AG at December 31, 2007. Segment information for the period from January 1 to September 30, 2008, for the third quarter 2008 and for the corresponding prior year periods is as follows:

Primary segment information 2008

in € million	Commercial and military engine business (OEM) Jan. 1 to Sept. 30, 2008	Q 3 2008	Commercial maintenance (MRO) Jan. 1 to Sept. 30, 2008	Q3 2008	Consolidation/ reconciliation Jan. 1 to Sept. 30, 2008	Q 3 2008	Group Jan. 1 to Sept. 30, 2008	Q 3 2008
Revenues with third parties	**1,184.0**	**433.9**	**798.9**	**292.9**			**1,982.9**	**726.8**
Commercial	829.1	306.2	798.9	292.9			1,628.0	599.1
Military	354.9	127.7					354.9	127.7
Revenues with other segments	**12.3**	**4.3**	**9.0**	**2.0**	**-21.3**	**-6.3**		
Commercial	12.3	4.3	9.0	2.0	-21.3	-6.3		
Military								
Total revenues	**1,196.3**	**438.2**	**807.9**	**294.9**	**-21.3**	**-6.3**	**1,982.9**	**726.8**
Commercial	841.4	310.5	807.9	294.9	-21.3	-6.3	1,628.0	599.1
Military	354.9	127.7					354.9	127.7
Cost of sales	**-920.2**	**-343.2**	**-744.3**	**-269.4**	**22.0**	**6.3**	**-1,642.5**	**-606.3**
Gross Profit	**276.1**	**95.0**	**63.6**	**25.5**	**0.7**		**340.4**	**120.5**
Earnings before interest and tax (EBIT)	**175.9**	**57.2**	**28.9**	**13.4**	**-2.1**	**-0.3**	**202.7**	**70.3**
Depreciation and amortization	**71.8**	**23.7**	**21.3**	**7.3**			**93.1**	**31.0**
Earnings before interest, tax, depreciation and amortization (EBITDA)	**247.7**	**80.9**	**50.2**	**20.7**	**-2.1**	**-0.3**	**295.8**	**101.3**
Earnings before interest, tax, depreciation and amortization (EBITDA adjusted)	**246.9**	**80.1**	**50.2**	**20.7**	**-2.1**	**-0.3**	**295.0**	**100.5**
Interest and other financial result	**-16.7**	**-14.1**	**0.4**	**4.0**	**-9.9**	**-4.1**	**-26.2**	**-14.2**
Result from equity accounted investments				**-0.1**				**-0.1**
Internal allocation	-3.9	-1.0	3.9	1.0				
Earnings before tax (EBT)	**155.3**	**42.1**	**33.2**	**18.3**	**-12.0**	**-4.4**	**176.5**	**56.0**
Investments in intangible assets and property, plant and equipment	**76.3**	**59.0**	**21.3**	**3.2**			**97.6**	**62.2**
Segment assets	**2,892.1**		**851.7**		**-604.4**		**3,139.4**	
- thereof: goodwill	296.3		96.4				392.7	
- thereof: equity accounted investments			4.6				4.6	
Segment liabilities	**2,036.4**		**449.8**		**84.7**		**2,570.9**	
Significant non-cash expenses	**48.0**	**21.0**	**3.3**					
Employees, quarter average	**4,663**		**2,564**				**7,227**	
Industrial staff	1,842		1,376				**3,218**	
Administrative staff	2,435		751				**3,186**	
Employees on temporary contracts	118		235				**353**	
Trainees	128		145				**273**	
Students on work experience projects	140		57				**197**	
Key segment data:								
Gross profit in %	23.1	21.7	7.9	8.6			17.2	16.6
EBIT in %	14.7	13.1	3.6	4.5			10.2	9.7
EBITDA adjusted in %	20.6	18.3	6.2	7.0			14.9	13.8

Primary segment information 2007

in € million	Commercial and military engine business (OEM) Jan. 1 to Sept. 30, 2007	Commercial and military engine business (OEM) Q 3 2007	Commercial maintenance (MRO) Jan. 1 to Sept. 30, 2007	Commercial maintenance (MRO) Q3 2007	Consolidation/ reconciliation Jan. 1 to Sept. 30, 2007	Consolidation/ reconciliation Q 3 2007	Group Jan. 1 to Sept. 30, 2007	Group Q 3 2007
Revenues with third parties	**1,140.2**	**380.3**	**746.6**	**245.9**			**1,886.8**	**626.2**
Commercial	797.9	261.3	746.6	245.9			1,544.5	507.2
Military	342.3	119.0					342.3	119.0
Revenues with other segments	**13.6**	**5.3**	**6.6**	**2.0**	**-20.2**	**-7.3**		
Commercial	13.6	5.3	6.6	2.0	-20.2	-7.3		
Military								
Total revenues	**1,153.8**	**385.6**	**753.2**	**247.9**	**-20.2**	**-7.3**	**1,886.8**	**626.2**
Commercial	811.5	266.6	753.2	247.9	-20.2	-7.3	1,544.5	507.2
Military	342.3	119.0					342.3	119.0
Cost of sales	**-917.0**	**-289.8**	**-685.0**	**-237.1**	**26.8**	**8.7**	**-1,575.2**	**-518.2**
Gross Profit	**236.8**	**95.8**	**68.2**	**10.8**	**6.6**	**1.4**	**311.6**	**108.0**
Earnings before interest and tax (EBIT)	**134.5**	**59.3**	**30.8**	**-7.5**		**-0.2**	**165.3**	**51.6**
Depreciation and amortization	**76.0**	**25.4**	**39.5**	**22.8**			**115.5**	**48.2**
Earnings before interest, tax, depreciation and amortization (EBITDA)	**210.5**	**84.7**	**70.3**	**15.3**		**-0.2**	**280.8**	**99.8**
Earnings before interest, tax, depreciation and amortization (EBITDA adjusted)	**210.5**	**84.7**	**70.3**	**15.3**		**-0.2**	**280.8**	**99.8**
Interest and other financial result	**-36.9**	**-5.1**	**-4.5**	**-2.1**	**-7.5**	**-2.9**	**-48.9**	**-10.1**
Result from equity accounted investments			**-0.6**				**-0.6**	
Internal allocation	-4.7	-1.5	4.7	1.5				
Earnings before tax (EBT)	**92.9**	**52.7**	**30.4**	**-8.1**	**-7.5**	**-3.1**	**115.8**	**41.5**
Investments in intangible assets and property, plant and equipment	**29.8**	**7.3**	**25.8**	**9.0**			**55.6**	**16.3**
Segment assets	**2,733.1**		**894.8**		**-531.0**		**3,096.9**	
- thereof: goodwill	296.3		95.5				391.8	
- thereof: equity accounted investments			6.3				6.3	
Segment liabilities	**1,916.4**		**522.1**		**102.1**		**2,540.6**	
Significant non-cash expenses	**34.0**	**12.7**	**4.4**	**2.7**				
Employees, quarter average	**4,657**		**2,420**				**7,077**	
Industrial staff	1,842		1,301				3,143	
Administrative staff	2,502		671				3,173	
Employees on temporary contracts	53		279				332	
Trainees	126		120				246	
Students on work experience projects	134		49				183	
Key segment data:								
Gross profit in %	20.5	24.8	9.1	4.4			16.5	17.2
EBIT in %	11.7	15.4	4.1	-3.0			8.8	8.2
EBITDA adjusted in %	18.2	22.0	9.3	6.2			14.9	15.9

Segment information by region

Secondary segment information	Revenues		Capital expenditure		Assets
	Jan. 1 to	Q 3	Jan. 1 to	Q 3	
in € million	Sept. 30, 2008	2008	Sept. 30, 2008	2008	Sept. 30, 2008
Germany	365.2	116.0	96.1	61.9	2,804.2
Europe	242.7	76.1			185.5
North America	1,090.3	423.0	1.3	0.3	53.9
South America	53.9	26.1			
Africa	5.1	4.1			
Asia	208.4	76.9	0.2		91.2
Australia/Oceania	17.3	4.6			
Financial assets accounted for at equity					4.6
	1,982.9	**726.8**	**97.6**	**62.2**	**3,139.4**

Segment information by region

Secondary segment information	Revenues		Capital expenditure		Assets
	Jan. 1 to	Q 3	Jan. 1 to	Q 3	
in € million	Sept. 30, 2007	2007	Sept. 30, 2007	2007	Dec. 31, 2007
Germany	377.3	130.4	54.2	15.6	2,760.7
Europe	172.9	55.0			186.5
North America	1,025.9	338.1	1.2	0.6	49.7
South America	49.2	15.5			
Africa	10.5	1.3			
Asia	230.5	73.1	0.2	0.1	84.0
Australia/Oceania	20.5	12.8			
Financial assets accounted for at equity					4.6
	1,886.8	**626.2**	**55.6**	**16.3**	**3,085.5**

Notes to the Consolidated Financial Statements

Selected explanatory disclosures

1 General disclosures

MTU Aero Engines Holding AG and its subsidiary companies (hereafter referred to as “Group” or “Group Companies“) comprise one of the world’s leading manufacturers of engine modules and components, and the world’s leading independent provider of commercial engine MRO services.

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

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

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

2 Financial reporting

In compliance with the provisions of § 37x (3) of the German Securities Trading Act (WpHG) in conjunction with § 37w (2) no. 1 and 2, (3) and (4) WpHG, MTU’s the quarterly financial report comprises interim consolidated financial statements, an interim group management report and a responsibility statement from the company’s legal representatives pursuant to § 297 (2) sentence 4, § 315 (1) sentence 6 of the German Commercial Code (HGB). The 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 Securities Trading Act.

3 Statement of Compliance

The interim consolidated financial statements as at September 30, 2008 have been drawn up in compliance with IAS 34. As permitted by IAS 34, MTU has elected to provide condensed information in its interim consolidated financial statements compared with the consolidated financial statements as at December 31, 2007. The same accounting policies have been applied as in the consolidated financial statements for the financial year 2007.

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

From the perspective of management, the quarterly financial report contains all customary accounting adjustments necessary for a fair presentation of the operating results, financial situation and net assets of the group. Reference is made to the notes to the consolidated financial statements as at December 31, 2007 for further information regarding the basis of preparation and accounting policies used.

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

4 Restatement of previously reported interim periods

The line items “interest income”, “interest expenses”, “income tax income”, “income tax expense”, “income tax paid” and “income tax received” were all disclosed separately in the notes to the consolidated financial statements for the financial year 2007 as part of the operating cash flow. The line items “interest paid” and “interest received” therefore represent reconciling items between operating cash flow and cash flow from operating activities. The figures presented for the period from January 1 to September 30, 2007 have been restated for comparison purposes.

Administrative processes have been reorganized as part of the Impact 06 project, resulting in small changes in the way that costs are allocated to the selling and administrative functions. These changes did not have any impact on the result or on key figures reported. For comparability reasons, the previous year’s cost categories within the selling and administrative functions have been restated in accordance with IAS 34.43.

In order to improve the overall value of the information in the financial statements – in particular in view of the rules contained in IFRS 7 which are applicable from 2007 onwards – the financial result has been sub-divided from the financial year 2007 onwards into the interest result, the result from investments accounted for using the equity method and financial result on other items. The previous year’s figures have been restated for comparability reasons, applying the same accounting policies as in the consolidated financial statements for the financial year 2007 and without any impact on results.

5 Consolidated companies

In total, six German and five foreign subsidiaries are included in the consolidated financial statements of MTU Aero Engines Holding AG. Pratt & Whitney Canada Customer Service Centre Europe GmbH, Ludwigsfelde, is consolidated at equity, and MTU Maintenance Zhuhai Co. Ltd., Zhuhai, China, is consolidated proportionately. Two subsidiaries are not consolidated on the grounds of immateriality.

Notes to the consolidated income statement

6 Cost of sales

Cost of sales

in € million	Jan. 1 to Sept. 30, 2008	Jan. 1 to Sept. 30, 2007	Q 3 2008	Q 3 2007
Cost of materials	-1,298.9	-1,199.1	-493.3	-401.9
Personnel expenses	-279.9	-281.7	-92.7	-92.3
Depreciation and amortization	-85.2	-106.5	-28.4	-44.4
Other cost of sales *)	21.5	12.1	8.1	20.4
	-1,642.5	-1,575.2	**-606.3**	-518.2

*) Relates mainly to the change in inventories of work in progress.

7 Research and development expenses

Research and development expenses

in € million	Jan. 1 to Sept. 30, 2008	Jan. 1 to Sept. 30, 2007	Q 3 2008	Q 3 2007
Cost of materials	-13.8	-15.4	-7.8	-6.7
Personnel expenses	-41.6	-38.1	-14.7	-14.1
Depreciation and amortization	-4.5	-4.2	-1.5	-1.4
	-59.9	-57.7	**-24.0**	-22.2
Capitalized development costs	2.4	2.6	1.1	0.5
	-57.5	-55.1	**-22.9**	-21.7

8 Selling expenses

Selling expenses

in € million	Jan. 1 to Sept. 30, 2008	Jan. 1 to Sept. 30, 2007	Q 3 2008	Q 3 2007
Cost of materials	-7.1	-7.9	-2.3	-2.9
Personnel expenses	-34.4	-32.7	-11.8	-11.0
Depreciation and amortization	-1.8	-2.6	-0.6	-1.3
Other selling expenses	-9.0	-8.5	-3.5	-3.1
	-52.3	-51.7	**-18.2**	-18.3

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

9 General administrative expenses

General administrative expenses

in € million	Jan. 1 to Sept. 30, 2008	Jan. 1 to Sept. 30, 2007	Q 3 2008	Q 3 2007
Cost of materials	-3.3	-7.3	-1.0	-2.6
Personnel expenses	-19.7	-22.7	-6.5	-7.9
Depreciation and amortization	-1.6	-2.2	-0.5	-1.1
Other administrative expenses	-6.2	-8.2	-1.5	-2.1
	-30.8	-40.4	**-9.5**	-13.7

General and administrative expenses relate to expenditure for administrative functions that are not allocated to development, production or selling.

10 Interest result

Interest result in € million	Jan. 1 to Sept. 30, 2008	Jan. 1 to Sept. 30, 2007	Q 3 2008	Q 3 2007
Interest income	5.0	5.3	0.7	1.9
Interest expenses				
Bank interest	-4.0	-2.9	-1.3	-1.2
Loan interest		-2.1		
Convertible bond	-6.6	-5.4	-2.2	-2.0
Expense resulting from early repayment of high yield bond		-19.1		
Finance lease interest expense	-1.7	-1.9	-0.6	-0.6
Interest expense attributable to non-consolidated companies	-0.5	-0.2	-0.2	
Other interest expenses	-1.0	-1.3	-0.1	-0.6
	-13.8	-32.9	-4.4	-4.4
	-8.8	-27.6	-3.7	-2.5

The improvement for the nine-month period 2008 is attributable to the fee (€ 19.1 million) incurred in the previous year on early repayment of the High Yield Bond.

11 Result from equity accounted investments

Result from equity accounted investments in € million	Jan. 1 to Sept. 30, 2008	Jan. 1 to Sept. 30, 2007	Q 3 2008	Q 3 2007
Result from equity accounted investments	0.0	-0.6	-0.1	0.0
	0.0	-0.6	-0.1	0.0

The result from equity accounted investments includes the profit resulting from the joint arrangement Pratt & Whitney Canada Customer Centre Europe GmbH, Ludwigsfelde, amounting to 0.0 million (January-September 2007: loss of € 0.6 million).

12 Other financial result

Other finanial result in € million	Jan. 1 to Sept. 30, 2008	Jan. 1 to Sept. 30, 2007	Q 3 2008	Q 3 2007
Result from investments				
Result from associated companies	0.4	0.4	0.4	0.4
	0.4	0.4	0.4	0.4
Effects of changes of foreign exchange rates				
Exchange rate gains/losses on currency holdings	3.6	-9.4	8.1	-6.2
Exchange rate gains/losses on financing transactions	1.9	1.1	0.2	0.4
Exchange rate gains/losses on finance leases	-0.4	1.4	-1.5	0.9
Fair value gains/losses on derivatives				
Gains/losses on currency derivatives and interest rate derivatives	1.2	5.2	-7.0	4.7
Losses on forward commodity sales contracts	-7.0	-5.5	-4.6	-2.5
Results from other financial instruments	1.2	0.1	1.7	-0.3
Interest portion included in measurement of receivables, provisions, liabilities and advance payments from customers	-18.3	-14.6	-7.8	-5.0
	-17.8	-21.7	-10.9	-8.0
	-17.4	-21.3	-10.5	-7.6

The improvement in the net financial result for the nine-month period from January to September 2008 was mainly attributable to exchange rate gains on currency holdings.

13 Income taxes

Income tax expense comprises the following:

Income taxes

in € million	Jan. 1 to Sept. 30, 2008	Jan. 1 to Sept. 30, 2007	Q 3 2008	Q 3 2007
Current tax expense	-63.8	-51.2	-17.5	-21.0
Deferred tax expense	5.9	52.4	-0.3	51.5
	-57.9	1.2	**-17.8**	30.5

14 Earnings per share

Potential ordinary shares that can be issued in conjunction with the convertible bond issued on February 1, 2007 had a diluting effect on earnings per share for the period from January 1 to September 30, 2008. By contrast, the Matching Stock Program (MSP) set up on June 6, 2005 did not have any diluting effect on earnings per share during the nine-month period under report since the tranches still to be exercised were not "in the money" at the balance sheet date. For the purposes of determining diluted earnings per share, the maximum number of shares that could be exercised in conjunction with conversion rights is added to the weighted average number of ordinary shares in circulation. All shares issued during the period under report are included on a weighted basis. In parallel, group earnings are adjusted by the amount of post-tax interest expense relating to the convertible bond.

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

Basic and diluted earnings per share

		Jan. 1 to Sept. 30, 2008				Jan. 1 to Sept. 30, 2008
		Basic earnings per share	**Financial instruments reconciliation**			**Diluted earnings per share**
			Interest expense convertible bond/ shares	Current and deferred taxes	Matching Stock Program/ shares	
Net profit	in € million	118.6	6.6	-2.2		123.0
Weighted average number of outstanding shares	shares	49,547,882	3,636,364		0	53,184,246
Earnings per share	in €	**2.39**				**2.31**

Basic and diluted earnings per share

		Jan. 1 to Sept. 30, 2007				Jan. 1 to Sept. 30, 2007
		Basic earnings per share	Financial instruments reconciliation			Diluted earnings per share
			Interest expense convertible bond/ shares	Current and deferred taxes	Matching Stock Program/ shares	
Net profit	in € million	117.0	5.4	-2.2		120.2
Weighted average number of outstanding shares	shares	52,768,605	3,636,364		169,527 *)	56,574,496
Earnings per share	in €	**2.22**				**2.12**

*) After repricing (for comments on repricing please refer to the Notes to the Consolidated Financial Statements 2007)

Notes to the consolidated balance sheet

15 Intangible assets

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

Additions to intangible assets during the first nine months of 2008 totalled € 47.9 million (January-September 2007: € 8.0 million). The increase was mainly due to the participation in the GE38 engine development program for the Sikorsky CH53K heavy-duty helicopter during the third quarter (for further details, please refer to the section 2 (Research and development)).

The amortization expense for the nine-month period was € 36.1 million (January-September 2007: € 54.0 million).

16 Property, plant and equipment

Capital expenditure for property, plant and equipment during the first nine months of the year was € 49.7 million (January-September 2007: € 47.6 million). Additions comprised the construction cost of a new testbed for large-sized engines at MTU Maintenance Hannover GmbH, Langenhagen, as well as the purchase of machinery, special tooling and IT hardware. The depreciation expense for the nine-month period amounted to € 57.0 million (January-September 2007: € 61.5 million).

17 Financial assets

In accordance with the shareholders' resolution taken on May 9, 2008, the subscribed capital and capital reserves of the subsidiary MTU Aero Engines Polska, Poland, were increased by € 14,811.32 and € 20.6 million respectively. The relevant payments were made on May 14, 2008.

18 Inventories

Inventories comprise the following:

Inventories in € million	Sept. 30, 2008	Dec. 31, 2007
Raw materials and supplies	289.0	263.9
Work in progress	357.3	314.5
Advance payments	9.5	9.4
	655.8	587.8

The increase in inventories mainly related to work in progress which had not been billed by the balance sheet date.

19 Trade and contract production receivables

Trade and contract production receivables comprise the following:

Trade and contract production receivables in € million	Sept. 30, 2008	Dec. 31, 2007
Trade receivables		
Third parties	415.2	440.8
Associated companies	40.2	54.5
Joint ventures	0.9	3.9
Contract production receivables		
Accounts receivable for production contracts	426.5	367.5
Advance payments received for production contracts	-242.1	-196.4
	640.7	670.3

20 Other assets

Other assets comprise:

Other assets

in € million	Sept. 30, 2008 Current	Sept. 30, 2008 Non-current	Sept. 30, 2008 Total	Dec. 31, 2007 Current	Dec. 31, 2007 Non-current	Dec. 31, 2007 Total
Tax refund claims						
Income taxes	9.4		9.4	2.7		2.7
Other taxes	3.9		3.9	14.3		14.3
Receivables from employees	3.8		3.8	1.1		1.1
Receivables from suppliers	2.5		2.5	3.2		3.2
Fair values of derivatives						
Currency derivatives	2.8	1.7	4.5	24.3	2.1	26.4
Interest rate derivatives					0.2	0.2
Option derivatives	2.7	1.1	3.8	9.2		9.2
Sundry other assets	4.8	4.0	8.8	4.0	3.9	7.9
	29.9	**6.8**	**36.7**	58.8	6.2	65.0

21 Equity

Changes in shareholder's equity are shown on page 29.

21.1 Subscribed capital

Share capital reduction by cancellation of shares

The shareholders passed a resolution at the Annual General Meeting on April 27, 2007, authorizing the Board of Management to cancel – with the approval of the Supervisory Board and without any requirement for a further resolution to be taken at the Annual General Meeting – the bought-back shares either in full or in part. The shares can also be cancelled in a simplified procedure – without a share capital reduction – by reducing the amount of share capital allocated to the remaining shares of the company. The cancellation may be limited to a part of the bought-back shares. If the cancellation is carried out using the simplified procedure, the Board of Management is authorized to amend the number of shares in the company's Articles of Incorporation. In conjunction with their authorization, the Board of Management and the Supervisory Board resolved with effect from March 18, 2008 to cancel 3,000,000 shares and to reduce the company's share capital by € 3.0 million from € 55.0 million to € 52.0 million.

21.2 Capital reserves

Capital reserves include premiums from the issue of shares, the equity component and proportional transaction costs of the convertible bond, and the fair values recorded for the Matching Stock Program. The average acquisition cost for the 3,000,000 cancelled treasury shares was € 104.4 million. Capital reserves were therefore reduced by the relevant premium of € 101.4 million.

Matching Stock Program (MSP)

In order to strengthen its ability to achieve business targets, the Group created the Matching Stock Program (MSP) as a long-term remuneration instrument – with both incentive and risk character – to involve management in the ownership of the company. The MSP entitles qualifying individuals to subscribe to so-called "Phantom Stocks". Participants in MSP must be in a non-terminated service or employment relationship with MTU Aero Engines Holding AG or one of its German subsidiaries at the date of subscription to such shares. The fair value of the Phantom Stocks is recognized on a time-apportioned basis as personnel expense and, at the same time, within equity (capital reserves) until the exercise date (vesting date). The total expense, recognized over the period until the Phantom Stocks are exercised, is determined on the basis of the fair value of the Phantom Stocks granted. The expense during the nine-month period under report was € 0.4 million.

Employee Stock Program (MAP)

The Board of Management of MTU Aero Engines Holding AG (MTU) set up a new Employee Stock Program ("MAP") for group employees in the second quarter 2008 which is to run for two years until June 2010. All tariff and non-tariff group employees working, paid and employed in Germany are entitled to join the scheme. The purchase price for registered shares of MTU Aero Engines Holding AG is based on the lowest price quoted on April 18, 2008 (acquisition date) and was thus € 25.19 per share. Under the terms of the Employee Stock Program MAP, 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 amount received for the match constitutes remuneration which is subject to income tax and social security. Instead of taking the net payment, the MAP participant can also opt to convert the net match amount into MTU shares. In this case, the purchase price is based on the share price of MTU stock as determined by the final auction of the XETRA trading system on the first stock market day after expiry of the vesting period.

Employees acquired 192,959 MTU shares at a price of € 25.19 per share in conjunction with the MAP. The shares issued to employees were measured using the FIFO (first-in-first-out) method. The total cost of the shares was € 8.2 million, with an average cost of € 42.28 per share. Proceeds from the sale of shares to employees amounted to € 4.9 million. Capital reserves were accordingly reduced by the difference of € 3.3 million (January – September 2007: € 0.0 million).

21.3 Revenue reserves

Revenue reserves comprise the post-acquisition and non-distributed earnings of consolidated group companies and the group net profit for the first nine months of 2008 amounting to € 118.6 million (January – September 2007: € 117.0 million) less the dividend payment for the financial year 2007 amounting to € 46.3 million (January – September 2007: € 43.6 million). Revenue reserves increased by € 72.3 million (January – September 2007: € 73.4 million) during the nine-month period under report, primarily as a result of the group net profit for the period.

21.4 Treasury shares

Acquisition of treasury shares based on authorizations given at Annual General Meetings

Shares bought back on the basis of the authorization dated April 27, 2007

At the Annual General Meeting of MTU on April 27, 2007, the shareholders authorized the Board of Management to acquire treasury shares via the stock exchange, up to a maximum of 10 % of the share capital in place at the date of the resolution and to cancel these shares without any further resolution by the Annual General Meeting. The authorization is valid until October 27, 2008. Based on this authorization, by March 18, 2008, the Company has acquired a total of 5,369,663 shares (i.e. 9.8 % of the share capital prior to the capital reduction on March 18, 2008).

Shares bought back on the basis of the authorization dated April 30, 2008

At the Annual General Meeting of MTU on April 30, 2008, the Board of Management was authorized, during the period from May 2, 2008 through to October 30, 2009 and pursuant to § 71 (1) no. 8 of the German Stock Corporation Act (AktG), to acquire treasury shares up to a maximum of 10 % of the company's share capital in place at the date of the resolution. Based on this authorization dated April 30, 2008, the Company acquired a further 1,019,963 treasury shares (2.0 % of the share capital after capital reduction on March 18, 2008) during the period from May 2 to September 30, 2008.

Shares bought back during the period from January 1 to September 30, 2008

During the nine-month period from January 1 to September 30, 2008, the company bought back 2,006,604 treasury shares for use in accordance § 71 (1) no. 8 AktG at a total acquisition cost of € 54.1 million and an average cost per share of € 26.95 via the stock exchange in conjunction with the authorizations dated April 27, 2007 and April 30, 2008.

These shares were acquired in order to enable the Company to issue shares in connection with its contractual conversion commitments arising from the convertible bond and the Matching Stock Program.

Shares issued in conjunction with employee stock programs

Of the 6,389,626 shares bought back by the end of September 2008, 112,612 shares have been issued to the Board of Management and senior management in conjunction with the Matching Stock Program (MSP). A further 192,959 shares were sold to employees in May 2008 in conjunction with the Employee Stock Program MAP at a price of € 25.19 (see section 21.2 Capital reserves).

Share capital reduction by cancellation of shares

On the basis of the resolution taken by the Board of Management and the Supervisory Board on March 18, 2008, to reduce the company's share capital by cancellation of 3,000,000 shares, the number of treasury shares held was decreased to 3,084,055 treasury shares as at September 30, 2008. This corresponds to 5.9 % of the company's share capital. Equity is reduced by the amount of the purchase price attributable to the treasury shares held. Transaction costs incurred in conjunction with the buy-back were recognized directly in equity (net of income taxes). The total acquisition cost attributable to the cancelled treasury shares reduced the carrying amount of treasury shares within equity by € 104.4 million (Previous year: € 0.0 million).

For information regarding the measurement of treasury shares issued to group employees in conjunction with the Employee Stock Program MAP totalling € 8,2 million (Previous year: € 0.0 million), see section 21.2.

The following summary shows share buy-backs, shares issued to employees in conjunction with employee participation models, the number of treasury shares on hand and changes in subscribed capital.

Analysis of changes in shares and subscribed capital

in numbers of shares	Number of shares bought back	Shares issued to employees	Number of treasury shares held	Change in subscribed capital
Subscribed capital				**55,000,000**
Changes:				
Financial year 2006	-1,650,883		-1,650,883	
Financial year 2007				
- Share buy-back	-2,732,139		-2,732,139	
- Matching Stock Program (MSP)/June 2007		112,612	112,612	
Financial year 2008 (Jan. 1 to March 18, 2008)	-986,641		-986,641	
	-5,369,663	112,612	-5,257,051	
Capital reduction by cancellation of shares (on March 18, 2008)			-3,000,000	-3,000,000
Balance at March 18, 2008	**-5,369,663**	**112,612**	**-2,257,051**	**52,000,000**
Financial year 2008 (March 19 - Sept. 30, 2008)				
- Share buy-back (from May 2 to Sept. 30, 2008)	-1,019,963		-1,019,963	
- Employee Stock Program (MAP)/Sept. 2008		192,959	192,959	
Share buy-back/ shares issued to employees				
Treasury shares and subscribed capital	**-6,389,626**	**305,571**	**-3,084,055**	**52,000,000**

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

As a result of the bought-back treasury shares, the issue of shares to group employees in conjunction with the exercise of the first tranche of the Matching Stock Program and the MAP Employee Stock Program as well as the share capital reduction carried out on March 18, 2008 by cancellation of shares, the weighted average number of shares in circulation during the period to September 30, 2008 was 49,547,882 shares (January-September 2007: 52,768,605). At September 30, 2008, a total of 48,915,945 MTU Aero Engines Holding AG shares, each with a par value of € 1, were in issue (December 31, 2007: 51,478,276 shares).

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

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

	2008			2007		
Number of shares	Balance at beginning of month	Buyback Exercise MSP Cancellation MAP	Balance at end of month	Balance at beginning of month	Buyback Exercise MSP	Balance at end of month
Balance at January 1	**50,729,590**	**-4,270,410**		53,349,117	-1,650,883	
January	50,729,590	-337,168	50,392,422	53,349,117		53,349,117
February	50,392,422	-237,796	50,154,626	53,349,117	-73,020	53,276,097
March	50,154,626	-411,677	49,742,949	53,276,097	-101,258	53,174,839
April	49,742,949		49,742,949	53,174,839		53,174,839
May	49,742,949	-227,303	49,515,646	53,174,839	-78,000	53,096,839
June	49,515,646	-322,211	49,193,435	53,096,839	-216,477	52,880,362
June (exercise of MSP/MAP)	49,193,435	192,959	49,386,394	52,880,362	112,612	52,992,974
July	49,386,394	-327,333	49,059,061	52,992,974	-347,246	52,645,728
August	49,059,061	-38,116	49,020,945	52,645,728	-916,992	51,728,736
September	49,020,945	-105,000	48,915,945	51,728,736	-250,460	51,478,276
Share buyback/exercise of MSP*) MAP*)		**-6,084,055**			-3,521,724	
Shares cancelled		**3,000,000**				
Treasury shares (September 30)		**-3,084,055**			-3,521,724	
Weighted average September 30			**49,547,882**			52,768,605

*) including 112,612 shares issued to employees in June 2007 in conjunction with the Matching Stock Program (MSP) (see notes to the consolidated financial statements for 2007) and 192,959 shares issued to group employees in conjunction with the Employee Stock Program (MAP) (see section 21.2)

21.5 Other comprehensive income

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

22 Other provisions

Other provisions comprise primarily personnel-related obligations, pending losses on onerous contracts, warranties and tax obligations. Contingent liabilities are measured in accordance with IFRS 3.48 (b). As in the past, obligations arising from contingent liabilities are measured on the basis of periods of between nine and fifteen years. Provisions for pending losses on onerous contracts relate to risks concerning the order backlog for military engine business and commercial MRO business.

23 Financial liabilities

Obligations of group entities that are subject to interest are reported as financial liabilities. These comprise the following at the relevant reporting dates:

Financial liabilities

in € million	Current: Due within one year Sept. 30, 2008	Current: Due within one year Dec. 31. 2007	Non-Current: Due in more than one and less than 5 years Sept. 30, 2008	Non-Current: Due in more than one and less than 5 years Dec. 31. 2007	Non-Current: Due in more than 5 years Sept. 30, 2008	Non-Current: Due in more than 5 years Dec. 31. 2007	Total Sept. 30, 2008	Total Dec. 31. 2007
Bonds								
Convertible bond	165.7	162.8					165.7	162.8
Interest liability on convertible bond	3.3	4.5					3.3	4.5
Liabilities to banks								
Revolving Credit Facility (RCF)	60.5	69.6					60.5	69.6
Other liabilities to banks	5.7	9.5	17.4	17.0			23.1	26.5
Liabilities to related companies	1.6						1.6	
Other financial liabilities								
Finance lease liabilities	10.2	8.3	14.4	15.6	14.3	17.8	38.9	41.7
Loan from the province of British Columbia to MTU Maintenance Canada			12.5	12.5			12.5	12.5
Derivative financial liabilities	13.2	5.0	15.9	3.9			29.1	8.9
	260.2	259.7	**60.2**	49.0	**14.3**	17.8	**334.7**	326.5

The currency used to finance the Group is the Euro. This relates mainly to loans, a convertible bond issue and bank overdrafts (Revolving Credit Facility). As part of this facility, an overdraft facility of € 250.0 million is in place with a consortium of banks. As part of this credit facility, direct credit agreements for € 40.0 million (ancillary facilities) have been agreed directly with three banks.

As at September 30, 2008, the group has drawn down an amount of € 60.5 million (December 31, 2007: € 69.6 million) out of these bilateral credit facilities totalling € 120.0 million. Of the remaining credit facilities totalling € 189.5 million, a further € 18.4 million (December 31, 2007: € 16.5 million) are being utilized at September 30, 2008 for guarantees. Interest on credit lines actually drawn down is charged on the basis of customary interest reference rates plus a margin. A small commitment fee is paid on credit facilities which are not being utilized.

MTU Aero Engines Finance B.V., Amsterdam, Netherlands, has issued a convertible bond during the financial year 2007 with a total volume of € 180.0 million (divided into 1,800 partial bonds). The security has a par value of € 100,000 per bond and a term to maturity of five years. The bonds can be converted into registered common shares of the company corresponding to a proportionate amount (€ 1 per share) of the company's total share capital. The bonds are entitled to receive profits from the beginning of the financial year in which they are issued and the subscription rights of existing shareholders are excluded.

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

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

24 Other liabilities

Other liabilities comprise the following items:

Other liabilities

in € million	Current: Due within one year Sept. 30, 2008	Current: Due within one year Dec. 31. 2007	Non-Current: Due in more than one and less than 5 years Sept. 30, 2008	Non-Current: Due in more than one and less than 5 years Dec. 31. 2007	Non-Current: Due in more than 5 years Sept. 30, 2008	Non-Current: Due in more than 5 years Dec. 31. 2007	Total Sept. 30, 2008	Total Dec. 31. 2007
Contract production								
Advance payments received for contract production	385.8	333.7	389.3	302.4			775.1	636.1
Accounts receivable for contract production	-112.4	-94.6	-129.7	-101.8			-242.1	-196.4
Taxes payable	7.2	11.2					7.2	11.2
Social security	1.8	2.1					1.8	2.1
Employees	47.4	52.6	1.6	1.3			49.0	53.9
Accrued interest expense			10.1	10.1			10.1	10.1
Sundry other liabilities	15.2	20.6	8.3	10.3	2.4	2.5	25.9	33.4
	345.0	325.6	**279.6**	222.3	**2.4**	2.5	**627.0**	550.4

The increase in advance payments received for contract production relates primarily to the EJ200 engine program for Saudi Arabia.

25 Deferred tax liabilities

Income tax liabilities

in € million	Sept. 30, 2008	Dec. 31., 2007
Deferred tax liabilities	253.4	269.8
	253.4	**269.8**

27 Contingent liabilities and other financial obligations

Contingent liabilities and other financial obligations at September 30, 2008 have not changed compared with the situation at the end of 2007. Information regarding the composition and nature of contingent liabilities and other financial obligations is provided in section 38 of the 2007 consolidated financial statements.

28 Events after the end of the reporting period (September 30, 2008)

After the end of the reporting period on September 30, 2008, but before the date of authorization for issue of this interim report on October 20, 2008, MTU Aero Engines Holding AG bought back convertible bonds with a nominal value of € 24 million at the current market price. This is expected to give rise to a low single-digit million gain which will be presented in the financial result.

The Company bought back a further 125,000 treasury shares at a total acquisition cost of € 2.0 million and an average cost per share of € 16.06 during the period from October 1, 2008 to October 16, 2008 in conjunction with the authorization given at the Annual General Meeting (see section 21.4 for further information regarding the authorization). Apart from the matters reported there, no significant events have occurred since the end of the interim financial reporting period.

29 Responsibility Statement

To the best of our knowledge, and in accordance with the applicable principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the net assets, financial position and results of operation of the MTU 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 for the remaining months of the financial year.

Munich, October 20, 2008

Egon Behle	Dr. Rainer Martens	Dr. Stefan Weingartner	Reiner Winkler
Chairman of the Management Board	**Member of the Management Board Technology**	**Member of the Management Board Commercial Maintenance**	**Member of the Management Board Finance and Human Resources**

Financial Calendar

Teleconference on results to September 30, 2008	**October 23, 2008**

Financial calendar dates for the financial year 2009 will be published shortly on the MTU Aero Engines Holding AG website.

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

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