Quarterly Financial Report
January 1 to March 31, 2014

MTU Aero Engines AG, Munich

Contents

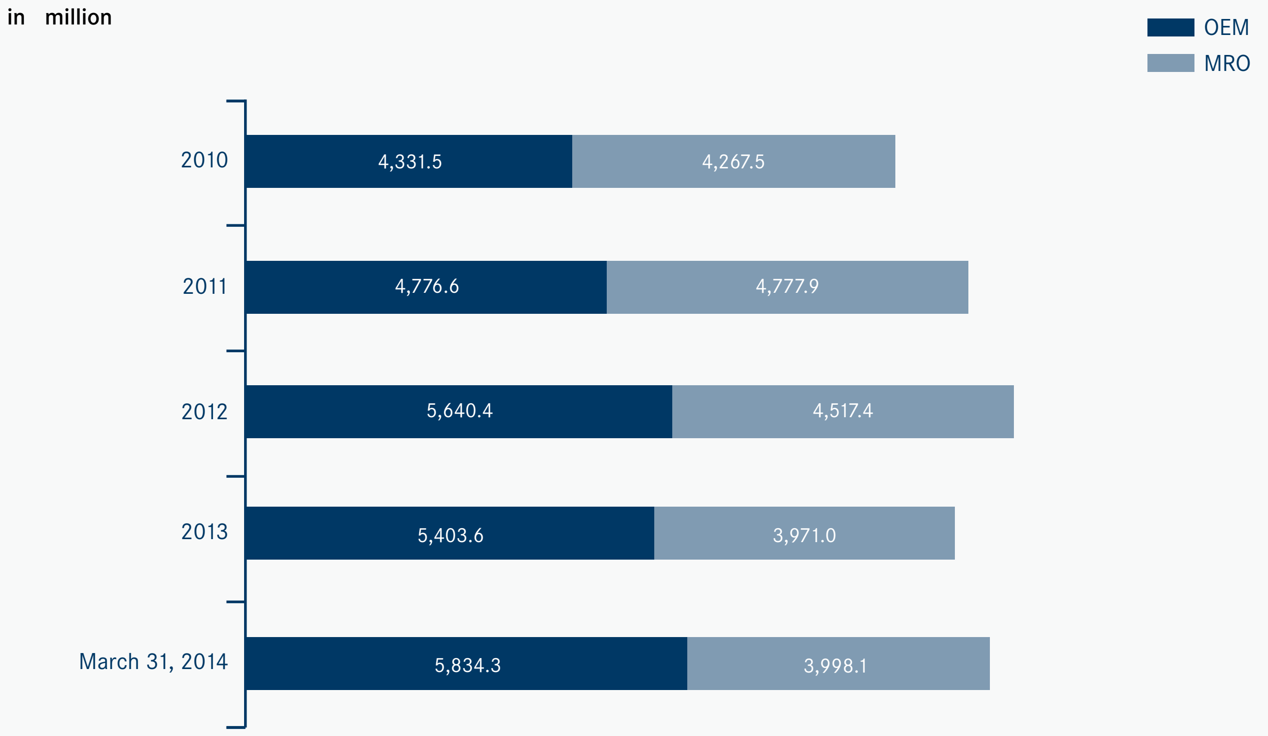
Key Facts and Figures for the Group

in million (unless stated otherwise)	Jan. 1 - March 31, 2014	Jan. 1 - March 31, 2013	Change against previous year in million	in %
Income Statement				
Revenues	913.0	906.0	7.0	0.8
Gross profit	130.1	134.2	-4.1	-3.1
Earnings before interest and tax (EBIT)	77.3	73.8	3.5	4.7
Adjusted earnings before interest and tax (EBIT adjusted)	89.0	88.3	0.7	0.8
Earnings before tax (EBT)	69.3	55.3	14.0	25.3
Earnings after tax (EAT)	46.8	36.8	10.0	27.2
Adjusted earnings after tax (EAT adjusted)	56.0	55.5	0.5	0.9
Undiluted earnings per share (in €)	0.92	0.73	0.19	26.0
Diluted earnings per share (in €)	0.92	0.72	0.20	27.8
Revenue margins in %				
Earnings before interest and tax (EBIT)	8.5	8.1		
Adjusted earnings before interest and tax (EBIT adjusted)	9.7	9.7		
Earnings before tax (EBT)	7.6	6.1		
Earnings after tax (EAT)	5.1	4.1		
Adjusted earnings after tax (EAT adjusted)	6.1	6.1		
Cash flow				
Cash flow from operating activities	36.0	28.3	7.7	27.2
Cash flow from investing activities	-52.4	-49.7	-2.7	-5.4
Free cash flow	1.1	2.1	-1.0	-47.6
Cash flow from financing activities	21.7	2.9	18.8	>100
Change in cash and cash equivalents	5.1	-17.4	22.5	>100

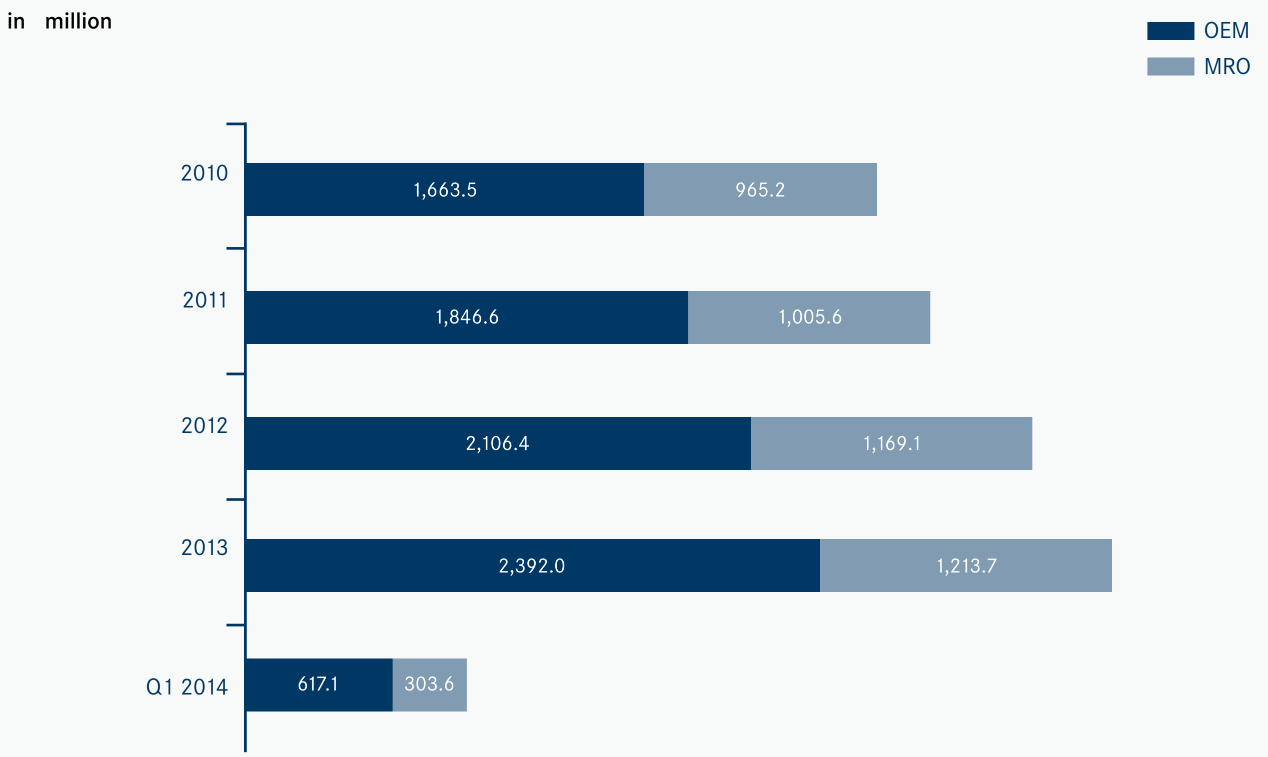
in million (unless stated otherwise)	March 31, 2014	Dec. 31, 2013	Change against previous year in million	in %
Balance Sheet				
Intangible assets	1,837.4	1,820.5	16.9	0.9
Cash and cash equivalents	155.2	150.1	5.1	3.4
Pension provisions	626.6	623.1	3.5	0.6
Equity	1,256.9	1,219.4	37.5	3.1
Net debt	397.2	385.3	11.9	3.1
Order backlog	**9,832.4**	**9,374.6**	**457.8**	**4.9**
Commercial and military engine business (OEM) before consolidation	5,834.3	5,403.6	430.7	8.0
Commercial maintenance business (MRO) before consolidation	3,998.1	3,971.0	27.1	0.7
Number of employees at quarter end	**8,290**	**8,343**	**-53**	**-0.6**
Commercial and military engine business (OEM)	5,205	5,225	-20	-0.4
Commercial maintenance business (MRO)	3,085	3,118	-33	-1.1

The following five-year comparisons are based on adjusted, unaudited figures for the years 2010 to 2013. The nature of the adjustments is explained in the explanatory notes to the consolidated financial statements (IFRS 11, Joint Arrangements).

Order backlog by segments (before consolidation)

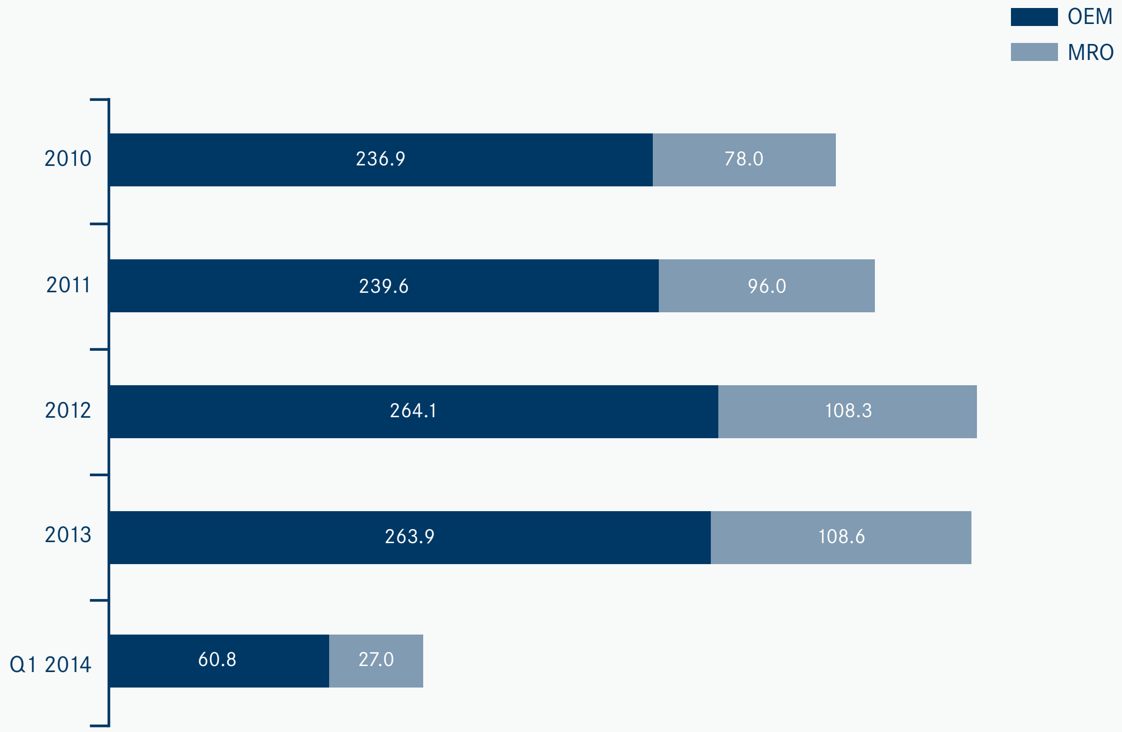


Revenues by segments (before consolidation)



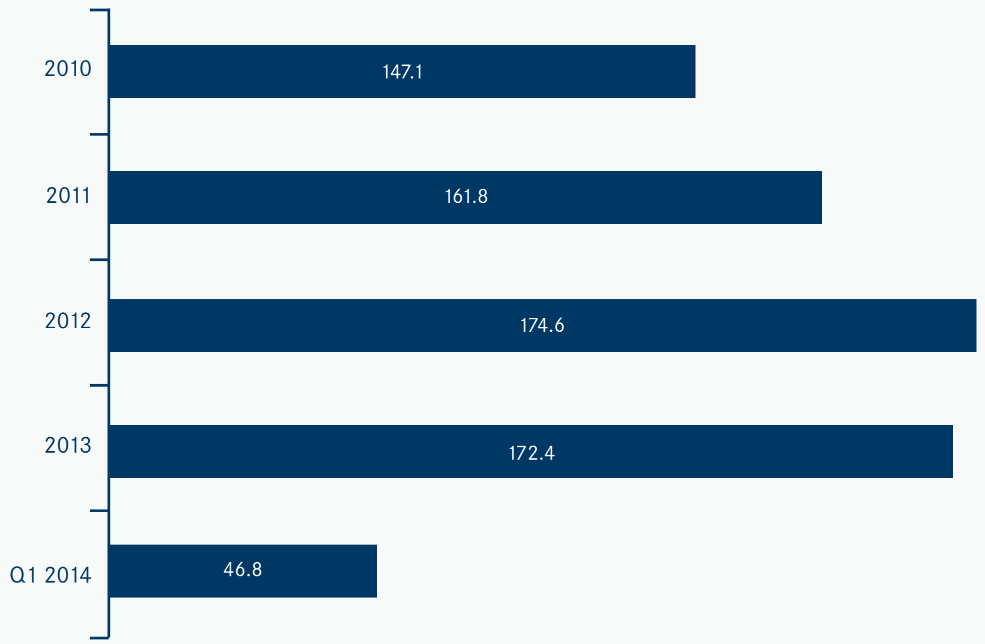
EBIT adjusted by segments (before consolidation)

in million



Earnings after tax

in million



1 The enterprise MTU

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

Research and development

Technological changes within the aviation sector take place at an extremely rapid pace and require a continuous source of innovation. Development activities are currently dominated by work on engines intended for geared turbofan programs.

Commercial geared turbofan programs

Engine	MTU program share	Manufacturer	Aircraft type	Seats	Entry into Service (EIS)
PW1100G	18%	Airbus	A320neo	150 - 200	2015
PW1200G	15%	Mitsubishi	MRJ	70 - 90	2017
PW1400G	18%	Irkut	MS21	150 - 200	2017
PW1500G	17%	Bombardier	CSeries	110 - 150	2015
PW1700G	15%	Embraer	E-Jet E175	80 - 90	2020
PW1900G	17%	Embraer	E-Jet E190/E195	100 - 140	2018/2019

R&D expenditure will remain at a high level during the financial years 2014 and 2015. First-quarter expenditure on research and development totaled € 43.3 million (January - March 2013: € 53.9 million).

Research and development expenditure

	Jan. 1 - March 31, 2014 in million	Jan. 1 - March 31, 2013 in million	Change against previous year in million	in %
Commercial engine business	33.2	40.5	-7.3	-18.0
Commercial maintenance business	0.9	0.9		
Military engine business	9.2	12.5	-3.3	-26.4
Research and development expenditure prior to capitalization	**43.3**	**53.9**	**-10.6**	**-19.7**

R&D expenditure is subdivided into company-funded and externally funded expenditure. Company-funded expenditure is borne by the group, whereas externally funded expenditure is paid for by customers. Company-funded expenditure is reported in the table below and in note 3 (Research and development expenses) of the selected explanatory notes as R&D expense.

R&D expenses of € 43.3 million (January - March 2013: € 53.9 million) included € 33.6 million (January - March 2013: € 40.1 million) relating to company-funded R&D projects. Of this amount, € 32.7 million (January - March 2013: € 39.2 million) related to commercial and military engines business (OEM). The first-quarter expense for commercial maintenance business was € 0.9 million, unchanged from the previous year, and related primarily to new repair techniques.

Company-funded research and development expenditure (P&L)

	Jan. 1 - March 31, 2014 in million	Jan. 1 - March 31, 2013 in million	Change against previous year in million	in %
Commercial engine business	30.4	34.7	-4.3	-12.4
Commercial maintenance business	0.9	0.9		
Military engine business	2.3	4.5	-2.2	-48.9
Company-funded R&D expenditure	**33.6**	**40.1**	**-6.5**	**-16.2**
Expenditure meeting recognition criteria for tangible assets				
Commercial and military engine business	-11.9	-11.2	-0.7	-6.3
Commercial maintenance business		-0.2	0.2	100.0
Research and development costs recognized as expenses	**21.7**	**28.7**	**-7.0**	**-24.4**
Capitalized development costs in %	**35.4**	**28.4**		

Capitalized development costs in the three-month period totaled € 11.9 million (January - March 2013: € 11.4 million), resulting in a capitalization ratio of 35.4 %. Development costs capitalized for the military and commercial engine lines of business related to the GE38, PW1100G, PW1500G, PW1700G, PW1900G and PW800 programs.

2 Report on Economic Position

2.1 Macroeconomic factors

The global economy grew by 2.0 % in 2013, compared with a growth rate of 2.2 % in 2012.

The eurozone, which was still in recession in spring 2013, finally picked up and grew by 0.2 % in the fourth quarter of the year compared to the preceding three-month period (source: Eurostat, April 1, 2014).

Both consumer spending and business investment levels increased in the USA in the fourth quarter of 2013 and contributed to an annualized growth rate of 2.6 % (source: US Bureau of Economic Analysis).

The Chinese economy is entering a phase of moderate and more balanced growth. With third-quarter and full-year growth rates of 7.8 % and 7.7 % respectively in 2013, China continues to make the largest contribution to the global economy (source: EIU, March 2014).

The price for one barrel of Brent Crude was U.S. $ 108 per barrel during the first quarter of 2014, compared with a price of U.S. $ 109 a barrel during the fourth quarter of 2013.

Changes in the value of the U.S. dollar are particularly important for MTU's international business. The U.S. dollar remained stable against the euro during the first quarter, finishing at U.S. $ 1.38 to the euro on March 31, 2014 (December 31, 2013: U.S. $ 1.38 to the euro). The average rate of the U.S. dollar to the euro during the three-month period to March 31, 2014 (U.S. $ 1.37) was higher than in the corresponding period one year earlier (U.S. $ 1.32). Reference is made to section 2.3 (Financial situation) for comments on the impact of changes in exchange rates.

2.2 Macroeconomic factors in the aviation industry

The airlines generated profits of U.S. $ 12.9 billion in 2013 on revenues totaling U.S. $ 708 billion.

Global passenger traffic rose by 8.2 % in January 2014 and by 5.4 % in February. Combined, this corresponds to a growth of 6.9 % in first two months of the year, compared with 5.2 % in 2013 (source: IATA, March 2014).

IATA forecasts a sharp recovery in air freight traffic volumes in 2014. Demand in this sector was up by 3.6 % in both of the first two months of 2014, with a further growth of 4 % predicted for March.

The first signs of recovery were seen in the business jet sector: the number of deliveries in 2013 increased by approximately 3 % to 678 aircraft (source: GAMA, February 2014) and flight movements were also slightly up (source: FAA).

The order backlog of the aircraft manufacturers remains stable. At the end of 2013, 11,235 orders for aircraft in the plus 100-seat category were on hand, compared with 11,325 at the end of March 2014. The aircraft manufacturers are increasing production rates in order to service the rising number of orders.

The two manufacturers between them delivered a record number of aircraft in 2013. During the first three months of 2014, the two manufacturers delivered 295 aircraft, compared to 281 in the same period last year.

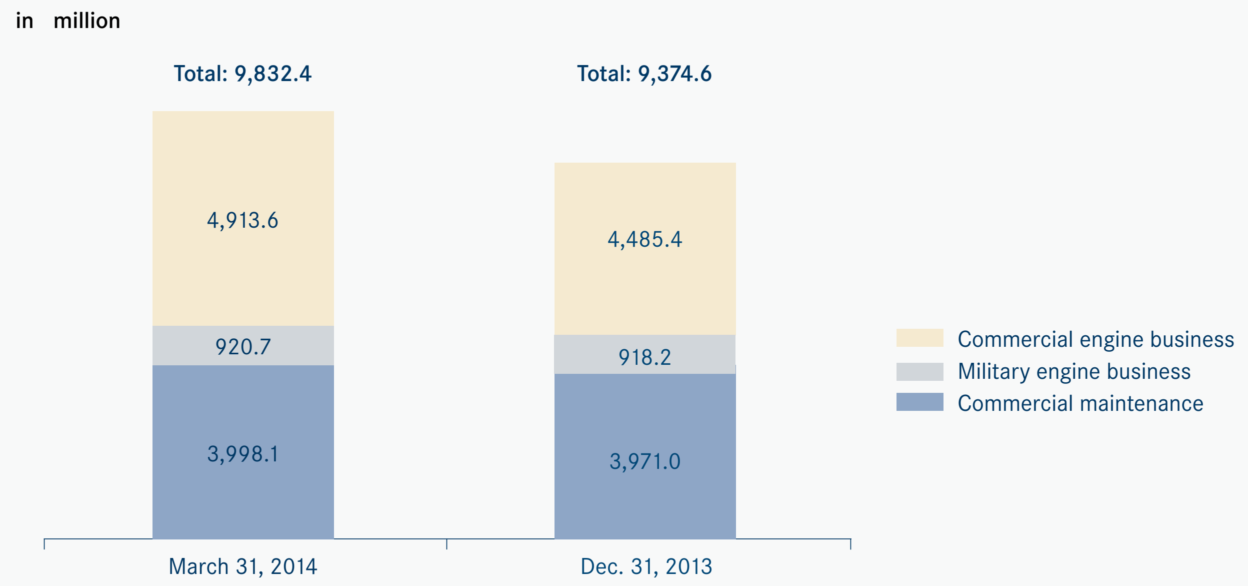
2.3 Financial situation

2.3.1 Operating results

Order backlog

MTU's order backlog consists of firm customer orders that commit the group to delivering products or providing services, plus the contractual value of service agreements.

Order backlog before consolidation



The order backlog for the commercial engine business totaling € 4.9 billion is based on firm orders from customers and measured at list price. The total order backlog at March 31, 2014 amounting to approximately € 10 billion corresponds, arithmetically, to a production workload of approximately three years.

Revenues

Revenues for the first quarter of 2014 went up by € 7.0 million (0.8 %) to € 913.0 million. Within those figures, revenues from commercial and military engine business increased by € 16.5 million (2.7 %) to € 617.1 million. Revenues generated with commercial maintenance business fell by € 9.5 million (3.0 %) to € 303.6 million compared to the previous year. Adjusted for the U.S. dollar impact (i.e. using the same exchange rate as in the previous year), group revenues for the three-month period would have increased by € 37.0 million (4.1 %).

Cost of sales and gross profit

Cost of sales for the first three months of 2014 increased by € 11.1 million (1.4 %) to € 782.9 million. The gross profit fell by € 4.1 million (3.1 %) to € 130.1 million, while the gross profit margin slipped to 14.2 % (January - March 2013: 14.8 %).

Earnings before interest and tax (EBIT)

Earnings before interest and tax for the first three months of 2014 increased by € 3.5 million (4.7 %) to € 77.3 million (January - March 2013: € 73.8 million). First-quarter adjusted earnings before interest and tax improved slightly to € 89.0 million (January - March 2013: € 88.3 million), resulting in an adjusted EBIT margin of 9.7 %, the same as one year earlier.

Financial result

The financial result for the first quarter was a net expense of € 8.0 million (January - March 2013: net expense of € 18.5 million). The improvement of € 10.5 million was attributable in part to the lower negative net interest expense of € 2.5 million (January - March 2013: net interest expense of € 3.3 million) and partly to net fair value gains on currency and interest-rate derivatives totaling € 3.2 million (January - March 2013: net fair value losses of € 5.2 million).

Earnings before tax (EBT)

As a result of higher earnings before interest and tax and the improved financial result, earnings before tax for the three-month period increased by € 14.0 million (25.3 %) to € 69.3 million (January - March 2013: € 55.3 million).

Earnings after tax (EAT)

Earnings after tax rose to € 46.8 million (January - March 2013: € 36.8 million), in line with the increase in earnings before tax. Adjusted earnings before tax amounted to € 56.0 million (January - March 2013: € 55.5 million), an increase of € 0.5 million (0.9 %) compared to the corresponding period last year.

Consolidated Statement of Comprehensive Income

In the Consolidated Statement of Comprehensive Income, earnings after tax of € 46.8 million (January - March 2013: € 36.8 million) are reconciled to the positive comprehensive income for the period of € 37.3 million (January - March 2013: negative comprehensive income of € 3.7 million).

Income and expenses recognized directly in comprehensive income during the first three months of 2014 (net of deferred taxes) comprise mainly net losses of € 5.9 million (January - March 2013: € 37.9 million) arising on the fair value measurement of cash flow hedging instruments. In addition, the currency translation of the financial statements of foreign operations had a net negative impact of € 3.8 million (January - March 2013: € 2.6 million) on comprehensive income for the period. Actuarial gains and losses on pension obligations and plan assets increased comprehensive income by € 0.2 million (January - March 2013: € 0.0 million).

Reconciliation to adjusted key figures

Earnings before interest and tax can be reconciled to adjusted earnings before interest and tax and to adjusted earnings after interest and tax as follows:

Reconciliation to adjusted key performance figures

	Jan. 1 - March 31, 2014 in million	Jan. 1 - March 31, 2013 in million	Change against previous year in million	in %
Earnings before interest and tax (EBIT)	**77.3**	**73.8**	**3.5**	**4.7**
Amortization/depreciation effects of purchase price allocation/V2500 stake increase	11.7	14.5	-2.8	-19.3
Adjusted earnings before interest and tax (EBIT adjusted)	**89.0**	**88.3**	**0.7**	**0.8**
Interest result	-2.5	-3.3	0.8	24.2
Accrued interest for pension provision	-5.3	-5.0	-0.3	-6.0
Adjusted earnings before tax (EBT adjusted)	**81.2**	**80.0**	**1.2**	**1.5**
Income taxes 32.6 %	-25.2	-24.5	-0.7	-2.9
Adjusted earnings after tax (EAT adjusted)	**56.0**	**55.5**	**0.5**	**0.9**

Since the after-tax results of investments accounted for using the equity method are taken into account in earnings before interest and tax, the calculation of income taxes does not include these amounts.

2.3.2 Financial position

The principles and objectives of financial management are described in the Annual Report 2013 (page 65 onwards) and remain unchanged.

The group's external financing comprises mainly loans, credit lines and the issue of promissory notes.

At March 31, 2014, the MTU Group has access to credit facilities of € 400.0 million with five banks. Of these credit facilities, € 13.7 million (December 31, 2013: € 15.2 million) were being utilized at March 31, 2014 for guarantees.

Free cash flow

MTU determines free cash flow by combining cash flows from operating activities and cash flows from investing activities and deducting the components that lie outside the control of operations management. In the first three months of 2014, cash outflows of € 14.6 million for investments in financial assets were allocated to non-direct operating activities (January - March 2013: € 0.0 million). In addition, cash outflows of € 2.9 million relating directly to the new engine programs were also allocated to non-direct operating activities (January - March 2013: € 0.0 million). In the first quarter of the previous year, cash outflows totaling € 23.5 million relating to payables for the V2500 stake increase and to investing activities in conjunction with the PW1100G engine were allocated to non-direct operating activities.

Free cash flow during the first three months of 2014 totaled € 1.1 million (January – March 2013: € 2.1 million).

Financial position

	Jan. 1 - March 31, 2014 in million	Jan. 1 - March 31, 2013 in million	Change against previous year in million	in %
Cash flow from operating activities	36.0	28.3	7.7	27.2
Cash flow from investing activities	-52.4	-49.7	-2.7	-5.4
+ (-) non-operating exceptional items	17.5	23.5	-6.0	-25.5
Free cash flow	**1.1**	**2.1**	**-1.0**	**-47.6**
+ (-) non-operating exceptional items	-17.5	-23.5	6.0	25.5
Cash flow from financing activities	21.7	2.9	18.8	>100
Translation differences	-0.2	1.1	-1.3	<-100
Change in cash and cash equivalents	**5.1**	**-17.4**	**22.5**	**>100**
Cash and cash equivalents at				
the beginning of the reporting period	150.1	154.7	-4.6	-3.0
the end of the reporting period	155.2	137.3	17.9	13.0

Cash flows from operating activities

First-quarter cash flow from operating activities amounted to € 36.0 million (January - March 2013: € 28.3 million).

Cash flow from investing activities

Cash outflows for investing activities for the first three month of 2014 amounted to € 52.4 million compared with € 49.7 million in the previous year. Cash spend on investments in intangible assets totaled € 13.7 million (January - March 2013: € 18.6 million) and related primarily to development costs for the PW1000G-family geared turbofan programs and the PW800 engine program. First-quarter investments in property, plant and equipment increased by € 6.2 million to € 22.8 million (January - March 2013: € 16.6 million). Cash outflows for financial assets amounted to € 16.6 million (January - March 2013: € 15.0 million).

Proceeds from the sale of intangible assets and property, plant and equipment during the first three months of 2014 totaled € 0.7 million (January - March 2013: € 0.5 million).

Cash flow from financing activities

The cash inflow for financing activities during the first quarter was € 21.7 million (January - March 2013: € 2.9 million).

Cash and cash equivalents

The various cash flows resulted in an increase in cash and cash equivalents of € 5.1 million (January - March 2013: decrease of € 17.4 million).

Cash and cash equivalents comprise the following at March 31, 2014:

Cash and cash equivalents

	March 31, 2014 in million	Dec. 31, 2013 in million	Change against previous year in million	in %
Demand deposits and cash	117.6	46.5	71.1	>100
Fixed-term and overnight deposits with an original maturity of three months or less	37.6	103.6	-66.0	-63.7
Cash and cash equivalents	**155.2**	**150.1**	**5.1**	**3.4**

Net financial debt

MTU defines net financial debt as the difference between gross financial liabilities and financial assets which, together, represent a key figure for the group‘s liquidity position. Net financial debt at March 31, 2014 amounted to € 397.2 million (December 31, 2013: € 385.3 million).

Net financial debt

	March 31, 2014 in million	Dec. 31, 2013 in million	Change against previous year in million	 in %
Bonds and notes	355.1	352.3	2.8	0.8
Financial liabilities arising from IAE V2500 stake increase	265.1	270.7	-5.6	-2.1
Financial liabilities to banks				
Promissory notes	12.2	12.0	0.2	1.7
Note Purchase Agreement	30.0		30.0	
Financial liabilities to related parties	6.4	4.8	1.6	33.3
Finance lease liabilities	6.4	6.4		
Other financial liabilities	2.4	3.7	-1.3	-35.1
Gross financial liabilities	**677.6**	**649.9**	**27.7**	**4.3**
less:				
Cash and cash equivalents				
Demand deposits and cash	117.6	46.5	71.1	>100
Fixed-term and overnight deposits with an original maturity of three months or less	37.6	103.6	-66.0	-63.7
Financial assets	125.2	114.5	10.7	9.3
Gross financial assets	**280.4**	**264.6**	**15.8**	**6.0**
Net financial debt	**397.2**	**385.3**	**11.9**	**3.1**

MTU Aero Engines AG issued a registered note („Note Purchase Agreement“) on March 28, 2014 with a total nominal amount of € 30.0 million, due March 27, 2021. The interest rate of the note is variable and corresponds to 6-month Euribor plus a percentage margin. The initial interest rate is 1.72 %. Interest is calculated and paid half-yearly (in March and September).

A detailed description of the bonds and financial liability in connection with the IAE-V2500 stake increase is provided on page 171 of the MTU Aero Engines AG‘s Annual Report 2013.

Financial liabilities to related companies comprise amounts due to MTU Versicherungsvermittlungs- und Wirtschaftsdienst GmbH, Munich (not consolidated on the grounds of immateriality) and to MTU Aero Engines Finance B.V. i.L., Amsterdam (in liquidation).

2.3.3 Net assets

Changes in balance sheet amounts

The balance sheet total at March 31, 2014 amounted to € 4,417.4 million, an increase of € 37.4 million over the end of the previous financial year (December 31, 2013: € 4,380.0 million).

Non-current assets went up by € 16.4 million to € 2,656.5 million (December 31, 2013: € 2,640.1 million), while current assets went up by € 21.0 million to € 1,760.9 million.

A total of € 34.2 million (January - March 2013: € 12.9 million) of intangible assets was capitalized in the first three months of the year. In addition to the program participation in the PW800 amounting to € 21.3 million, intangible asset additions included development costs of € 12.7 million (January - March 2013: € 11.8 million), mainly for the PW1000G-family geared turbofan programs as well as for the GE38 and PW800 engine programs.

During the first three months of 2014, inventories went down by € 31.1 million to € 714.1 million and trade and construction contract receivables by € 7.9 to € 737.6 million. Current financial assets increased by € 15.2 million to € 74.2 million, while other assets were € 15.8 million lower at € 19.1 million. Cash and cash equivalents rose by € 5.1 million to € 155.2 million.

Group equity went up during three-month period by € 37.5 million to stand at € 1,256.9 million at March 31, 2014. Equity was increased by first-quarter earnings after tax of € 46.8 million (January - March 2013: € 36.8 million), by € 0.2 million (January - March 2013: € 0.3 million) in connection with the Share Matching Plan and by € 0.2 million of net actuarial gains arising in conjunction with the measurement of pension liabilities and plan assets. Equity was decreased by € 5.9 million (January – March 2013: € 37.9 million) as a result of fair value measurement losses on cash flow hedges and by € 3.8 million (January – March 2013: € 2.6 million) arising of the currency translation of foreign group companies.

Compared to December 31, 2013, the equity ratio improved by 0.7 percentage points from 27.8 % to 28.5 %.

Pension provisions increased by € 3.5 million during the three-month period, in line with schedule.

Other provisions decreased marginally (by € 4.9 million) to € 180.6 million compared to the end of the previous financial year.

Income tax liabilities take account of advance payments made during the period and decreased in the first quarter 2014 by € 20.0 million to € 18.1 million.

Financial liabilities increased by € 27.7 million to € 677.6 million during the three-month period to March 31, 2014, mainly as a result of the issue of a registered note with a total nominal amount of € 30.0 million with effect from March 28, 2014.

Trade payables stood at € 585.2 million at March 31, 2014 and were therefore € 63.9 million lower than at the end of the previous financial year.

Construction contract payables increased during the first quarter by € 21.3 million to € 538.6 million. Within that figure, advance payments from customers are reported as construction contract payables to the extent that they exceed construction contract receivables.

Other liabilities increased by € 34.7 million to € 328.4 million during the quarter, mainly due to personnel-related liabilities for holiday and Christmas pay entitlements on the one hand and liabilities in connection with the PW800 program participation on the other. The remainder of other liabilities covers a multitude of minor individual obligations.

Employees

At March 31, 2014 the group had a total of 8,290 employees (December 31, 2013: 8,343 employees).

3 Subsequent events

Events after the end of the reporting period (March 31, 2014)

RSZ Beteiligungs- und Verwaltungs GmbH, Munich, and MTU Aero Engines AG, Munich, were merged. The merger was entered in the Commercial Register on April 16, 2014.

There have been no other significant events after the end of the interim reporting period and prior to the date of authorization for issue of the quarterly financial report on April 22, 2014.

4 Report on forecasts, risks and opportunities

In order to take best advantage of market opportunities and to identify and manage related risks, the Board of Management has set up an integrated opportunity and risk management system, which is integrated in the group's value-oriented performance indicators and embedded in its organizational structure. The system is based on the internationally recognized COSO II Enterprise Risk Management (ERM) Framework. It also incorporates the group's internal control system with respect to financial reporting processes pursuant to § 289 (5) and § 315 (2) no. 5 HGB. A detailed description of the main features of the system and the methods used is provided in the Annual Report 2013 (pages 88 to 99).

4.1 Forecasts

Macroeconomic factors

Overall, the outlook for the global economy is positive: the situation in the eurozone has picked up, the recovery of the US economy is progressing as expected and China's government has announced a target growth rate of 7.5 % for 2014 (source: EIU, March 2014). The Crimea crisis caused a degree of turbulence on the stock markets at the beginning of 2014, particularly in Russia. Most experts are of the opinion, however, that the conflict is unlikely to have any longer-term negative impact of the global economy. In its April forecast, the EIU predicted a growth rate of 2.9 % for the global economy in 2014.

The US Energy Information Administration (EIA) expects the price of crude oil to ease further in 2014. For the year as a whole, the EIA predicts an average price for crude oil of U.S. $ 105 a barrel.

Macroeconomic factors in the aviation industry

The net profit of the airlines is expected to rise to U.S. $ 18.7 billion in 2014. According to IATA's March prediction, passenger traffic is also expected to grow by 5.8 % in 2014 (2013: 5.2 %) and freight traffic by 2.1 %.

Airbus and Boeing plan to delivery some 1,340 to 1,350 aircraft between them in 2014, and thus beat the previous year's record number of deliveries by 6 %.

Outlook for MTU

MTU expects revenues from commercial engine and commercial maintenance business to increase in U.S. dollar terms, whereas revenue from military business is expected to decrease. Group revenue in total is expected to rise by around 5 % compared with 2013 (€ 3,574.1 million). Overall, the MTU Group forecasts that adjusted EBIT and adjusted earnings after tax for the financial year 2014 will be at a similar level to the previous year. Free cash flow in 2014 will be influenced by substantial levels of capital expenditure. MTU plans to compensate for these cash outflows through its operating activities and thereby reach a breakeven or even slightly positive free cash flow in 2014. MTU's targets for the financial year 2014 are shown in detail on pages 86 et seq. of the Annual Report 2013.

4.2 Risks

MTU's business operations and relationships with business partner and consortium entities give rise to risks which could have a material impact on the group's earnings performance. Thanks to its integrated risk management system, MTU is able to identify areas of risk at an early stage and pro-actively manage such risks through appropriate action.

The areas of risk to which MTU is exposed have not changed significantly compared to the description provided in the Annual Report 2013. A detailed description of risks is provided on pages 90 to 97 of the Annual Report 2013.

Overall conclusion regarding MTU's risk situation

Overall, the risk profile of the MTU Group has not changed significantly compared to the assessment made as of December 31, 2013. The level of risks is limited and manageable and from today's perspective, the MTU Group's continuing existence as a going concern is not endangered.

4.3 Opportunities

Thanks to its business model, with activities spread over the whole life-cycle of commercial and military engine programs, MTU considers that it is well positioned. Purposeful and forward-looking investments, the increased scope of risk and revenue sharing partnerships as well as maintenance business all give rise to new opportunities to MTU.

The success of the geared turbofan (GTF) engines in which MTU participates is a good example of the potential opportunities generated by MTU's technological expertise. The GTF has been selected as the exclusive engine of all major regional jets developed in recent years (the Embraer E2 E-Jets and the Mitsubishi Regional Jet) as well as for the Bombardier CSeries business jet, and it is also an option for the Airbus A320neo and Irkut MS-21. Through its stakes in the GTF programs, MTU will therefore benefit from growth in the short- and medium-haul air traffic market.

Within its military business, MTU sees opportunities for building on its longstanding relationship as a MRO partner serving the German air force. Moreover, potential exports of the EJ200 Eurofighter engine present opportunities to acquire new customers.

Further opportunities are seen in the successor model to the Boeing 777X, which was presented in November 2013 and which will be exclusively powered by GE9X engines. MTU sees good opportunities for obtaining stakes in this new engine program, as it has done in the past with the GEnx and other similar programs.

Apart from these new developments, MTU considers that the opportunities profile described in the Annual Report 2013 is unchanged. For a comprehensive description of the group's opportunities, reference is made to the Annual Report 2013, page 98 et seq. (Opportunities report) and page 96 (SWOT analysis).

5 Significant transactions with related parties (entities and individuals)

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

Transactions with related entities are conducted on an arm's length basis. Transactions with related parties are disclosed in note 38 (Transactions with related parties) of the selected explanatory notes to the consolidated financial statements.

Consolidated Income Statement

Consolidated Income Statement

	(Note)	Jan. 1 – March 31, 2014 in million	Jan. 1 – March 31, 2013 in million	Change against previous year in million	in %
Revenues	(1)	913.0	906.0	7.0	0.8
Cost of sales	(2)	-782.9	-771.8	-11.1	-1.4
Gross profit		**130.1**	**134.2**	**-4.1**	**-3.1**
Research and development expenses	(3)	-21.7	-28.7	7.0	24.4
Selling expenses	(4)	-21.3	-20.8	-0.5	-2.4
General administrative expenses	(5)	-16.5	-17.3	0.8	4.6
Other operating income and expenses		2.8	1.4	1.4	100.0
Profit/loss of companies accounted for using the equity method	(7)	3.9	5.0	-1.1	-22.0
Earnings before interest and tax (EBIT)		**77.3**	**73.8**	**3.5**	**4.7**
Interest income		0.2	1.2	-1.0	-83.3
Interest expenses		-2.7	-4.5	1.8	40.0
Interest result	(8)	-2.5	-3.3	0.8	24.2
Financial result on other items	(9)	-5.5	-15.2	9.7	63.6
Financial result		**-8.0**	**-18.5**	**10.5**	**56.5**
Earnings before tax (EBT)		**69.3**	**55.3**	**14.0**	**25.2**
Income taxes	(10)	-22.5	-18.5	-4.0	-21.6
Earnings after tax (EAT)		**46.8**	**36.8**	**10.0**	**27.2**
Earnings per share in					
Undiluted (EPS)	(11)	0.92	0.73	0.19	26.0
Diluted (DEPS)	(11)	0.92	0.72	0.20	27.8

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income

	(Note)	Jan. 1 – March 31, 2014 in million	Jan. 1 – March 31, 2013 in million	Change against previous year in million	in %
Earnings after tax (EAT)		**46.8**	**36.8**	**10.0**	**27.1**
Translation differences arising from the financial statements of international entities		-3.8	-2.6	-1.2	-46.2
Financial instruments designated as cash flow hedges		-5.9	-37.9	32.0	84.4
Items that may subsequently be recycled to profit or loss		**-9.7**	**-40.5**	**30.8**	**76.0**
Actuarial gains and losses on pension obligations and plan assets		0.2		0.2	
Items that will not be recycled to profit or loss		**0.2**		**0.2**	
Other comprehensive income after tax		**-9.5**	**-40.5**	**31.0**	**76.5**
Total comprehensive income	(24.7)	**37.3**	**-3.7**	**41.0**	**>100**

Consolidated Balance Sheet

Assets

in million	(Note)	March 31, 2014	Dec. 31, 2013	Jan. 1, 2013
Non-current assets				
Intangible assets	(14)	1,837.4	1,820.5	1,750.8
Property, plant and equipment	(15)	604.9	606.3	582.9
Financial assets	(16)	62.6	67.1	34.7
Financial assets accounted for using the equity method	(16)	117.8	114.0	107.1
Other assets	(20)	0.3	0.2	0.1
Deferred tax assets		33.5	32.0	13.1
Total non-current assets		**2,656.5**	**2,640.1**	**2,488.7**
Current assets				
Inventories	(17)	714.1	745.2	789.3
Trade receivables	(18)	535.7	552.1	519.0
Construction contract receivables	(19)	201.9	193.4	159.5
Income tax claims		57.3	0.9	13.8
Financial assets	(16)	74.2	59.0	37.2
Other assets	(20)	19.1	34.9	30.9
Cash and cash equivalents	(21)	155.2	150.1	154.7
Prepayments		3.4	4.3	4.8
Total current assets		**1,760.9**	**1,739.9**	**1,709.2**
Total assets		**4,417.4**	**4,380.0**	**4,197.9**

Equity and Liabilities

in million	(Note)	March 31, 2014	Dec. 31, 2013	Jan. 1, 2013
Equity	(24)			
Subscribed capital		52.0	52.0	52.0
Capital reserves		390.4	390.2	383.2
Revenue reserves		895.1	848.3	744.4
Treasury shares		-35.3	-35.3	-37.9
Other comprehensive income		-45.3	-35.8	-48.5
Total equity		**1,256.9**	**1,219.4**	**1,093.2**
Non-current liabilities				
Pension provisions		589.0	585.5	585.3
Other provisions	(27)	9.4	10.3	72.0
Financial liabilities	(28)	618.4	584.2	536.7
Other liabilities	(31)	152.4	148.1	130.4
Deferred tax liabilities		205.4	203.9	207.0
Total non-current liabilities		**1,574.6**	**1,532.0**	**1,531.4**
Current liabilities				
Pension provisions		37.6	37.6	31.4
Income tax liabilities		18.1	38.1	17.2
Other provisions	(27)	171.2	175.2	176.7
Financial liabilities	(28)	59.2	65.7	47.3
Trade payables		585.2	649.1	567.9
Contruction contract payables	(30)	538.6	517.3	602.5
Other liabilities	(31)	176.0	145.6	130.3
Total current liabilities		**1,585.9**	**1,628.6**	**1,573.3**
Total equity and liabilities		**4,417.4**	**4,380.0**	**4,197.9**

Consolidated Statement of Changes in Equity

Reference is made to the disclosures on equity components provided in note 24 (Equity).

Consolidated Statement of Changes in Equity

in million	Sub-scribed capital	Capital reserves	Revenue reserves	Treasury shares	Other comprehensive income				Group equity
					Translation differences	Financial assets (Afs)	Actuarial gains and losses	Hedging instruments	
Carrying amount at January 1, 2013	**52.0**	**383.2**	**740.5**	**-37.9**	**18.1**		**-100.9**	**34.3**	**1,089.3**
Changes due to use of equity method as measurement basis			3.9						**3.9**
Carrying amount at January 1, 2013	**52.0**	**383.2**	**744.4**	**-37.9**	**18.1**		**-100.9**	**34.3**	**1,093.2**
Earnings after tax			36.8						**36.8**
Other comprehensive income					-2.6			-37.9	**-40.5**
Total comprehensive income			**36.8**		**-2.6**			**-37.9**	**-3.7**
Share Matching Plan		0.3							0.3
Carrying amount at March 31, 2013	**52.0**	**383.5**	**781.2**	**-37.9**	**15.5**		**-100.9**	**-3.6**	**1,089.8**
Carrying amount at January 1, 2014	**52.0**	**390.2**	**848.3**	**-35.3**	**4.4**		**-95.0**	**54.8**	**1,219.4**
Earnings after tax			46.8						**46.8**
Other comprehensive income					-3.8		0.2	-5.9	**-9.5**
Total comprehensive income			**46.8**		**-3.8**		**0.2**	**-5.9**	**37.3**
Share Matching Plan		0.2							0.2
Carrying amount at March 31, 2014	**52.0**	**390.4**	**895.1**	**-35.3**	**0.6**		**-94.8**	**48.9**	**1,256.9**

Actuarial gains and losses relate to pension liabilities and plan assets.

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement

in million	(Note)	Jan. 1 – March 31, 2014	Jan. 1 – March 31, 2013
Operating activities			
Earnings after tax (EAT)		46.8	36.8
Depreciation and amortization of non-current assets		37.9	39.8
Profit/loss of companies accounted for using the equity method		-3.9	-5.0
Gains/losses on disposal of assets			-0.1
Increase in pension provisions		3.7	3.9
Decrease in other provisions	(27)	-4.9	5.9
Other non-cash items		0.7	10.0
Change in working capital		27.9	-65.4
Interest result	(8)	2.5	3.3
Interest paid		-0.6	-2.8
Interest received		0.2	1.1
Income taxes	(10)	22.5	18.5
Income taxes paid		-96.8	-17.7
Cash flow from operating activities		**36.0**	**28.3**
Investing activities			
Capital expenditure on:			
Intangible assets	(14)	-13.7	-18.6
Property, plant and equipment	(15)	-22.8	-16.6
Financial assets	(16)	-16.6	-15.0
Proceeds from disposal of:			
Intangible assets/property, plant and equipment	(14)/(15)	0.7	0.5
Cash flow from investing activities		**-52.4**	**-49.7**
Financing activities			
Note purchase agreement	(28)	30.0	
Settlement of purchase price liability for PW1100G program share/IAE-V2500 stake increase		-9.9	-1.1
Increase/repayment of other financial liabilties		1.6	4.0
Cash flow from financing activities		**21.7**	**2.9**
Net change in cash and cash equivalents during period		**5.3**	**-18.5**
Effect of translation differences on cash and cash equivalents		-0.2	1.1
Cash and cash equivalents at beginning of period (January 1)		150.1	154.7
Cash and cash equivalents at end of period (March 31)		**155.2**	**137.3**

Reporting by operating segment

Segment information

The activities of the MTU Group’s operating segments are described on page 195 of MTU Aero Engines AG’s Annual Report for 2013. There have been no changes to the composition of the group‘s segments in the first quarter of 2014.

Segment information for the period from January 1 to March 31, 2014 was as follows:

Reporting by operating segment 2014

in million	Commercial and military engine business Jan. 1 - March 31, 2014	Commercial maintenance business Jan. 1 - March 31, 2014	Reportable segments total Jan. 1 - March 31, 2014	Consolidation/ reconciliation Jan. 1 - March 31, 2014	Group Jan. 1 - March 31, 2014
External revenues	609.7	303.3	913.0		913.0
Intersegment revenues	7.4	0.3	7.7	-7.7	
Total revenues	**617.1**	**303.6**	**920.7**	**-7.7**	**913.0**
Gross profit	**94.1**	**35.1**	**129.2**	**0.9**	**130.1**
Amortization	13.1	2.3	15.4		15.4
Depreciation	17.7	4.8	22.5		22.5
Total depreciation/amortization	**30.8**	**7.1**	**37.9**		**37.9**
Earnings before interest and tax (EBIT)	**49.7**	**26.4**	**76.1**	**1.2**	**77.3**
Depreciation/amortization effects of purchase price allocation	5.6	0.6	6.2		6.2
IAE-V2500 stake increase	5.5		5.5		5.5
Adjusted earnings before interest and tax (EBIT adjusted)	**60.8**	**27.0**	**87.8**	**1.2**	**89.0**
Profit/loss from companies accounted for using the equity method	**-0.6**	**4.5**	**3.9**		**3.9**
Assets (March 31, 2014)	**3,960.6**	**972.5**	**4,933.1**	**-515.7**	**4,417.4**
Liabilities (March 31, 2014)	**2,816.5**	**521.8**	**3,338.3**	**-177.8**	**3,160.5**
Significant non-cash items	**1.0**				
Total capital expenditure on intangible assets and property, plant and equipment	**53.8**	**3.2**	**57.0**		**57.0**
Key segment data:					
EBIT in % of revenues	8.1	8.7	8.3		8.5
Adjusted EBIT in % of revenues	9.9	8.9	9.5		9.7

Segment information for the period from January 1 to March 31, 2013 was as follows:

Reporting by operating segment 2013

in million	Commercial and military engine business Jan. 1 - March 31, 2013	Commercial maintenance business Jan. 1 - March 31, 2013	Reportable segments total Jan. 1 - March 31, 2013	Consolidation/ reconciliation Jan. 1 - March 31, 2013	Group Jan. 1 - March 31, 2013
External revenues	593.9	312.1	906.0		906.0
Intersegment revenues	6.7	1.0	7.7	-7.7	
Total revenues	**600.6**	**313.1**	**913.7**	**-7.7**	**906.0**
Gross profit	**93.1**	**39.5**	**132.6**	**1.6**	**134.2**
Amortization	15.6	2.4	18.0		18.0
Depreciation	16.1	5.7	21.8		21.8
Total depreciation/amortization	**31.7**	**8.1**	**39.8**		**39.8**
Earnings before interest and tax (EBIT)	**45.4**	**27.5**	**72.9**	**0.9**	**73.8**
Depreciation/amortization effects of purchase price allocation/ V2500 stake increase	13.6	0.9	14.5		14.5
Adjusted earnings before interest and tax (EBIT adjusted)	**59.0**	**28.4**	**87.4**	**0.9**	**88.3**
Profit/loss from companies accounted for using the equity method	**-0.1**	**5.1**	**5.0**		**5.0**
Assets (Dec. 31, 2013)	**3,944.7**	**956.5**	**4,901.2**	**-521.2**	**4,380.0**
Liabilities (Dec. 31, 2013)	**2,819.6**	**523.5**	**3,343.1**	**-182.5**	**3,160.6**
Significant non-cash items	**17.3**				
Total capital expenditure on intangible assets and property, plant and equipment	**23.0**	**6.5**	**29.5**		**29.5**
Key segment data:					
EBIT in % of revenues	7.6	8.8	8.0		8.1
Adjusted EBIT in % of revenues	9.8	9.1	9.6		9.7

The main non-cash items relate to the roll-forward of other provisions and liabilities.

Reconciliation with MTU consolidated financial statements - earnings

in million	Jan. 1 – March 31, 2014	Jan. 1 – March 31, 2013
Consolidated earnings before interest and tax (EBIT)	**77.3**	**73.8**
Interest income	0.2	1.2
Interest expense	-2.7	-4.5
Financial result on other items	-5.5	-15.2
Earnings before tax (EBT)	**69.3**	**55.3**

General information

MTU Aero Engines AG and its subsidiary companies comprise one of the world's leading manufacturers of engine modules and components and is the world's leading independent provider of commercial engine MRO services.

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

MTU's commercial and military engine business covers the development and production of modules, components and spare parts for engine programs, including final assembly. MTU also provides maintenance services for military engines. Commercial maintenance business covers activities in the area of maintenance and logistical support for commercial engines.

MTU Aero Engines AG has its headquarters at Dachauer Str. 665, 80995 Munich, Germany, and is registered under HRB 157206 in the Commercial Registry at the District Court of Munich.

The Condensed Interim Consolidated Financial Statements were authorized for publication by the Board of Management of MTU Aero Engines AG on April 22, 2014.

Financial reporting

In compliance with the provisions of § 37x (3) of the German Securities Trading Act (WpHG) in conjunction with § 37w and § 37y no. 2 WpHG, MTU's quarterly financial report comprises Condensed Interim Consolidated Financial Statements and an Interim Group Management Report. The Condensed Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) relevant for interim financial reporting, as endorsed by the European Union (EU). The Interim Group Management Report has been drawn up in compliance with the applicable provisions of the WpHG.

Statement of compliance

The Condensed Interim Consolidated Financial Statements as of March 31, 2014 have been drawn up in compliance with IAS 34.

The accounting policies applied in the Condensed Interim Consolidated Financial Statements correspond to those used in the Consolidated Financial Statements at December 31, 2013 and also comply with IAS 34 Interim Financial Reporting.

All of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), which were applicable at the date of preparation of the Condensed Interim Consolidated Financial Statements and which have been endorsed by the European Commission for use in the EU, have been applied by MTU.

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. The basis of preparation and the accounting policies used are described in the notes to the Consolidated Financial Statements as at December 31, 2013.

Adjustments to the Condensed Interim Consolidated Financial Statements

There were no other changes in estimates or forecasts in the first three months of the financial year 2014 which have a significant impact on the interim reporting period.

The following standards, amendments and interpretations have been applied with effect from January 1, 2014:

New and revised standards and interpretations (endorsed by the EU, effective for annual periods beginning on or after January 1, 2014)

Standard	Title
IAS 27 (2011)	Separate Financial Statements
IAS 28 (2011)	Investments in Associates and Joint Ventures
IAS 32	Amendment: Offsetting financial assets and financial liabilities
IAS 36	Amendment: Recoverable amount disclosures for non-financial assets
IAS 39	Amendment: Novation of derivatives and continuation of hedge accounting
IFRS 10, 12, IAS 27 (2011)	Amendment: Investment entities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 10	Transitional guidance
IFRS 11	Transitional guidance
IFRS 12	Transitional guidance

IFRS 10, Consolidated Financial Statements

IFRS 10 supersedes the previous requirements concerning consolidated financial statements in IAS 27 and concerning special-purpose entities in SIC 12. In IFRS 10, the IASB makes a uniform principle of the concept of control. IFRS 10 states that a company has a controlling interest in another entity when all of the following three conditions are met:

- the investor has power over the investee,
- the investor is exposed to, or has rights to, variable returns from its equity interest in the investee, and
- the investor has the ability to use its power to affect the amount of those returns.

The standard also provides comprehensive application guidance. The application of this standard does not have any significant impact on MTU’s Consolidated Financial Statements.

IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 concerns disclosures required with respect to group financial reporting. It is to be applied by companies that hold interests in subsidiaries, joint arrangements (joint operations or joint ventures), associates and/or non-consolidated structured entities. The disclosures required under IFRS 12 are significantly more extensive than the previously relevant standards. Apart from the additional disclosures, the standard does not have any significant impact on MTU’s Consolidated Financial Statements.

IAS 27 (2011), Separate Financial Statements

IAS 27 describes the accounting and disclosure requirements for separate financial statements, which relates to statements drawn up by a parent company or an investor with a joint controlling interest in, or significant influence over, an investee and in which the stake in the investee is accounted for at cost or in accordance with IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments. The application of this standard does not have any significant impact on MTU’s Consolidated Financial Statements.

IAS 28 (2011), Investments in Associates and Joint Ventures

IAS 28 describes how, with certain limited exceptions, the equity method is to be applied to investments in associates and joint ventures. The standard defines an associate by reference to the concept of “significant influence,” which requires power to participate in financial and operating policy decisions of an investee (but not joint control or control of those policies). The application of this standard does not have any significant impact on MTU’s Consolidated Financial Statements.

IFRS 11, Joint Arrangements

IFRS 11, which supersedes the previous provisions in IAS 31 and SIC 13, IFRS 11, deals with the classification of joint arrangements. A joint arrangement is defined as a contractual arrangement via which two or more parties exercise joint control over another entity. A joint arrangement is either a joint operation or a joint venture. In contrast with IAS 31, the recognition of assets under joint control is no longer addressed separately in IFRS 11. Instead, the rules for joint operations apply. Whether a joint arrangement is classified as a joint operation or as a joint venture depends on the rights and obligations accruing to the parties under the agreement.

In addition, IFRS 11 stipulates that joint ventures must be accounted for using the equity method, whereas IAS 31 had previously allowed either the equity method or the proportionate consolidation method to be used to account for jointly controlled entities. Following the adoption of IFRS 11 in the financial year 2014, MTU Maintenance Zhuhai Co. Ltd., Zhuhai, China is therefore no longer accounted for proportionately. The new accounting treatment was applied retrospectively with effect from January 1, 2013/December 31, 2013.

All joint ventures, in which MTU holds a direct interest and which were previously accounted for at cost, have been included in the Consolidated Financial Statements since the 2013 financial year using the equity method so as to provide a fairer presentation of MTU‘s net assets, financial and operating results. Given the increase in their revenues and earnings, the joint ventures Ceramic Coating Center S.A.S., Paris, France, (CCC), Airfoil Services Sdn. Bhd., Kota Damansara, Malaysia, (ASSB) and AES Aerospace Embedded Solutions GmbH, Munich, (AES) – which were previously not consolidated on the grounds of immateriality – were accounted for in the Consolidated Financial Statements for the financial year 2013 for the first time using the equity method. The criterion used by MTU to assess a joint venture’s materiality is the relative percentage of earnings after tax compared with group earnings after tax, taking into account both the individual absolute amounts and the sum of the absolute amounts. The carrying amounts of these investments were adjusted retrospectively at January 1, 2012.

The adjustments made to the corresponding items in the Consolidated Balance Sheet at January 1, 2013 and December 31, 2013 and in the Consolidated Income Statement for the period from January 1, 2013 to March 31, 2013 are presented in the following table.

Consolidated income statement

Consolidated income statement

in million	Adjusted amount Jan. 1 – Dec. 31, 2013	Adjustment equity method ASSB, CCC, AES	 Zhuhai	Stated amount Jan. 1 – Dec. 31, 2013
Revenues	906.0		-38.7	944.7
Cost of sales	-771.8		31.0	-802.8
Gross profit	**134.2**		**-7.7**	**141.9**
Research and development expenses	-28.7			-28.7
Selling expenses	-20.8		0.8	-21.6
General administrative expenses	-17.3		0.9	-18.2
Other operating income and expenses	1.4			1.4
Profit/loss of companies accounted for using the equity method	5.0	0.5	4.5	
Earnings before interest and tax (EBIT)	**73.8**	**0.5**	**-1.5**	**74.8**
Interest income	1.2			1.2
Interest expenses	-4.5		0.2	-4.7
Interest result	-3.3		0.2	-3.5
Financial result on other items	-15.2		-0.1	15.1
Financial result	**-18.5**		**0.1**	**-18.6**
Earnings before tax (EBT	**55.3**	**0.5**	**-1.4**	**56.2**
Income taxes	-18.5		1.4	-19.9
Earnings after tax (EAT)	**36.8**	**0.5**		**36.3**
Earnings per share in				
Undiluted (EPS)	0.73			0.72
Diluted (DEPS)	0.72			0.72

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income

in million	Adjusted amount Jan. 1 – Dec. 31, 2013	Adjustment equity method ASSB, CCC, AES	 Zhuhai	Stated amount Jan. 1 – Dec. 31, 2013
Earnings after tax (EAT)	**36.8**	**0.5**		**36.3**
Translation differences arising from the financial statements of international entities	-2.6	0.2		-2.8
Financial instruments designated as cash flow hedges	-37.9			-37.9
Items that may subsequently be recycled to profit or loss	**-40.5**	**0.2**		**-40.7**
Other comprehensive income after tax	**-40.5**	**0.2**		**-40.7**
Total comprehensive income	**-3.7**	**0.7**		**-4.4**

Adjustments as of January 1, 2013

Assets in million	Adjusted amount Jan. 1, 2013	Adjustment equity method Zhuhai	Stated amount Jan. 1, 2013
Non-current assets			
Intangible assets	1,750.8	-23.6	1,774.4
Property, plant and equipment	582.9	-17.0	599.9
Financial assets	34.7		34.7
Financial assets accounted for using the equity method	107.1	75.9	31.2
Other asstes	0.1		0.1
Deferred tax assets	13.1	-2.5	15.6
Total non-current assets	**2,488.7**	**32.8**	**2,455.9**
Current assets			
Inventories	789.3	-19.5	808.8
Trade receivables	519.0	-49.5	568.5
Construction contract receivables	159.5	-23.5	183.0
Income tax claims	13.8		13.8
Financial assets	37.2		37.2
Other assets	30.9	-2.2	33.1
Cash and cash equivalents	154.7	-6.5	161.2
Prepayments	4.8	-0.4	5.2
Total current assets	**1,709.2**	**-101.6**	**1,810.8**
Total asstes	**4,197.9**	**-68.8**	**4,266.7**

Adjustments as of January 1, 2013

Equity and liabilities in million	Adjusted amount Jan. 1, 2013	Adjustment equity method Zhuhai	Stated amount Jan. 1, 2013
Equity			
Subscribed capital	52.0		52.0
Capital reserves	383.2		383.2
Revenue reserves	744.4	-0.9	745.3
Treasury shares	-37.9		-37.9
Other comprehensive income	-48.5		-48.5
Total equity	**1,093.2**	**-0.9**	**1,094.1**
Non-current liabilities			
Pension provisions	585.3		585.3
Other provisions	72.0	-0.5	72.5
Financial liabilities	536.7	-2.3	539.0
Other liabilities	130.4		130.4
Deferred tax liabilities	207.0	-0.4	207.4
Total non-current liabilities	**1,531.4**	**-3.2**	**1,534.6**
Current liabilities			
Pension provisions	31.4		31.4
Income tax liabilities	17.2	-2.6	19.8
Other provisions	176.7	-6.2	182.9
Financial liabilities	47.3	-32.6	79.9
Trade payables	567.9	-15.3	583.2
Construction contract payables	602.5	-1.5	604.0
Other liabilities	130.3	-6.5	136.8
Total current liabilities	**1,573.3**	**-64.7**	**1,638.0**
Total equity and liabilities	**4,197.9**	**-68.8**	**4,266.7**

Adjustments as of December 31, 2013

Assets

in million	Adjusted amount Dec. 31, 2013	Adjustment equity method Zhuhai	Stated amount Dec. 31, 2013
Non-current assets			
Intangible assets	1,820.5	-22.8	1,843.3
Property, plant and equipment	606.3	-16.1	622.4
Financial assets	67.1		67.1
Financial assets accounted for using the equity method	114.0	83.9	30.1
Other asstes	0.2		0.2
Deferred tax assets	32.0	-1.0	33.0
Total non-current assets	**2,640.1**	**44.0**	**2,596.1**
Current assets			
Inventories	745.2	-26.6	771.8
Trade receivables	552.1	48.0	600.1
Construction contract receivables	193.4	-30.0	223.4
Income tax claims	0.9		0.9
Financial assets	59.0		59.0
Other asstes	34.9	-3.9	38.8
Cash and cash equivalents	150.1	-13.8	163.9
Prepayments	4.3	-0.5	4.8
Total current assets	**1,739.9**	**-122.8**	**1,862.7**
Total asstes	**4,380.0**	**-78.8**	**4,458.9**

Adjustments as of December 31, 2013

Equity and liabilities

in million	Adjusted amount Dec. 31, 2013	Adjustment equity method Zhuhai	Stated amount Dec. 31, 2013
Equity			
Subscribed capital	52.0		52.0
Capital reserves	390.2		390.2
Revenue reserves	848.3	-0.9	849.2
Treasury shares	-35.3		-35.3
Other comprehensive income	-35.8		-35.8
Total equity	**1,219.4**	**-0.9**	**1,220.3**
Non-current liabilities			
Pension provisions	585.5		585.5
Other provisions	10.3	-0.3	10.6
Financial liabilities	584.2	-15.7	599.9
Other liabilities	148.1		148.1
Deferred tax liabilities	203.9	-0.4	204.3
Total non-current liabilities	**1,532.0**	**-16.4**	**1,548.4**
Current liabilities			
Pension provisions	37.6		37.6
Income tax liabilities	38.1	-1.4	39.5
Other provisions	175.2	-6.9	182.1
Financial liabilities	65.7	-20.1	85.8
Trade payables	649.1	-24.3	673.4
Construction contract payables	517.3	-2.8	520.1
Other liabilities	145.6	-6.0	151.6
Total current liabilities	**1,628.6**	**-61.5**	**1,690.1**
Total equity and liabilities	**4,380.0**	**-78.8**	**4,458.8**

Group reporting entity

On September 13, 2013, MTU and the Japanese company, Sumitomo Corporation – one of the world's largest trading houses – founded two new joint venture entities to pursue the joint task of expanding leasing business with commercial aircraft engines. MTU Maintenance Lease Services B.V., an 80:20 joint venture between MTU Maintenance and Sumitomo Corporation, is based in Amsterdam, Netherlands and will offer short- and medium-term leasing options to airlines, MRO entities and lessors. Sumisho Aero Engine Lease B.V., a 90:10 joint venture between Sumitomo Corporation and MTU Aero Engines AG, will focus on long-term leasing arrangements for its customers. Currently, MTU holds all of the shares of MTU Maintenance Lease Services B.V. and Sumitomo Corporation holds all of the shares of Sumisho Aero Engine Lease B.V. Approval for the two joint ventures was given during the first quarter of 2014 by the relevant antitrust authorities. The planned transfer of shares is therefore now scheduled to take place in the second quarter.

At March 31, 2014, the MTU Group comprised 30 companies including MTU Aero Engines AG, Munich. A list of major shareholdings is provided in note 38.1.2 to the Consolidated Financial Statements in the Annual Report 2013 (Major shareholdings).

Notes to the Consolidated Income Statement

1 Revenues

Revenues

in million	Jan. 1 – March 31, 2014	Jan. 1 – March 31, 2013
Commercial engine business	500.5	488.4
Military engine business	116.6	112.2
Commercial and military engine business (OEM)	**617.1**	**600.6**
Commercial maintenance business (MRO)	**303.6**	**313.1**
Consolidation	-7.7	-7.7
Total revenues	**913.0**	**906.0**

2 Cost of sales

Cost of sales

in million	Jan. 1 – March 31, 2014	Jan. 1 – March 31, 2013
Cost of materials	-608.5	-632.1
Personnel expenses	-120.2	-111.9
Depreciation and amortization	-33.0	-35.6
Other cost of sales	-21.2	7.8
Total cost of sales	**-782.9**	**-771.8**

Other cost of sales comprises mainly the effect of changes in inventories of work in progress, currency factors and changes in provisions.

3 Research and development expenses

Research and development expenses

in million	Jan. 1 – March 31, 2014	Jan. 1 – March 31, 2013
Cost of materials	-11.4	-16.8
Personnel expenses	-20.7	-21.4
Depreciation and amortization	-1.5	-1.9
Research and development expenditure	**-33.6**	**-40.1**
of which the following amounts were capitalized:		
Development costs (OEM)	11.9	11.2
Development costs (MRO)		0.2
Capitalized development costs	**11.9**	**11.4**
Research and development costs recognized as expense	**-21.7**	**-28.7**

4 Selling expenses

Selling expenses

in million	Jan. 1 – March 31, 2014	Jan. 1 – March 31, 2013
Cost of materials	-3.7	-2.5
Personnel expenses	-15.7	-15.0
Depreciation and amortization	-0.4	-0.6
Other selling expenses	-1.5	-2.7
Total selling expenses	**-21.3**	**-20.8**

Selling expenses comprise mainly marketing, advertising and sales personnel costs as well as the expense for valuation allowances and write-offs on trade receivables.

5 General and administrative expenses

General and administrative expenses

in million	Jan. 1 – March 31, 2014	Jan. 1 – March 31, 2013
Cost of materials	-1.2	-1.9
Personnel expenses	-11.9	-11.6
Depreciation and amortization	-3.0	-1.7
Other administrative expenses	-0.4	-2.1
Total general administrative expenses	**-16.5**	**-17.3**

General and administrative expenses comprise expenses incurred in connection with administrative activities unrelated to development, production or sales activities.

7 Profit/loss of companies accounted for using the equity method

As a consequence of the first-time application of IFRS11, the joint venture MTU Maintenance Zhuhai Co. Ltd., Zhuhai, China, – previously accounted for proportionately – is now accounted for at equity. Comparative figures have been adjusted accordingly. Please see page 144 of the 2013 Annual Report for a description of entities accounted for using the equity method.

8 Interest result

Interest result		
in million	Jan. 1 – March 31, 2014	Jan. 1 – March 31, 2013
Interest income	**0.2**	**1.2**
Interest expenses		
Bonds and notes	-2.8	-1.9
Liabilities to banks	-0.3	-0.4
Finance lease arrangements	-0.1	-0.1
Other interest expenses	-0.4	-2.6
Capitalized borrowing costs for qualifying assets	0.9	0.5
Interest expenses	**-2.7**	**-4.5**
Interest result	**-2.5**	**-3.3**

9 Financial result on other items

Financial result on other items		
in million	Jan. 1 – March 31, 2014	Jan. 1 – March 31, 2013
Effects of currency translation: exchange rate gains/losses on		
Currency holdings	-1.0	0.8
Financing transactions		0.1
Finance leases		-0.1
Fair value gains/losses on derivatives		
Currency and interest rate derivatives	3.2	-5.2
Forward commodity contracts	0.1	-0.2
Interest portion included in measurement of assets and liabilities		
Pension provision	-5.3	-5.0
Contingent liabilities		-0.7
Receivables, other provisions, plan assets, liabilities and advance payments from customers	-2.5	-2.4
Financial result on sundry other items		-2.5
Financial result on other items	**-5.5**	**-15.2**

The first-quarter financial result on other items improved compared to the previous year, mainly due to net fair value gains of € 3.2 million (2012: January - March 2013: net fair value losses of € 5.2 million) on currency and interest rate derivatives.

10 Income taxes

Income tax expense comprises the following:

Income taxes

in million	Jan. 1 – March 31, 2014	Jan. 1 – March 31, 2013
Current tax expense	-20.4	-17.6
Deferred tax expense	-2.1	-0.9
Income tax expense	**-22.5**	**-18.5**

11 Earnings per share

For the purposes of determining diluted earnings per share, the number of shares that could be issued in conjunction with the grant of equity capital instruments is added to the weighted average number of ordinary shares in circulation.

Earnings after tax for the three-month period totaled € 46.8 million (January - March 2013: € 36.8 million). The potential dilutative effect of the Share Matching Plan is not material.

The weighted average number of shares in circulation during the first quarter was 50,855,626 (January - March 2013: 50,739,830). A further 22,871 shares (January - March 2013: 25,643 shares) result from the Share Matching Plan (deferred share-based remuneration of members of the Board of Management).

Undiluted earnings per share for the first quarter amounted to € 0.92 (January - March 2013: € 0.73). Diluted earnings per share also amounted to € 0.92 (January - March 2013: € 0.72).

Notes to the Consolidated Balance Sheet

14 Intangible assets

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

A total of € 34.2 million (January - March 2013: € 12.9 million) of intangible assets was capitalized in the first three months of the year.

In addition to the program participation in the PW800 amounting to € 21.3 million, intangible asset additions included development costs of € 12.7 million (January - March 2013: € 11.8 million), mainly for the PW1000G-family geared turbofan programs as well as for the GE38 and PW800 engine programs.

Capitalized intangible assets totaling € 34.2 million in the first three months of 2014 (January - March 2013: € 12.9 million) comprise € 23.8 million (January - March 2013: € 5.2 million) of purchased and € 10.4 million (January - March 2013: € 7.7 million) of internally generated intangible assets. The amortization expense for the three-month period amounted to € 15.4 million (January - March 2013: € 18.0 million).

15 Property, plant and equipment

Additions to property, plant and equipment during the first quarter totaled € 22.8 million (January - March 2013: € 16.6 million) and related primarily to other equipment, operational and office equipment as well as to advance payments and construction in progress. The depreciation expense for the period under report amounted to € 22.5 million (January - March 2013: € 21.8 million).

16 Financial assets

Financial assets

Financial assets increased overall by € 10.7 million during the first three months of 2014 to € 136.8 million (December 31, 2013: € 126.1 million), mainly reflecting the acquisition of marketable securities. Changes in the market value of derivative financial instruments reduced financial assets marginally.

Financial assets accounted for using the equity method

Financial assets accounted for using the equity method amounted to € 117.8 million (December 31, 2013: € 114.0 million). A description of the components of financial assets accounted for using the equity method is provided on page 192 of the Annual Report 2013. MTU Maintenance Zhuhai Co. Ltd., Zhuhai, China, is now also included in this line item.

17 Inventories

Inventories comprise the following:

Inventories

in million	March 31, 2014	Dec. 31, 2013
Raw materials and supplies	322.8	317.9
Work in progress	367.5	384.8
Advance payments	23.8	42.5
Total inventories	**714.1**	**745.2**

18 Trade receivables

Trade receivables comprise the following:

Trade receivables

in million	March 31, 2014	Dec. 31, 2013
Third parties	500.1	515.1
Associated companies, joint ventures and other equity companies	35.6	37.0
Total trade receivables	**535.7**	**552.1**

19 Contract production receivables

Construction contract receivables comprise the following:

Contract production receivables

in million	March 31, 2014	Dec. 31, 2013
Construction contract receivables	506.2	505.4
thereof: Advance payments received	-304.3	-312.0
Total construction contract receivables	**201.9**	**193.4**

20 Other assets

Other assets comprise:

Other assets

	Total		Non-Current		Current	
in million	March 31, 2014	Dec. 31, 2013	March 31, 2014	Dec. 31, 2013	March 31, 2014	Dec. 31, 2013
Other taxes	2.3	12.9			2.3	12.9
Receivables from employees	1.4	0.8			1.4	0.8
Receivables from suppliers	3.2	9.1			3.2	9.1
Sundry other assets	12.5	12.3	0.3	0.2	12.2	12.1
Total other assets	**19.4**	**35.1**	**0.3**	**0.2**	**19.1**	**34.9**

21 Cash and cash equivalents

Cash and cash equivalents comprise the following:

Cash and cash equivalents

in million	March 31, 2014	Dec. 31, 2013
Demand deposits and cash	117.6	46.5
Fixed-term and overnight deposits with an original maturity of three months or less	37.6	103.6
Total cash and cash equivalents	**155.2**	**150.1**

Cash and cash equivalents include foreign currency holdings with a value of € 114.9 million (December 31, 2013: € 88.1 million).

24 Equity

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

24.1 Subscribed capital

The Company's subscribed capital amounts to € 52.0 million (December 31, 2013: € 52.0 million) and is divided into 52.0 million (December 31, 2013: 52.0 million) registered non-par shares.

24.2 Capital reserves

Capital reserves include premiums from the issue of shares and the equity component (net of proportional transaction costs) of the bond issued in 2007 and repaid/converted in the first quarter of 2012. Also included are the fair values of shares granted under the Matching Stock Program and Share Matching Plan as well as gains and losses on sales of shares in conjunction with the MAP Employee Stock Option Program. Further information on the Share Matching Plan for members of the Board of Management and senior managers is provided on pages 158 et seq. of the Annual Report 2013.

24.3 Revenue reserves

Revenue reserves comprise the post-tax earnings and non-distributed earnings of consolidated companies. The profit after tax for the first three months of 2014 amounting to € 46.8 million (January - March 2013: € 36.8 million) is also included. As a result of the positive earnings after taxes for the three-month period, revenue reserves increased to € 895.1 million (March 31, 2013: € 781.2 million).

24.4 Treasury shares

During the first three months of 2014 the average weighted number of shares in circulation was 50,855,626 shares (January - March 2013: 50,739,830 shares). A total of 50,855,626 MTU Aero Engines AG shares was in issue at the end of the reporting period (March 31, 2013: 50,739,830 shares). The Company held 1,144,374 treasury shares at the end of the reporting period (March 31, 2013: 1,260,170 treasury shares).

24.7 Other comprehensive income

Other comprehensive income (OCI) increased during the first quarter by a net amount of € 9.5 million from a negative amount of € 35.8 million at December 31, 2013 to a negative amount of € 45.3 million at March 31, 2014, mainly due to differences arising on the translation of the financial statements of foreign subsidiaries and changes in the fair value measurement of hedging instruments.

27 Other provisions

Other provisions decreased during the first quarter by € 4.9 million to € 180.6 million. The principal items included in other provisions were warranty obligations, pending losses on onerous contracts, personnel-related obligations, retrospective costs and sales deductions. The decrease compared to the beginning of the year was mainly due to provisions for sales deductions and retrospective costs.

28 Financial liabilities

Financial liabilities comprise the following:

Financial liabilities

	Total		Non-Current		Current	
in million	March 31, 2014	Dec. 31, 2013	March 31, 2014	Dec. 31, 2013	March 31, 2014	Dec. 31, 2013
Bonds and notes	355.1	352.3	346.4	346.3	8.7	6.0
Financial liabilities in connection with the IAE-2500 stake increase	265.1	270.7	233.7	229.6	31.4	41.1
Liabilties to banks						
Promissory notes	12.2	12.0			12.2	12.0
Note purchase agreement	30.0		30.0			
Liabilities to related companies	6.4	4.8			6.4	4.8
Finance lease liabilities	6.4	6.4	6.2	6.2	0.2	0.2
Other financial liabilities	2.4	3.7	2.1	2.1	0.3	1.6
Total financial liabilities	677.6	649.9	618.4	584.2	59.2	65.7

Financial liabilities to related companies comprise amounts due to MTU Versicherungsvermittlungs- und Wirtschaftsdienst GmbH, Munich and to MTU Aero Engines Finance B.V. i.L., Amsterdam (in liquidation).

Bonds

A full description of the corporate bond (Schuldverschreibung) for a nominal amount of € 250.0 million and the registered bond (Namensschuldverschreibung) for a nominal amount of € 100.0 million is provided on page 171 of the Annual Report 2013.

Financial liabilities in connection with the IAE-V2500 stake increase

A condition precedent included in the purchase price agreement signed by MTU in the financial year 2012 in order to increase the stake in the V2500 engine program by five percentage points to 16 % made it necessary to recognize a financial liability contingent upon the number of flight hours over the next 15 years. After deduction of settlement payments and discounts, this liability amounted to € 265.1 million at March 31, 2014 (December 31, 2013: € 270.7 million).

Promissory notes

MTU placed four promissory notes (Schuldscheindarlehen) with a nominal amount of € 65.0 million (less transaction costs of € 0.4 million) on June 3, 2009. Of this amount, promissory notes with a nominal amount of € 40.0 million were repurchased in 2010 and a further € 13.5 million repaid on maturity on June 5, 2012. The remaining promissory note with a nominal amount of € 11.5 million falls due for payment on June 5, 2014.

Registered note (Namensdarlehen)

MTU Aero Engines AG issued a registered note („Note Purchase Agreement“) on March 28, 2014 with a total nominal amount of € 30.0 million, due March 27, 2021. The interest rate of the note is variable and corresponds to 6-month Euribor plus a percentage margin. The initial interest rate is 1.72 %. Interest is calculated and paid half-yearly (in March and September).

Revolving credit facility

At March 31, 2014, the MTU Group has access to a revolving credit facility of € 400.0 million with five banks which runs until December 1, 2018. Out of this credit line, € 13.7 million (December 31, 2013: € 15.2 million) were being utilized at March 31, 2014 for guarantees. Interest on credit lines actually drawn down is charged on the basis of customary interest reference rates plus a margin. A commitment fee is paid on credit facilities which are not being utilized.

30 Contract production liabilities

Construction contract payables comprised the following:

Construction contract payables

in million	March 31, 2014	Dec. 31, 2013
Advance payments received for construction contracts	842.9	829.3
offset against:		
Construction contract receivables	-304.3	-312.0
Total construction contract payables	**538.6**	**517.3**

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

31 Other liabilities

Other liabilities comprise the following items:

Other liabilities

	Total		Non-Current		Current	
in million	March 31, 2014	Dec. 31, 2013	March 31, 2014	Dec. 31, 2013	March 31, 2014	Dec. 31, 2013
Personnel-related liabilities						
Social security	2.7	2.4			2.7	2.4
Pre-retirement part-time working arrangements	15.0	15.5	11.6	12.1	3.4	3.4
Other personnel-related liabilities	71.5	44.9	5.0	4.5	66.5	40.4
Accrued interest expense	**10.3**	**10.3**	**10.3**	**10.3**		
Outstanding maintenance work on engines	**2.2**	**1.9**	**2.2**	**1.9**		
Repayment of grants towards development costs	**53.6**	**57.3**	**49.9**	**49.9**	**3.7**	**7.4**
Sundry other liabilities	**163.9**	**154.1**	**73.4**	**69.4**	**90.5**	**84.7**
Other tax liabilities	**9.2**	**7.3**			**9.2**	**7.3**
Total other liabilities	**328.4**	**293.7**	**152.4**	**148.1**	**176.0**	**145.6**

Personnel-related liabilities

Social security liabilities relate mainly to contributions to employees‘ accident insurance associations amounting to € 0.9 million (December 31, 2013: € 0.7 million) and liabilities to health insurance agencies amounting to € 1.8 million (December 31, 2013: € 1.7 million).

Contracts for pre-retirement part-time working arrangements with employees at the group’s German companies include commitments for top-up and severance payments. At March 31, 2014, the liabilities associated with these obligations amounted to € 15.0 million (December 31, 2013: € 15.5 million).

Other personnel-related liabilities comprise mainly vacation entitlements and flexi-time credits. This item also includes liabilities to group employees under the MAP employee stock option program (MAP) amounting to € 5.4 million (December 31, 2013: € 4.6 million). The total cost incurred in conjunction with the MAP in the first three months of 2014 was € 0.8 million (January – March 2013: € 0.9 million).

Accrued interest expense

Non-current payments received on account from customers for contract production are discounted over the term of the advance payments using appropriate market interest rates and the deferred interest recognized as a liability within other liabilities until the engine is delivered. Accrued interest expense of € 10.3 million (December 31, 2013: € 10.3 million) relates to advance payments received for long-term military construction contracts.

Outstanding maintenance work on engines

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

Repayment of grants towards development costs

In the financial years 1976 to 1991, MTU received grants towards the internally generated cost of developing the PW2000 engine from the German Federal Ministry of Economics and Technology. Once the sales volumes of PW2000 production engines stipulated in the grant assessment confirmation have been reached for the Boeing 757 and C-17, the grants are required to be repaid within a time frame of ten years. Repayments totaling € 8.1 million were made in the financial years 2011 to 2013, and a further € 3.7 million was repaid in the first quarter of 2014.

Sundry other liabilities

Sundry other liabilities amounting to € 163.9 million (December 31, 2013: € 154.1 million) include obligations in connection with the acquisition of program stakes as well as development work relating to the engines of the PW1000G family amounting to € 132.0 million (December 31, 2013: € 133.0 million). The remainder of other liabilities covers a multitude of minor individual obligations.

Other taxes

Other taxes amounting to € 9.2 million (December 31, 2013: € 7.3 million) relate to pay-roll (including employees' solidarity surcharge and church taxes) and to German and foreign sales taxes.

32 Additional disclosures relating to financial instruments

Carrying amounts, measurement/recognition methods and fair values aggregated by category

In the following tables, the carrying amounts of financial instruments are aggregated by category and compared with fair values.

Cash and cash equivalents, trade and other receivables mostly have short remaining terms. The carrying amounts of these assets therefore correspond to their fair value at the end of the reporting period. As a rule, trade payables and other liabilities are due within a relatively short space of time. The carrying amounts of these liabilities therefore correspond to their fair value at the end of the reporting period.

Disclosures concerning financial instruments - carrying amounts and fair values aggregated by category March 31, 2014

in million	Category as defined in IAS 39/ Other category	Carrying amount March 31, 2014	Cash reserve	Amount carried in balance sheet in accordance with IAS 39				Amount carried in balance sheet IAS 17	Financial instruments not within the scope of IAS 39 or IFRS 7	Total	Fair value March 31, 2014
			Nominal value	Measured at amortized cost	Measured at cost	Fair value recognized in equity	Fair value recognized in income statement				
ASSETS											
Other assets											
Loans and receivables	LaR	23.6		23.6						23.6	23.6
Held-to-maturity	HtM										
Available-for-Sale financial assets	AfS	54.5			9.9	44.6				54.5	54.5
Financial assets held for trading	FAHfT										
Trade receivables	LaR	535.7		535.7						535.7	535.7
Construction contract receivables	LaR	506.2		506.2						506.2	506.2
Derivative financial assets											
Derivates without hedging relationship	FAHfT	26.3					26.3			26.3	26.3
Derivates with hedging relationship	n.a.	38.6				38.6				38.6	38.6
Cash and cash equivalents	Cash reserve	155.2	155.2							155.2	155.2
EQUITY AND LIABILITIES											
Trade payables	FLAC	585.2		585.2						585.2	585.2
Bonds and notes	FLAC	355.1		355.1						355.1	366.8
Liabilities to banks	FLAC	42.2		42.2						42.2	42.2
Financial liabilities arising from IAE-V2500 stake increase	FLtPL	265.1					265.1			265.1	265.1
Other interest-bearing liabilities	FLAC	144.9		144.9						144.9	144.9
Other interest-free liabilities	FLAC/n.a.	116.7		114.5				2.2		116.7	116.7
Derivative financial liabilities											
Derivates without hedging relationship	FLHfT	2.2					2.2			2.2	2.2
Derivates with hedging relationship	n.a.	0.2				0.2				0.2	0.2
OTHER DISCLOSURES											
Loan commitments (engine and aircraft financing agreements)	Financial guarantees	567.0								567.0	567.0
Guarantees	Financial guarantees	74.9								74.9	74.9
Thereof aggregated by category as defined in IAS 39											
Loans and receivables	LaR	1,065.5		1,065.5						1,065.5	1,065.5
Held-to-maturity investments	HtM										
Available-for-sale financial assets	AfS	54.5			9.9	44.6				54.5	54.5
Financial assets held for trading	FAHfT	26.3					26.3			26.3	26.3
Financial liabilities measured at fair value through profit or loss	FLtPL	265.1					265.1			265.1	265.1
Financial liabilities measured at amortized cost	FLAC	1,244.1		1,241.9				2.2		1,244.1	1,255.8
Financial liabilities held for trading	FLHfT	2.2					2.2			2.2	2.2
Finance lease liabilities	n.a.	6.4						6.4		6.4	6.4
Financial instruments not within the scope of either IFRS 7 (IFRS 7 B2b) or IAS 39		876.6							876.6	876.6	876.6

Disclosures concerning financial instruments – carrying amounts and fair values aggregated by category at Dec. 31, 2013

in million	Category as defined in IAS 39/ Other category	Carrying amount Dec. 31, 2013	Cash reserve	Amount carried in balance sheet in accordance with IAS 39				Amount carried in balance sheet IAS 17	Financial instruments not within the scope of IAS 39 or IFRS 7	Total	Fair value Dec. 31, 2013
			Nominal value	Measured at amortized cost	Measured at cost	Fair value recognized in equity	Fair value recognized in income statement				
ASSETS											
Other assets											
Loans and receivables	LaR	38.9		38.9						38.9	38.9
Held-to-maturity	HtM										
Available-for-Sale financial assets	AfS	39.9			9.9	30.0				39.9	39.9
Financial assets held for trading	FAHfT										
Trade receivables	LaR	552.1		552.1						552.1	552.1
Construction contract receivables	LaR	505.4		505.4						505.4	505.4
Derivative financial assetse											
Derivates without hedging relationship	FAHfT	26.1					26.1			26.1	26.1
Derivates with hedging relationship	n.a.	43.2				43.2				43.2	43.2
Cash and cash equivalents	Cash reserve	150.1	150.1							150.1	150.1
EQUITY AND LIABILITIES											
Trade payables	FLAC	649.1		649.1						649.1	649.1
Bonds and notes	FLAC	352.3		352.3						352.3	360.9
Liabilities to banks	FLAC	12.0		12.0						12.0	12.0
Financial liabilities arising from IAE-V2500 stake increase	FLtPL	270.7					270.7			270.7	270.7
Other interest-bearing liabilities	FLAC	140.3		140.3						140.3	140.3
Other interest-free liabilities	FLAC/n.a.	113.3		111.4				1.9		113.3	113.3
Derivative financial liabilities											
Derivates without hedging relationship	FLHfT	3.5					3.5			3.5	3.5
Derivates with hedging relationship	n.a.	0.2				0.2				0.2	0.2
OTHER DISCLOSURES											
Loan commitments (engine and aircraft financing agreements)	Financial guarantees	593.2								593.2	593.2
Guarantees	Financial guarantees	39.4								39.4	39.4
Thereof aggregated by category as defined in IAS 39											
Loans and receivables	LaR	1,096.4		1,096.4						1,096.4	1,096.4
Held-to-maturity investments	HtM										
Available-for-sale financial assets	AfS	39.9			9.9	30.0				39.9	39.9
Financial assets held for trading	FAHfT	26.1					26.1			26.1	26.1
Financial liabilities measured at fair value through profit or loss	FLtPL	270.7					270.7			270.7	270.7
Financial liabilities measured at amortized cost	FLAC	1,267.0		1,265.1				1.9		1,267.0	1,275.6
Financial liabilities held for trading	FLHfT	3.5					3.5			3.5	3.5
Finance lease liabilities	n.a.	6.4						6.4		6.4	6.4
Financial instruments not within the scope of either IFRS 7 (IFRS 7 B2b) or IAS 39		841.0							841.0	841.0	841.0

Within the scope of its partnerships in engine programs, MTU is a party to aircraft financing agreements for the purpose of promoting sales. These agreements are offered in two basic forms: pre-delivery payment financing and backstop commitments. In both cases, any disbursements made in favor of the purchaser would always be made directly to the aircraft manufacturer.

MTU has classified the offered loan commitments as part of its gross risk, according to the requirements of IFRS 7. However, based on experience and given the structure of the contracts, it is considered very unlikely that these commitments will be called on in full. With respect to the impact on MTU's liquidity of the notional loan amounts relating to the proposed financing agreements, the company's existing lines of credit (see Note 28 (Financial liabilities)) provide adequate liquidity reserves, even in the unlikely case that all offers of financing agreements are taken up at the same time. Further information, in particular with respect to the nature and structure of the proposed financing agreements is provided on pages 180 et seq. of the Annual Report 2013.

Classification of fair value measurements of financial assets and liabilities according to a fair value hierarchy

In order to evaluate the significance of the factors used as input when measuring financial assets and liabilities at their fair value, MTU assigns these assets and liabilities to three levels of a fair value hierarchy.

The three levels of the fair value hierarchy are described below, together with their utilization when measuring financial assets and liabilities:

Level 1 Quoted prices in active markets for identical assets or liabilities (unadjusted input);

Level 2 Prices of assets and liabilities that can be observed directly or indirectly (derived);

Level 3 Unobservable inputs used to measure prices of assets or liabilities.

Classification of fair value measurements of financial assets and liabilities according to a fair value hierarchy at March 31, 2014

in million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial instruments		64.9		64.9
Available-for-Sale financial assets	44.6			44.6
Total financial assets	**44.6**	**64.9**		**109.5**
Financial liabilities measured at fair value				
Derivative financial instruments		2.4		2.4
Financial liabilities measured at fair value through profit or loss			265.1	265.1
Total financial liabilities		**2.4**	**265.1**	**267.5**

Classification of fair value measurements of financial assets and liabilities according to a fair value hierarchy at December 31, 2013

in million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial instruments		69.3		69.3
Available-for-Sale financial assets	30.0			30.0
Total financial assets	**30.0**	**69.3**		**99.3**
Financial liabilities measured at fair value				
Derivative financial instruments		3.7		3.7
Financial liabilities measured at fair value through profit or loss			270.7	270.7
Total financial liabilities		**3.7**	**270.7**	**274.4**

The financial liabilities measured at fair value assigned to level 3 relate exclusively to the financial liabilities arising from the IAE-V2500 stake increase. A valuation technique was employed in which the necessary, publicly-known market data (interest rates, U.S. dollar exchange rates) were collected and in which the unobservable inputs (expected future number of flight hours) were developed using the company's own best available information and updated where necessary. A factor with a significant impact on the carrying amount of the financial liability, which is measured using the discounted cash flow method, is the number of flight hours on which deferred payments are based. A sensitivity analysis shows that if the expected number of flight hours were to change by 10 %, the corresponding change in fair value would be approximately € 27 million (December 31, 2013: approximately € 27 million).

37 Contingent liabilities and other financial commitments

Contingent liabilities and other financial obligations at March 31, 2014 amounted to € 82.0 million (December 31, 2013: € 52.2 million). Contingent liabilities and other financial obligations are not material to the MTU Group. As in previous periods, with the exception of lease payments, no amounts fell due for payment during the period under report. Similarly, no amounts are expected to be paid during the financial year 2014. Information regarding the composition and nature of contingent liabilities and other financial obligations is provided in note 37 (Contingent liabilities and other financial commitments) of the Annual Report 2013.

Purchase commitments for intangible assets and property, plant and equipment amounted to € 31.7 million at March 31, 2014 (December 31, 2013: € 19.6 million).

38 Related party transactions

Transactions with related entities

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

Entities accounted for at equity and at cost are disclosed in note 38.1.2 (List of major shareholdings) of the Annual Report 2013. Trade receivables from these entities at March 31, 2014 amounted to € 35.6 million (December 31, 2013: € 37.0 million). Trade payables totaled € 22.8 million (December 31, 2013: € 51.7 million). Income recognized during the first quarter amounted to € 313.4 million (January - March 2013: € 267.1 million), with expenses totaling € 196.6 million (January - March 2013: € 153.1 million).

Transactions with related individuals

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

Events after the end of the reporting period (March 31, 2014)

RSZ Beteiligungs- und Verwaltungs GmbH, Munich, and MTU Aero Engines AG, Munich, were merged. The merger was entered in the Commercial Register on April 16, 2014.

There have been no other significant events after the end of the interim reporting period and prior to the date of authorization for issue of the quarterly financial report on April 22, 2014.

Publication of the Quarterly Financial Report

The Quarterly Financial Report of MTU Aero Engines AG, Munich, for the period from January 1 to March 31, 2014 was published on the Internet on April 29, 2014.

Financial Calendar

Teleconference on first quarter 2014 earnings	**April 29, 2014**
MTU Annual General Meeting for the financial year 2013	**May 8, 2014**
Teleconference on first six-month 2014 earnings	**July 24, 2014**
Teleconference on third quarter 2014 earnings	**October 23, 2014**
MTU analysts and investors conference 2014	**November 25, 2014**

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Translation

The German version takes precedence.

MTU Aero Engines AG on the Internet

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

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

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

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