



Annual General Meeting

MTU Aero Engines Holding AG

Address by the Chief Executive Officer

Egon Behle

delivered in Munich

on May 5, 2011

– Check against delivery –

Dear shareholders,
Ladies and gentlemen,

On behalf of the Board of Management of MTU Aero Engines Holding AG, let me welcome you to our Annual General Meeting 2011. We are delighted at your interest in MTU.

"United by excellence" is the motto of our Annual Report 2010, but it signifies much more than just the title of a publication. It is the fundamental basis of collaboration with our partners – MTU and its cooperation partners place the highest possible demands on the technologies, products and services they provide. Working together with our partners, we are helping to shape today's – and tomorrow's – aviation industry. This striving for excellence covers the entire value-added chain. Targeted networking with experts and cooperative ventures with universities and research institutes are key components of our basic research activities – because aircraft engines call for highly sophisticated, advanced technology. We know what really counts when choosing the best suppliers of high-quality components – and we ourselves strive to be the supplier of choice for our customers and partners, and continue to enhance our strengths in this domain – whether in the commercial or military markets, in OEM or maintenance – particularly in regions presenting major opportunities for further growth. That means, above all, in the markets of Asia and the Middle East, but also in South America. We are also united with you, our shareholders and financing partners, by a common expectation: that we deliver good results and a positive business outlook. You are certainly entitled to that. And let me say this much now: we won't disappoint you.

Ladies and gentlemen, when we met here last year the first signs of a coming upswing were discernible. But nobody knew whether the upswing would really materialize, how strong it would be and whether it would last. Viewing matters from today's perspective, we can say that the economy has taken off again and gathered pace very quickly. The aviation industry has benefited from the recovery too. During the course of last year, IATA, the International Air Transport Association, repeatedly revised its growth forecasts for air traffic upwards. In 2010, passenger traffic grew by 8.2 percent, while freight traffic rose by as much as 20.6 percent. In both cases, the volume of air traffic thus reached its pre-crisis level again. Even brief dips such as the one caused by the volcanic eruption in Iceland had no lasting negative impact on this positive trend. And the prospects for the current year remain optimistic – even though the disaster in Japan and political instability in some of the Arab countries give us cause for concern. IATA is forecasting growth of 5.6 percent in passenger traffic and 6.1 percent in freight traffic. Against this backdrop, MTU did more than just track the general trend in the previous financial year – the company was in fact extraordinarily successful.

2010: MTU achieves its target results

We can safely claim to have made it through the crisis unscathed. Indeed, MTU has emerged from it even stronger than before and was able to resume its pre-crisis growth trajectory again in 2010. You are no doubt already familiar with the key figures from our Annual Report, so I will only reiterate the most important ones here today.

In 2010, we increased our revenues by four percent. In total, group revenues reached 2.71 billion euros, just short of our target figure of 2.75 billion euros. The effects of defense budget cuts were already making themselves felt in our MRO revenues from older military engines. What is more, delays in delivery of the Boeing 787 Dreamliner led to shifts in revenue from the GENx engine program.

And yet, ladies and gentlemen, what counts is the bottom line. We hit a bull's-eye on that score, achieving – and even exceeding – all our target results. Our operating profit, that is EBIT adjusted, rose to 311 million euros. This is slightly above the figure we had forecast, and which was substantially revised upward in July. At 142 million euros, net income was likewise above target.

We also came in well above target in terms of free cash flow: in July, we had even raised the benchmark to 120 million euros, but were ultimately able to post a much higher figure of 145 million euros.

Thanks to high cash inflows from operating activities, we were once again able to significantly reduce our net financial debt in 2010 – by 61 percent to 56 million euros. Today, ladies and gentlemen, I am pleased to be able to announce that MTU has been entirely free of debt since the end of March this year.

Research and development

We managed to achieve these results without at any time compromising our ability to meet the challenges of the future. On the contrary, we ramped up our R&D spending by four percent last year, with the company-funded share of that investment rising by more than 20 percent. In the current year we will be boosting our R&D activities for new engine programs by a further 10 to 15 million euros. And we have good reason to do so. After all, today's innovations are tomorrow's revenues. In the long term, we will only succeed in maintaining and strengthening our competitive lead by offering innovative, high-tech products.

Innovations from our R&D activities only become truly successful products when they are adopted by the market. Allow me to give you some topical examples.

Highlights of MTU's operating segments

The prime example is the PW1000G geared turbofan, which I presented to you last year as the new engine for the Mitsubishi Regional Jet and the Bombardier CSeries. To recapitulate briefly on the technical aspects of this program: In the case of the geared turbofan, a reduction gear is placed between the fan and low-pressure turbine to decouple them. This enables both components to achieve optimum performance, ensuring the geared turbofan's very high level of efficiency. That substantially reduces fuel consumption, CO₂ emissions and noise emissions, and also makes the engine lighter, since fewer parts and stages are required. The ultimate market breakthrough for the geared turbofan came in 2010, with Airbus selecting it as an engine option for the A320neo, the re-engined version of the company's top-selling A320 aircraft. MTU's contribution to this variant of the geared turbofan, the PW1100G, is at least 15 percent. The geared turbofan has been celebrating one success after another in the market, and orders or options have already been placed for more than 1,200 PW1000G engines. Here are just a few examples: U.S. company Trans States Holding has ordered the PW1000G for its Mitsubishi Regional Jets, while Lufthansa, International Lease Finance Corporation and IndiGo, an Indian company, have opted to equip their Airbus A320neo aircraft with the PW1000G. These four examples alone represent future revenues of more than 700 million euros for MTU. Ladies and gentlemen, I think you will agree with me that all the employees who have helped to make the geared turbofan such a resounding success deserve a round of applause.

The GP7000 engine, which is deployed in the Airbus A380, was another success story in 2010. Last year, Emirates placed what was then the largest-ever order in aviation history, for 32 Airbus A380 aircraft, all of which will be equipped with the GP7000 engine, in which MTU holds a 22.5 percent share.

The latest news on the GENx engine for the Dreamliner is that it entered the series production phase in 2010. Our Munich plant will be able to start production this year and aims to deliver the first series components in the fall.

Despite Airbus's decision to re-engine the A320, the aircraft's previous engine, the V2500, is not likely to lose its appeal in the coming years. A large number of aircraft have been ordered that are to be equipped with this engine model, and in 2010 numerous new orders were placed for A320-series aircraft with the V2500 engine. These came mainly from airlines headquartered in the burgeoning markets of the Middle East and Asia, among them Yemen Airways, Vietnam Airlines and China Southern.

Some of these new orders included service agreements for the V2500 engines, which means that the engine will continue to play a key role, especially in the MRO segment. In 2010, the commercial MRO business continued its success in other up-and-coming markets, too, landing new contracts from Brazilian airline TAM and Royal Jordanian Airlines for instance. MTU Maintenance also notched up successes with smaller engines. In 2010, for instance, BA CityFlyer, a leading regional airline, chose us to maintain its CF34 engines. What is more, we expanded our MRO portfolio last year to include the GE90-110B and GE90-115B engines, which are internationally successful in the market for wide-body aircraft. These engines are used exclusively in the Boeing 777-200LR.

As far as our military portfolio is concerned, we are making good progress with the TP400-D6 engine for the A400M military transporter. During 2010, three prototype aircraft equipped with a total of twelve engines were successfully tested. A fourth prototype aircraft entered the flight testing phase late last year, with positive results so far. The engine has accumulated over 5,000 flight hours to date and is set to receive approval for series production any day now, while the aircraft itself should be approved toward the end of the year.

In the United States, the world's largest military market, we ramped up maintenance work on the CF6-50 engines that power the KC-10 tanker fleet, as planned. Work on the GE38, an engine for heavy-lift transport helicopters, also went according to plan in 2010. This engine has lot of potential, suited as it is to equipping a future European heavy transport helicopter.

Employees

These projects, and many others, underscore one thing: every company – and the values it espouses – hinge upon people. It is the ideas and innovations of MTU's employees that secure the company's success. I am confident of speaking on behalf of all of you when I sincerely thank all 7,900 members of the MTU workforce for their individual contributions to what has been an excellent team performance. Our thanks to each and every one of you!

We are constantly striving to improve collaboration between our employees and thus build on MTU's acknowledged strengths. It is important to create an environment in which our employees can achieve optimum performance. This includes professional training and development programs, health management, and measures designed to achieve a healthy work-life balance. In order to ensure that we have the brightest brains in future too, we provide our young people with intensive training and actively recruit new talent on university campuses. Among the tasks we have set ourselves is that of encouraging more women to take up technical professions and increasing the proportion of women at management level. In concrete terms, we aim to double the number of women in leadership positions at MTU in the coming years, an issue that has been embodied in our corporate objectives.

Share performance

As the owners of our company, you, our shareholders, can derive great satisfaction, too, from MTU's success. That includes the company's share price, which rose by 33 percent in the financial year 2010. It thus clearly outperformed the Dow Jones Aerospace & Defense Index – the barometer of the industry, which grew by just 16 percent – and virtually mirrored the performance of the MDAX index, which rose by 35 percent.

Dividend

As MTU shareholders, you have come to rely on a consistent, earnings-oriented dividend policy. Our proposal, which will be put to your vote later on today, is to pay out a dividend of 1.10 euros per share. This corresponds to an increase of almost 20 percent compared with the previous year. Given the expectation of continuing business growth over the next few years, the dividend we are proposing

marks a new high. With it, we aim to create a further incentive for investors with a long-term horizon to become MTU shareholders.

1st quarter 2011

Thus far in 2011, the positive trend for our business remains unbroken. This was amply demonstrated by the first-quarter figures we published two days ago. MTU's revenues improved by four percent. Operating profit, that is EBIT adjusted, rose by 17 percent, and our EBIT margin reached 12.1 percent. Net income amounted to 40 million euros. We are thus on track to meet our targets for 2011.

Outlook

Ladies and gentlemen, at this point I would like to outline the concrete goals we have set ourselves for the financial year 2011.

We expect continued growth in OEM sales in the current year, primarily owing to business generated by the new engine programs I mentioned before. But our spare parts business is also set to grow. The military engine business is the only area of the OEM segment in which we expect to experience falling revenues. The commercial maintenance business is similarly expected to generate higher revenues. For the group as a whole, we anticipate that revenues will grow by seven to eight percent in 2011.

Falling revenues in the military engine business will of course have a negative impact on earnings. The same goes for the expected higher revenues from new engine programs, as these initially have to be offset against high start-up costs. Nevertheless, we are confident of being able to maintain both our EBIT adjusted and adjusted net income figures in 2011, because we have measures in place to improve profitability, which will have a compensatory effect. Such improvements will stem both from the Challenge 2010 program I outlined last year and from additional efficiency-enhancement measures we have launched under the auspices of the Progress 11 project. Progress 11 comprises process optimization, a review of administrative processes, the implementation of cost-cutting measures and much more besides. It is a whole raft of measures aimed at continuously improving operating excellence and optimizing results.

I would now like to take a brief look beyond 2011. Starting in 2012, we will ring in a phase of solid growth in both revenues and earnings. By 2020 we aim to have boosted group revenues to six billion euros. Our strong organic growth – fed by the programs I mentioned before – means that this target is already within our grasp.

Ladies and gentlemen, I began my speech with a reference to the recent upswing in the aviation industry. It is an industry that has lost none of its dynamism. I hope I have been able to give you some idea of how well-placed MTU is to continue profiting from this positive market trend in the years to come.

You, our shareholders, are the owners of a premium aviation industry supplier with global reach – one that is strategically placed to meet the challenges of the future and is firmly focused on enhancing its value as a company. The keys to MTU's success lie in its innovative strength and cutting-edge technologies. Until now, we have always been able to translate these capabilities into profitable growth, and we intend to continue doing so in future. Your commitment to MTU as shareholders represents a vote of confidence in our long-term strategy. Your investment is a contribution to the sustainable growth in the value of MTU, and you are all ambassadors for the company in your respective spheres of activity. I thank you for that, and sincerely hope you will continue to trust in us as we make our way forward.

Thank you for your kind attention.