
MTU Aero Engines Holding AG: first half-year confirms growth trend

- **Group sales up 14 % to 1,026 million €**
- **EBITDA¹ improves 59 % to 102 million €**
- **Cash flow from operating activities up from 51 million € to 233 million €**
- **Positive outlook for the year 2005 as a whole**

Munich – MTU Aero Engines Holding AG has successfully completed the first half-year of 2005. Sales increased by about 125 million € (+14 %) to 1,025.7 million €. Earnings before interest, taxes, depreciation, amortization and special items (EBITDA), calculated on a comparable basis, improved by 59 % from 64.5 million € to 102.3 million €. Especially positive is the development of cash flow from operating activities, which increased from 50.9 million € to 232.8 million €. “We are satisfied with the course of business and the results for the first half of the year 2005,” commented Udo Stark, president and CEO of MTU Aero Engines Holding AG. “The results attained confirm our growth targets for 2005 in sales and earnings, and the positive trend in liquidity permits further improvement of the capital structure. This has also reflected in the positive development of the price of our share since the IPO.”

So here are the details of the increase in sales in the first half of the year 2005, to 1,025.7 million €: The biggest increase was achieved in the field of commercial engine maintenance. In comparison with the first half of the prior year (266 million €), sales here improved by 31 % to 348 million €. A 13 % rise to 475 million € was notched up by sales in the commercial engine sector (first half-year 2004: 422 million €), attributable above all to the V2500 and PW4000Growth programs. Sales in military engine business were slightly down by 5 % at 203 million € (213 million € in the first half-year of 2004). The decline is largely ascribed to the Eurofighter engine EJ200, for which the delivery schedule has been temporarily stretched at the request of the customer.

The order backlog as of June 30, 2005, at 3,762.9 million € (year-end 2004: 3,408.3 million €), was 1.9 times the annual sales figure for 2004. The increase of more than 10 % derives above all from commercial engine business – here orders for the GP7000 engines to power the Airbus A380, for the V2500 powering the Airbus A320 family and for the PW2000 powering the C-17 transport swelled the order book. Not included in the order backlog are long-running fly-by-hour contracts in commercial engine maintenance, as here it is exclusively concrete individual orders that are entered into the order book. Including the 10-year contract signed with JetBlue in late June – volume: 750 million € – fly-by-hour contracts with a total volume of some 1.2 billion € were concluded in the first six months of 2005. This underscores the growth potential of MTU Maintenance, which today is already the leading independent provider of commercial maintenance services in the world.

¹ Calculated on a comparable basis.



MTU also achieved a further improvement in its results: In the first half of 2005, EBITDA calculated on a comparable basis increased by 59 % from 64.5 million € to 102.3 million €. Besides the heavier demand for spare parts and maintenance services, improvements in efficiency contributed to this rise. "Our business units show sound development overall and as expected they have turned in good results," explained Reiner Winkler, chief financial officer. "Positive stimuli come from the sustained increase in the commercial engine maintenance and engine business with the successful V2500 engine. This growth should continue in the further course of the business year."

In the first six months of the financial year 2005, net income according to IFRS, which includes U.S. dollar exchange rate-related revaluations of financial items of -7.2 million €, amounted to 6.7 million € (in the corresponding period of the prior year: -34.5 million €). It also includes interest payments made in the amount of 19.9 million €, which will be reduced to some 11 million € in the latter half of the year as a result of repayments of loans.

The company again strongly increased its cash flow from operating activities. It improved from 50.9 million € in the first half of 2004 by 357 % to 232.8 million € in the first six months of 2005. "We thus successfully continued the positive development of cash flow from the first quarter. In particular, we have again reduced the funds tied up in current assets," said Winkler.

Expenditure for company-financed research and development (R&D) in the first half-year amounted to 31.0 million €. It reflects in particular the reduced need for development spending for the engines GP7000 (Airbus A380) and PW6000 (Airbus A318). Program-related changes that arose in the first half of the year will require increasing research and development input in the coming months. Counting in customer-funded activities, the R&D expenditures in the first half-year of 2005 totaled 72.8 million €. Investments increased by 35.4 % from 20.7 million € in the first half-year of 2004 to 28.3 million € in the first half year of 2005.

After the IPO, the balance sheet of MTU Aero Engines as of June 30, 2005 shows equity in the amount of 505.7 million €, the balance sheet total being 2,650.6 million €. Under the IPO, the capital increase resulting from the issuance of 15 million new shares contributed 296 million € (after deduction of all costs) towards the increase in equity.

Due to the sale, already announced in May 2005, of Atena Engineering GmbH (451 employees) to AssystemBrime, Paris, the number of employees at MTU Aero Engines decreased to 6,778 by the end of June (year-end 2004: 7,417). Adjusted for the sale of Atena, the workforce was reduced as planned by 2.7 %.



Outlook

MTU Aero Engines is destined to stay on track for success also in the further course of this year. In its commercial engine business sales are expected to increase further in 2005, these being supported above all by the V2500 for the Airbus A320 family, whereas in the military engine business, sales are expected to attain the previous year's level. Here, the delay in the joint air force-industry model of cooperation in military engine maintenance at Erding makes itself felt. Against a background of constantly increasing volumes of passenger and airfreight traffic, MTU is aiming at significant sales and earnings growth in its commercial engine maintenance business.

If exchange rates remain at current levels, MTU reckons with Group sales of 2,050 million € in fiscal 2005, which marks an increase of 7 % compared with the prior year (1,918 million €). Adjusted for the sale of Atena, the increase in sales amounts to 8.4%. Based on this figure, EBITDA, calculated on a comparable basis, is expected to be approx. 215 million €, with the sale of Atena having no effect on its value. Compared with the prior year (172.3 million €), this represents an increase by approximately 25 %. Cash flow from operating activities will further improve over the fiscal year as a whole, although the first half-year's non-recurrent effects need to be taken into account. Said Stark: "Given these positive sales and results trends, it should be possible to pay out dividends in a total amount of 40 million € for the year 2005."



MTU Aero Engines – key financial data for the first half-year 2005 (H1)

(Amounts in million €, calculated on a comparable basis, rendering of accounts according to IFRS. Values calculated on a comparable basis adjust the IFRS results of the company by restructuring and transaction costs, capitalized R&D costs as well as the effects deriving from IFRS Purchase Accounting.)

MTU Aero Engines	H1 2005 <i>calculated on a comparable basis</i>	H1 2004 <i>calculated on a comparable basis</i>	Change	H1 2005 <i>reported</i>	H1 2004 <i>reported</i>
Sales	1,025.7	900.8	+ 13.9 %	1,025.7	900.8
R&D expenditure	72.8	111.7	- 34.8 %		
of which company- financed R&D	31.0	81.0	- 61.7 %	14.5	31.9
of which customer- financed R&D	41.8	30.7	+ 36.2 %	41.8	30.7
EBITDA	102.3	64.5	+ 58.6 %	117.7	65.7
Investitions	28.3	20.7	+ 36.7 %	28.3	20.7
Cash flow from operating activities	232.8	50.9	+ 357.4 %	232.8	50.9
Net income				6.7	-34.5
	June 30, 2005	Dec. 31, 2004	Change		
Order backlog	3,762.9	3,408.3	+10.4 %	3,762.9	3,408.3
Workforce	6,778	7,417	- 8.6 %	6,778	7,417

MTU Aero Engines is Germany's leading manufacturer of engine modules and components and of complete aero engines. The company, which is headquartered in Munich, cooperates closely with the world's biggest engine manufacturers – Pratt & Whitney, General Electric and Rolls-Royce. It operates affiliates in all significant markets and regions. Measured by sales, MTU Maintenance is the world's largest independent provider of commercial engine services. In the military arena, MTU Aero Engines is Germany's industrial lead company for practically all aircraft engines flown by the German military and an important partner in major military engine programs in Europe

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Contact person for media representatives:

Michael Hauger
Director Corporate Communications
Tel.: ++ 49 89 14 89-91 13
Fax: ++ 49 89 14 89-9 60 66

Contact person for investors and analysts:

Inka Koljonen
Director Investor Relations
Tel.: ++ 49 89 14 89-83 13
Fax: ++ 49 89 14 89-9 50 62

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MTU Aero Engines assumes no obligation to update any forward-looking statement.