
MTU Aero Engines continues its growth course with good nine-month figures

- **Group sales up 12 % to 1,545.6 million €**
- **Operating profit¹ plus 35 % at 166.6 million €**
- **Cash flow from operating activities tripled to 300.0 million €**

Munich – MTU Aero Engines Holding AG continues to be on a growth track. In the first nine months of 2005 the company increased its sales as compared with the prior year period by 12 %, from 1,384.3 million € to 1,545.6 million €. The operating profit (EBITDA - earnings before interest, taxes, depreciation and amortization) saw an above-average increase by 35 %, from 123.5 million € to 166.6 million €. Cash flow from operating activities increased 215 %, from 95.2 million € as of September 2004 to 300.0 million € as of September 2005. "Also in the third quarter of 2005, MTU Aero Engines has continued its positive upward trend with strong growth in earnings. The targets which we had set ourselves for the first nine months of this year were achieved and even bettered," states Udo Stark, President and CEO of MTU Aero Engines Holding AG.

The order backlog as of September 30, 2005, at 3,619.4 million € (at year-end 2004: 3,408.3 million €) was 1.9 times the annual sales figure for 2004. The increase by a good 6 % is above all attributable to the commercial engine business. The impetus here came from orders for the GP7000 engine (A380) as well as for the V2500 (A320 family) and the PW2000 (C-17 transport). LAN Chile was won as the launch customer for the new PW6000 engine (A318). In the field of commercial engine maintenance, long-term contracts with a total volume of more than 1.5 billion U.S. dollars have been concluded as of September 2005. However, these long-running framework agreements do not yet reflect in the order backlog, as here it is exclusively concrete individual orders for engine maintenance that are booked as they are received. The entire contract volume in the field of commercial engine maintenance is approx. 4 billion €.

The rise in sales to 1,545.6 million € in the first nine months of 2005 derives above all from the above-average growth in the commercial engine maintenance business. Sales here increased by 28 % as compared with the corresponding year-earlier period, from 426.1 million € to 545.0 million €. OEM business also chalked up a rise: up 3.5 % from 978.4 million € to 1,012.7 million €. Sales in the commercial engine business rose by 9.5 %, from 641.1 million € to 702.1 million €; especially the V2500 (A320 family) and PW4000 Growth (Boeing 777) engine programs did very well. Military engine business sales, at 310.6 million €, were 7.9 % lower than prior year's sales. This decrease is

¹ calculated on a comparable basis



attributable to the RB199 and EJ200 engines. RB199 sales were affected by the scheduled phasing-out of the Tornado fleet and the resultant reduction in flight operations. In the case of the Eurofighter engine EJ200, the reasons are postponed invoicing over the year as well as the effects of delayed parts supplies. The air force-industry model of cooperation the introduction of which had already been expected at an earlier date and which also involves Erding air base in the joint maintenance and repair activities (RB199, J79 and RR250 programs), was passed by the budget committee of the German Bundestag in September. The contract is due to be signed this month.

MTU improved its operating profit by 35 % – from 123.5 million € in the first nine months of 2004 to 166.6 million € in 2005. "Commercial engine maintenance developed very positively and increased its EBITDA by 55 % in comparison with the prior year period," explains Chief Financial Officer Reiner Winkler. "With a plus of 25 % the OEM business, too, achieved yet another improvement in its operating profit."

Net income (after-tax earnings) according to IFRS as of September 2005 amounts to 19.4 million € (prior year period: -14.4 million €).

MTU's financial strength developed especially positively in the year 2005: cash flow from operating activities was up 215 % to 300.0 million € (as of September 2004: 95.2 million €). This increase is due among other things to down payments received. Comments Winkler: "From the available liquidity we have reduced the high-yield bond by 80 million € to the current amount outstanding of 195 million €; we will be repaying a further 30 million € ahead of schedule on November 23, 2005. With the ongoing clearance of debt, our annual interest burden will be reduced by more than 6 million € in future."

In the first nine months of the year 2005, expenditure for research and development amounted to more than 7 % of the sales figure. Including customer-financed activities, total expenditure here was 110.2 million €. Company-financed expenditure for research and development accounted for 45.6 million € of this figure. "As the big commercial development programs such as the GP7000 for the Airbus A380 or the PW6000 for the Airbus A318 are almost mature for production, the R&D spending necessary for these programs has decreased accordingly," states Winkler.

In the first nine months of this year MTU invested 17 % more than during the corresponding prior year period: capital expenditures rose from 36.7 million € to 42.9 million €.



Adjusted for changes in the group of consolidated companies (sale of Atena Engineering GmbH) the number of employees at MTU Aero Engines slightly decreased by 2.2 % to 6,816 at the end of September 2005 (year-end 2004 calculated on a comparable basis: 6,966). In the third quarter, the number of employees increased by 40.

Outlook

MTU is confident about its prospects for the remainder of the year 2005: sales will continue to rise in the commercial engine business and also in commercial engine maintenance. In the military engine business, sales are expected to attain the previous year's level. Says Stark: "For the year 2005 as a whole – at the current dollar exchange rate – we are reckoning with Group sales of some 2,050 million €." Compared with the prior year sales figure of 1,918 million € – adjusted for the sale of Atena – this would correspond to a plus of more than 8 %.

Based on these sales expectations MTU is confident of fully achieving the projected operating income of 215 million €. In comparison with the prior year (172.3 million €), this would be an above-average increase of 25 %.

"In view of this positive development of sales and of the result, MTU can continue to hold out the prospect of a dividend payout on an HGB basis in an amount of some € 40 million," said Stark. "Although the IPO took place on June 6, 2005, plans are for this dividend to be paid for the whole financial year."



MTU Aero Engines – Key financial data for the first nine months of 2005

(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. Values marked with an asterisk (*) are reported values.)

MTU Aero Engines	as of Sept. 2005 <i>calculated on a comparable basis</i>	as of Sept. 2004 <i>calculated on a comparable basis</i>	Change
Sales	1,545.6	1,384.3	+ 11.7 %
of which OEM business	1,012.7	978.4	+ 3.5 %
of which commercial engine business	702.1	641.1	+ 9.5 %
of which military engine business	310.6	337.3	-7.9 %
of which commercial MRO	545.0	426.1	+ 27.9 %
EBITDA	166.6	123.5	+ 34.9 %
	189.4*	148.3*	+ 27.7 %*
of which OEM business	115.6	92.7	+ 24.7 %
of which commercial MRO	48.5	31.3	+ 55.0 %
Net income	19.4*	-14.4*	n.a.
Cash flow from operating activities	300.0	95.2	+ 215.1 %
R&D expenditure	110.2	160.9	-31.5 %
of which company-financed R&D	45.6	111.6	-59.1 %
of which customer-financed R&D	64.6	49.3	+ 31.0 %
Capital expenditures	42.9	36.7	+ 16.9 %
	Sept. 30, 2005	Dec. 31, 2004	Change
Order backlog	3,619.4	3,408.3	+ 6.2 %
Employees	6,816	7,417	-8.1 %

MTU Aero Engines is Germany's leading engine manufacturer and ranks among the big players in the business. It operates affiliates in all significant markets and regions. In the commercial engine business the company cooperates closely with the world's biggest engine manufacturers – General Electric, Pratt & Whitney and Rolls-Royce. In the military arena, MTU is the industrial lead company for practically all aircraft engines flown by the German military and an important partner in all major military engine programs in Europe. MTU's network of maintenance shops is the world's largest independent provider of engine maintenance services in terms of sales. Technologically, the company has established a global leadership position.



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For a full collection of press releases and photographs go to: <http://www.mtu.de/media>

The quarterly report can be accessed on the Internet under www.mtu.de, Investor Relations->Financial Figures & Reports. It is also available as a .pdf file.

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