
MTU Aero Engines distinctly outpaces general market growth in 2005

- **Group sales up 12 % to 2,149 million €**
- **Operating profit plus 35 % to 233 million €**
- **Cash flow from operational activities quadrupled to 290 million €**
- **Financial liabilities reduced by 525 million €**

Munich – MTU Aero Engines Holding AG in 2005 stayed on its growth track. Fiscal 2005 sales rose 12 %, from 1,918.0 million € to 2,148.6 million €. This gain went hand in hand with an overproportional increase in operating profit¹ to 233 million €, up by 35 % over the year before (2004: 172.2 million €). The cash flow from operational activities nearly quadrupled, from 72.9 million € to 290.1 million €.

"MTU Aero Engines in 2005 continued its growth track, showing strong gains in earnings. We have well met our objectives; we have grown faster than our markets and substantially reduced debt," noted Udo Stark, MTU Aero Engines Holding AG chief executive officer.

Order book sharply up

As of December 31, 2005, the order book stood at 3,649 million €, or 1.7 times the 2005 sales. Compared with year-end 2004, this reflects a 241 million € increase, up 7.1 %. The growth is attributable chiefly to the commercial engine business, where the order backlog grew 21.4 %, to 1,844 million €. This came as a result notably of successful marketing campaigns for the GP7000 (A380) and V2500 (A320 family) engines. For the new PW6000 (A318) engine, LAN Chile was won as the launch customer.

In the commercial engine maintenance, repair and overhaul (MRO) segment, the order value of contractually committed engine work last fiscal year grew 943 million €, to 2,896 million €. Contributing to this growth has also been a ten-year agreement inked with U.S. airline JetBlue.

Sales growth in OEM and MRO segments

The sales growth to 2,148.6 million € is due largely to a sustained overproportional gain in commercial engine MRO, where sales increased 27 %, from 575.9 million € to 732.1 million €.

The OEM business too saw growth. It increased 4.3 %, from 1,375.6 million € to 1,434.8 million €, with commercial engine sales growing 7.2 %, from 879.9 million € to 943.4 million €. An upward trend was noted especially for the V2500 engine (A320 family). The military engine segment, with sales of 491.4 million €, remained flat at last year's level. The current entry into service of the Eurofighter re-

¹ EBITDA (earnings before interests, taxes, depreciation and amortization), calculated on a comparable basis



sulted in sustained high EJ200 engine sales. The MTR390 helicopter engine (Tiger) also had a positive impact on sales. Expected to grow the military engine business long-term is the ten-year contract on the expansion of the industry-military cooperative model of engine maintenance, inked in 2005. In this MTU-led cooperative effort with the Luftwaffe, several engine types are jointly repaired at MTU and the Luftwaffe's Erding air base.

Notably improved earnings base, in both segments

MTU notably improved its operating profit by 35 %, from 172.2 million € in the previous year to 233.0 million € in 2005. "We've seen a very positive trend in commercial MRO earnings, where operating profit jumped 69 % compared with the year before," explained chief financial officer Reiner Winkler. "The OEM segment likewise showed improved operating profit, up by 24 %."

That puts the EBITDA margin in the OEM business at over 11 %, and in commercial MRO at almost 10 %. It was especially in commercial engine MRO that MTU achieved its medium-term earnings goals prematurely at the end of fiscal 2005. The growing contribution of new production engines to overall sales, plus the accelerated growth of commercial engine MRO, not unexpectedly led to a rise in the cost of sales in 2005. Earnings before interest and taxes (EBIT) nevertheless increased by 60 %, from 81.1 million € to 130.0 million €. This is to a large degree attributable to an almost 30 % reduction in selling and administration expenses.

Dividend proposal of 0.73 € per share

In accordance with IFRS, fiscal 2005 net earnings (after taxes) were 32.9 million € (versus 0.2 million € in 2004). Adjusted for the effects of the sale of MTU (particularly of purchase price-related depreciations), the year's net earnings amounted to 51.4 million € (versus 13.0 million € in 2004). "In view of these positive sales and earnings developments, we'll propose a dividend payout to the general shareholders' meeting in the amount of 0.73 € a share," Winkler said. "The payout will be made regardless of the June 6, 2005, date of the IPO, that is for the full fiscal year. The payout amounts to a dividend yield of about 2.5 % as of today."

Financial liabilities reduced by almost three-fourths

MTU's financial position in 2005 has seen a particularly positive development: the cash flow from operational activities grew by almost 300 %, to 290.1 million € (versus 72.9 million € in 2004). Significant contributors to the growth were improved results from operations and improvements in working capital, specifically through exceptionally high advance payments from military engine customers.

Moneys flowing from the IPO and the company's prospering operational activities were used to reduce net financial liabilities by 72 %. Overall, MTU has repaid loans in the amount of about 525 million €.



8 % of sales for research and development

In 2005, expenditures for research and development (R&D) amounted to 8 % of the Group's consolidated sales. Totally 171.9 million € were spent on R&D, including customer-funded activities. The expenditure for R&D activities in the OEM business corresponded to 12 % of OEM sales. Of the total, 83.8 million € were company-funded R&D outlays. The big GP7000 and PW6000 development programs rapidly nearing production launch, R&D expenditures for them were predictably tailing off.

Investments up by 27 %

MTU invested 27 % more than the year before: in 2005, capital expenditures grew from 65.9 million € to 83.5 million €. The investment focus was on machine tools and facilities, such as CNC machines for the TP400-D6, special tooling and equipment and test facilities for the GP7000 (Airbus A380), TP400-D6 (Airbus A400M) and CF34 (business jets and regional aircraft). Additional investments went into software.

6,746 employees, of which 4,607 employed in Munich

As of December 31, 2005, MTU Aero Engines employment had decreased—adjusted for changes in the consolidated entity (spin-off of Atena Engineering GmbH)—by nearly 3 %, to 6,746 (calculated on a basis comparable to year-end 2004: 6,954).

Prospects

Stark commented: "For 2006, we expect sales to keep growing and earnings to again improve. The first two months of the year are so far supporting our expectations."

Sales will continue to grow predominantly in the commercial engine OEM and MRO segments, with the first two months of the year showing promising growth in both the sales and revenues figures.



MTU Aero Engines – 2005 key financial data

(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	2005	2004	Change
Order backlog	3,649.2	3,408.3	+ 7.1 %
Sales	2,148.6	1,918.0	+ 12.0 %
of which OEM business	1,434.8	1,375.6	+ 4.3 %
of which commercial engine business	943.4	879.9	+ 7.2 %
of which military engine business	491.4	495.7	- 0.9 %
of which commercial engine MRO	732.1	575.9	+ 27.1 %
EBITDA (calculated on comparable basis)	233.0	172.2	+ 35.3 %
of which OEM activities	162.4	131.3	+ 23.7 %
of which commercial engine MRO	72.1	42.7	+ 68.9 %
Year's net earnings (IFRS)	32.9	0.2	n.a.
Year's net earnings (adjusted)	51.4	13.0	+295.4 %
Cash flow from operational activities	290.1	72.9	+ 297.9 %
Research and development expenses	171.9	232.8	- 26.2 %
of which company-funded R&D	83.8	155.9	- 46.2 %
of which outside-funded R&D	88.1	76.9	+ 14.6 %
Capital expenditures	83.5	65.9	+ 26.7 %
Employment (adjusted for spin-off of Atena Engineering GmbH)	6,746	6,954	- 3.0 %

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 photos, go to
<http://www.mtu.de/media>*

The Annual Report is posted on the Internet at www.mtu.de, under Investor Relations. Interested parties may also obtain it in .pdf format or, starting mid-April, in hardcopy.

Cautionary Note Regarding Forward-Looking Statements

Certain of the statements contained herein may be statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, competition from other companies in MTU Aero Engines' industry and MTU Aero Engines' ability to retain or increase its market share, the cyclical-ity of the airline industry, risks related to MTU Aero Engines' participation in consortia and risk and revenue sharing agreements for new aero engine programs, risks associated with the capital markets, currency exchange rate fluctuations, regulations affect-ing MTU Aero Engines' business and MTU Aero Engines' ability to respond to changes in the regulatory environment, and other factors. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their con-sequences.

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