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**MTU Aero Engines reports continued solid growth in the first quarter of 2006**

- Sales up 11% to about € 565 million
- Operating profit up 21% to about € 67 million
- Net income more than doubled, to about € 26 million

Munich – MTU Aero Engines Holding AG in the first quarter of 2006 posted appreciable sales and profit gains, continuing the healthy trend of fiscal 2005. In the process, sales in the first three months of 2006 rose 10.8%, to € 564.8 million (1-3/05: € 509.7 million). Concurrently, operating profit<sup>1</sup> grew 21.1%, to € 66.6 million (1-3/05: € 55.0 million). The sharp jump in profit registered more clearly even after taxes, with MTU more than doubling adjusted net income<sup>2</sup> from € 11.2 million in the same quarter a year ago to € 25.7 million in the first three months of 2006.

"These results show MTU to be on a very healthy course. For 2006, we expect to remain on the profitable growth track," commented Udo Stark, MTU chief executive officer. "In the industry, and especially our company, growth rates keep outpacing the general economy."

For the full year, MTU expects the growth in sales to continue throughout 2006. Driving the growth mainly will be the commercial maintenance, repair and overhaul (MRO) segment and commercial engine manufacturing, sustained particularly by the V2500 engine powering the Airbus A320 family of transports. A continuing positive trend is what MTU anticipates also for its full-year 2006 profit showing: Operating profit—as previously announced during the presentation of the 2005 balance sheet figures—is predicted to rise to € 270 million by year-end, and adjusted net income to € 90 million. Part of the financial planning for the year also are additions to the workforce at the Hannover location, where the fast-growing MRO business calls for about 200 new hires, mostly skilled labor. Plans are also to spend about € 20 million for investments in expanding test cell capacities at Hannover.

Here are some statistics on the company's first-quarter 2006 performance:

During the first quarter, sales grew by 10.8%, from € 509.7 million to € 564.8 million, with commercial MRO achieving a clearly above-average gain in sales. In this segment, revenues in the first three months increased 28%, to € 221.1 million (1-3/05: € 172.6 million). Accordingly, commercial MRO contributed 39% to overall sales. Commercial engine manufacturing in the first quarter posted € 246.0 million in sales, versus € 241.4 million the year before. Discounting sales made by ATENA (which was sold as of June 30, 2005), the commercial engine business grew 6% in the first three months of the year. "We are pleased to note that the strong demand for V2500 engines and the continuing high de-

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<sup>1</sup> EBITDA = earnings before interests, taxes, depreciation and amortization, calculated on a comparable basis

<sup>2</sup> Adjusted net income: adjusts the reported net income for the effects of IFRS Purchase Accounting to make it more comparable with the profit for the year according to HGB, which serves as the basis for calculating the dividend



mand for commercial engine spare parts again increased our sales figures," explained Stark. Military engine sales, at € 102.3 million, ran 1.7% over the € 100.6 million a year ago.

The order backlog has remained practically unchanged by the end of the first quarter of 2006. At € 3,634.5 million, it essentially was at the high end-2005 level (€ 3,649.1 million). That amounts to 1.7 times annual 2005 sales, enough to amply sustain the growth course charted for 2006.

MTU again enhanced its profit showing: In January through March 2006, operating profit grew to € 66.6 million, or 21.1%, over the same period in 2005. "Profit developments were especially positive in commercial MRO. In this segment, operating profit was up 68% over the year before," explained chief financial officer Reiner Winkler. "In the OEM business, we also were up 7%."

MTU significantly improved on adjusted net income, at € 25.7 million more than doubling it in the first quarter of 2006 (1-3/05: € 11.2 million).

Cash flow from operational activities in the first quarter of 2006 amounted to €81.1 million. That is € 52 million less than in the same period a year ago; during the last fiscal year, unusually high down-payments had been received from customers. MTU's net debt, as of March 31 this year, was again reduced, thanks to favorable business and profit developments.

In the first quarter of 2006, research and development expenditures grew 21.3% over a year earlier, to € 38.8 million versus € 32.0 million in the same quarter of 2005. The rise is attributed notably to growing development expenses for the TP400-D6 to power the military A400M transport.

The workforce, including the contracted labor force, at MTU Aero Engines as of March 31, 2006, at 6,659, moderately rose by 3.6% (calculated on a basis comparable to year-end 2005: 6,427 employees).



## MTU Aero Engines–Key financial data for the 1st quarter of 2006

(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	Q1 2006	Q1 2005	Change
Sales	564.8	509.7	+ 10.8%
of which OEM business	348.3	342.0	+ 1.8 %
of which commercial engine business	246.0	241.4	+ 1.9 %
of which military engine business	102.3	100.6	+ 1.7%
of which commercial MRO	221.1	172.6	+ 28.1%
EBITDA (calculated on comparable basis)	66.6	55.0	+ 21.1%
of which OEM business	43.1	40.3	+ 6.9%
of which commercial MRO	23.7	14.1	+ 68.1%
Net income (IFRS)	19.4	5.0	+ 288.0%
Net income (adjusted)	25.7	11.2	+ 129.5%
Cash flow from operational activities	81.1	133.1	- 39.1%
Research and development expenses	38.8	32.0	+ 21.3%
of which company-funded R&D	14.3	13.1	+ 9.2%
of which outside-funded R&D	24.5	18.9	+ 29.6%
Capital expenditures	11.3	11.2	+ 0.9%
	<b>Mar. 31, 2006</b>	<b>Dec. 31, 2005</b>	<b>Change</b>
Order backlog	3,634.5	3,649.1	- 0.4%
Employees*	6,659	6,427	+ 3.6%

\* including the contracted labor force, but without non-active staff such as interns, graduands, student workers, trainees, etc.

Headquartered in Munich, MTU Aero Engines is Germany's leading engine manufacturer. With its various affiliates, it has a presence in all essential markets and regions. The company cooperates closely with the world's major 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 services in terms of sales.

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