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**MTU Aero Engines expects 2006 full-year EBITDA to reach €310 million**

- Revenues as of end September 2006 have grown by 13% to €1,749.9 million
- EBITDA as of end September up 35% to €224.7 million – forecast raised
- Net income more than doubled to €87.7 million

Munich – MTU Aero Engines Holding AG continues on its positive growth trend: In the first nine months of 2006, the company's revenues rose by 13% to €1,749.9 million (1-9/05: €1,545.6 million). The sector reporting the highest growth rate was once again commercial maintenance, repair and overhaul (MRO). MTU's pre-tax earnings have also improved significantly, with EBITDA<sup>1</sup> progressing from €166.6 million at end September 2005 to €224.7 million at end September 2006: a year-on-year increase of 35%. This increase is even more pronounced in the adjusted figures for net income<sup>2</sup>, which has more than doubled in comparison to the same period last year, rising 148% to €87.7 million (1-9/05: €35.3 million).

"The nine-month figures confirm that we are making very good progress towards meeting our set targets," commented MTU CEO Udo Stark. "This progress has allowed us to revise our full-year profit forecast for 2006 once again. We now expect EBITDA to reach €310 million. That means generating €20 million more in earnings from our operating activities than we had previously predicted." In the medium term, MTU aims to expand its EBITDA margin to 14-15%. As of end September 2006, the company's OEM business<sup>3</sup> has already reached this target. Commercial MRO is also well on course, with a present EBITDA margin of over 10%.

Developments during the first nine months of 2006:

The 13% increase in revenues is principally due to continuing better-than-average growth in the commercial MRO sector, where MTU has generated a year-on-year improvement of 29% – up from €545.0 million at end September 2005 to €702.6 million in the same period 2006. Commercial MRO thus represents 40% of total revenues. The greatest sources of revenues are the highly successful V2500, which powers the Airbus A320 family, and the range of CF6 engines employed in passenger aircraft in the over-200-seat category. The commercial engine business brought in revenues of €746.5 million over the first nine months of the year – a same-period increase of 6%. After adjustments to eliminate the effect of fluctuations in the U.S. dollar exchange rate and the disposal of Atena (June 30, 2005), revenues from commercial engine business stood roughly 11% higher than at end September 2005.

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

<sup>2</sup> Adjusted net income: reported earnings adjusted to eliminate the effect of purchase accounting, to enable comparison of value with full-year net profit calculated according to HGB, on which dividend is based

<sup>3</sup> OEM business comprises new military aero engine programs, MRO on existing military aero engines, and new commercial aero engine programs.



There was modest growth in revenue from military business, which has risen to €315.4 million (1-9/05: €310.6 million).

The order backlog as of end September 2006 amounted to €3,448.7 million, which corresponds to 1.6 times 2005 total annual revenues. Adjusted to compensate for U.S. dollar exchange rate fluctuations, the order backlog has remained at the previous year's level. Without this adjustment, it is 4% lower.

MTU has increased EBITDA by 35%. "Earnings from both our OEM business and our commercial MRO business have improved to a highly gratifying degree," said MTU Chief Financial Officer Reiner Winkler. "We have posted 52% higher EBITDA in the commercial MRO segment compared to 2005, and achieved an increase of 32% in our OEM business over the same period."

Adjusted net income amounted to €87.7 million as of end September 2006, which is over twice the equivalent figure for the same period in 2005 (1-9/2005: €35.3 million). This is largely attributable to gains in earnings from operating activities and a significantly improved financial result.

Cash flow from operating activities stood at €142.9 million at the end of the first nine months of 2006, 52% down on the equivalent figure for 2005. This difference is essentially due to the exceptional level of prepayments received from customers in the previous fiscal year.

Research and development expenditure up to the end of September 2006 amounted to €117.5 million, or 7% higher than for the comparable period the year before (1-9/2005: €110.2 million). Development work on the TP400-D6 engine for the Airbus A400M military transport aircraft and technology programs for advanced aero engines were the main factors responsible for this increase.

The MTU Aero Engines workforce, including contracted labor, rose to 6,810 employees as of end September 2006, or 6% higher than the equivalent figure at year-end 2005 (6,427 employees). This increase mainly reflects the impact of additional recruitment at the Hannover site, where strong growth in MRO services has necessitated expansion of the workforce.

## **Outlook**

MTU anticipates group revenues of around €2,350 million for 2006. This would represent an increase of 9% compared to 2005, where revenues of €2,148.6 million were achieved. In the light of improved earnings from operating activities, the company expects full-year EBITDA to reach €310 million, an increase of approximately 33% over 2005 (€233.0 million). This forecast is €20 million higher than compared to half-year. MTU expects to post an adjusted net income of €115 million for fiscal year 2006, which is more than twice as high as the result of €51.4 million posted in 2005.



In the fourth quarter 2006, MTU intends to create a provision that will impact results amounting to a sum of around €20-30 million. This will cover anticipated restructuring costs of its efficiency program, which foresees the layoff of 250-300 employees. In total, the company aims to achieve annual cost savings in the region of €50 million. In addition to the reduction in personnel costs, emphasis will also be placed on efforts to reduce purchasing costs, as a means of compensating as far as possible for the rising price of raw materials.

### MTU Aero Engines – Key financial data for January through September 2006

*(Figures quoted in million €, calculated on a comparable basis, statements prepared in accordance with IFRS. Figures calculated on a comparable basis apply adjustments to the IFRS consolidated results to exclude restructuring and transaction costs, capitalized R&D costs, and the effects of IFRS purchase accounting)*

MTU Aero Engines	End Sept. 2006	End Sept. 2005	Change
Revenues	1,749.9	1,545.6	+ 13.2%
of which OEM business	1,061.9	1,012.7	+ 4.9%
of which commercial engine business	746.5	702.1	+ 6.3%
of which military engine business	315.4	310.6	+ 1.5%
of which commercial MRO	702.6	545.0	+ 28.9%
EBITDA (calculated on a comparable basis)	224.7	166.6	+ 34.9%
of which OEM business	152.3	115.6	+ 31.7 %
of which commercial MRO	73.7	48.5	+ 52.0%
Net income (IFRS)	80.0	19.4	+ 312.4%
Net income (adjusted)	87.7	35.3	+ 148.4%
Cash flow from operating activities	142.9	300.0	- 52.4%
Research and development expenditure	117.5	110.2	+ 6.6%
of which company-funded R&D	42.9	20.8	+ 106.3%
of which outside-funded R&D	62.5	64.6	- 3.3%
Capital expenditure (capitalized as cash flow)	45.8	42.7	+ 7.3%
	<b>30 Sept. 2006</b>	<b>1 Jan. 2006</b>	<b>Change</b>
Order backlog	3,448.7	3,574.2	- 3.5%
of which OEM business	3,336.3	3,433.8	- 2.8%
of which commercial MRO business	112.5	140.7	- 20.0%
Employees*	6,810	6,427	+ 6.0%

\* incl. contracted labor force, but without non-permanent employees (students on work-experience projects, postgraduate students, trainees, etc.)

Munich-based MTU Aero Engines is the leading German manufacturer of aircraft engines. Together with its affiliates, the company maintains a presence in all essential markets and regions. MTU has close working ties with the world's major aero engine manufacturers – Pratt & Whitney (its strategic partner), General Electric and Rolls-Royce. In the military sector, MTU is the trusted systems partner



for almost all airborne units of the German Armed Forces, and an important partner in all major military aero engine programs in Europe. MTU is the world's largest independent provider of MRO services for commercial aero engines in terms of revenue.

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