MTU Aero Engines

Quarterly Financial Report January 1 to March 31, 2011

MTU Aero Engines Holding AG, Munich

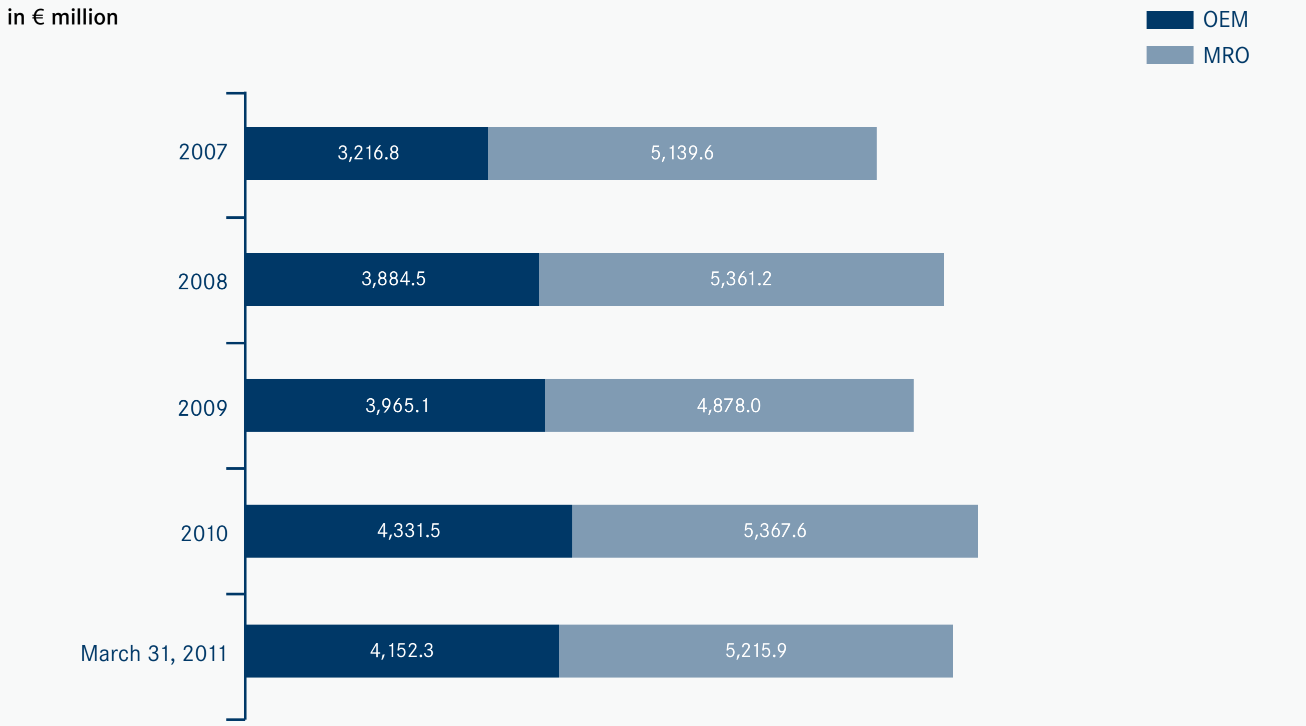
Contents

Key Facts and Figures for the Group

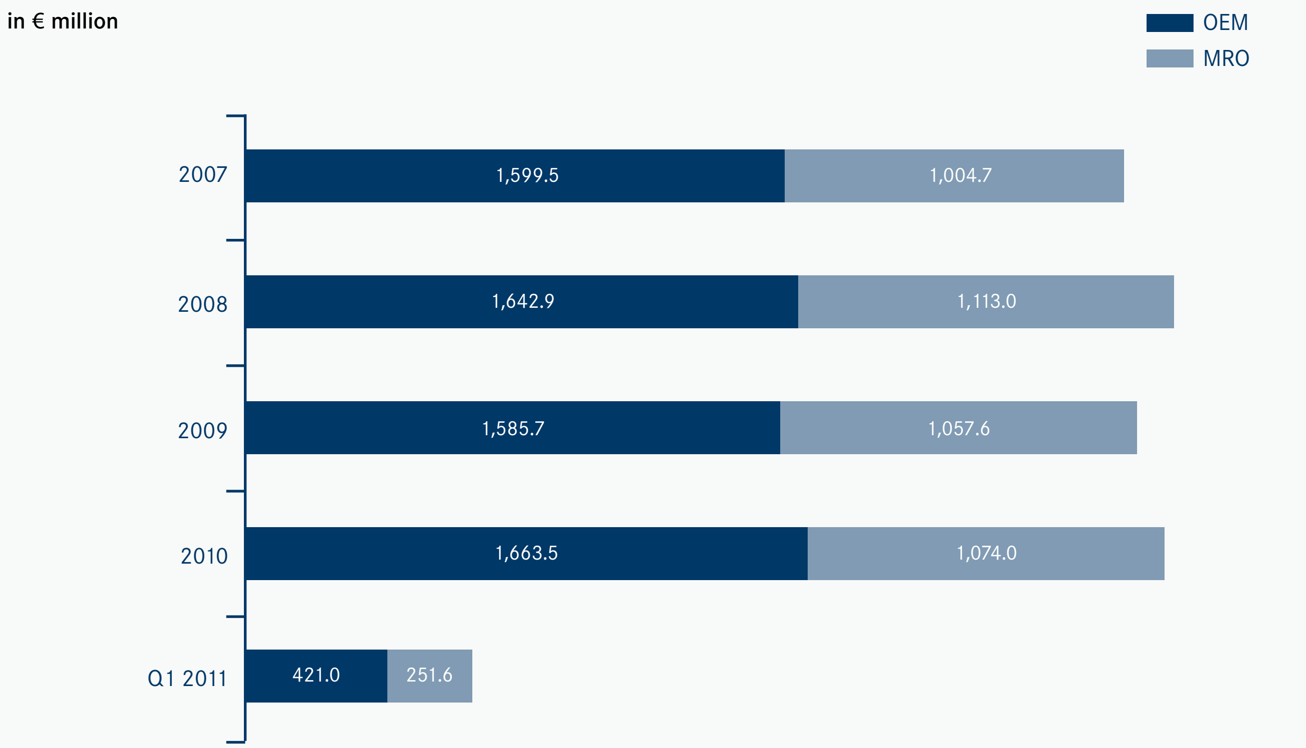
in € million (unless otherwise specified)	Jan. 1 - March 31, 2011	Jan. 1 - March 31, 2010	Change against previous year in € million	in %
Income Statement				
Revenues	664.8	640.2	24.6	3.8
Gross profit	134.7	115.1	19.6	17.0
Earnings before interest and taxes (EBIT)	69.9	57.8	12.1	20.9
Adjusted earnings before interest and taxes (EBIT adjusted)	80.5	68.8	11.7	17.0
Earnings before taxes (EBT)	49.3	48.5	0.8	1.6
Earnings after taxes (EAT)	33.5	32.6	0.9	2.8
Undiluted earnings per share (in €)	0.69	0.67	0.02	3.0
Diluted earnings per share (in €)	0.67	0.65	0.02	3.1
Growth rates in %				
Revenues	3.8	-7.6		
Gross profit	17.0	-3.1		
Adjusted earnings before interest and taxes (EBIT adjusted)	17.0	-8.5		
Earnings before taxes (EBT)	1.6	12.8		
Earnings after taxes (EAT)	2.8	5.2		
Undiluted earnings per share (in €)	3.0	4.7		
Diluted earnings per share (in €)	3.1	4.8		
Revenue margins in %				
Earnings before interest and taxes (EBIT)	10.5	9.0		
Adjusted earnings before interest and taxes (EBIT adjusted)	12.1	10.7		
Earnings before taxes (EBT)	7.4	7.6		
Earnings after taxes (EAT)	5.0	5.1		
Balance Sheet (previous year: December 31)				
Intangible assets	1,269.2	1,225.4	43.8	3.6
Property, plant and equipment	554.9	559.5	-4.6	-0.8
Financial assets	165.7	103.7	62.0	59.8
Working capital	153.0	140.0	13.0	9.3
Cash and cash equivalents	150.2	111.9	38.3	34.2
Pension provisions	435.1	433.2	1.9	0.4
Other provisions	394.2	340.1	54.1	15.9
Financial liabilities	243.2	261.9	-18.7	-7.1
Deferred taxes, current tax liabilities	304.0	302.7	1.3	0.4
Equity	880.9	819.3	61.6	7.5
Net financial position/net financial debt (-)	61.9	-56.2	118.1	
Order backlog and value of MRO contracts (order volume) (previous year: December 31)	**9,368.2**	**9,699.1**	**-330.9**	**-3.4**
Commercial and Military Engine business (OEM) *)	4,152.3	4,331.5	-179.2	-4.1
Commercial Maintenance business (MRO) *)	5,215.9	5,367.6	-151.7	-2.8
Cash flow				
Cash flow from operating activities	94.0	51.2	42.8	83.6
Cash flow from investing activities	-51.8	-92.5	40.7	44.0
Free cash flow	70.9	31.7	39.2	
Free cash flow margin (in %)	10.7	5.0		
Cash flow from financing activities	2.0	1.9	0.1	5.3
Change in cash and cash equivalents	38.3	-36.7	75.0	
Number of employees at quarter end	**7,975**	**7,681**	**294**	**3.8**
Commercial and Military Engine business (OEM)	4,980	4,867	113	2.3
Commercial Maintenance business (MRO)	2,995	2,814	181	6.4

*) before consolidation

Order backlog and value of MRO contracts by segment (before consolidation)

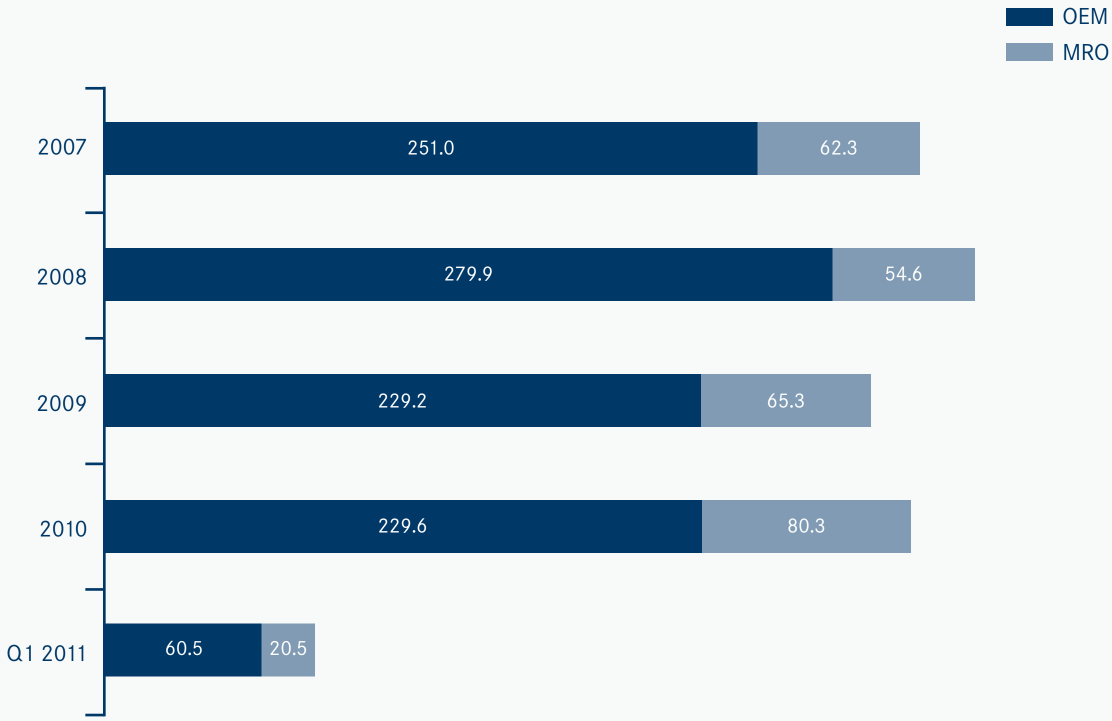


Revenues by segment (before consolidation)



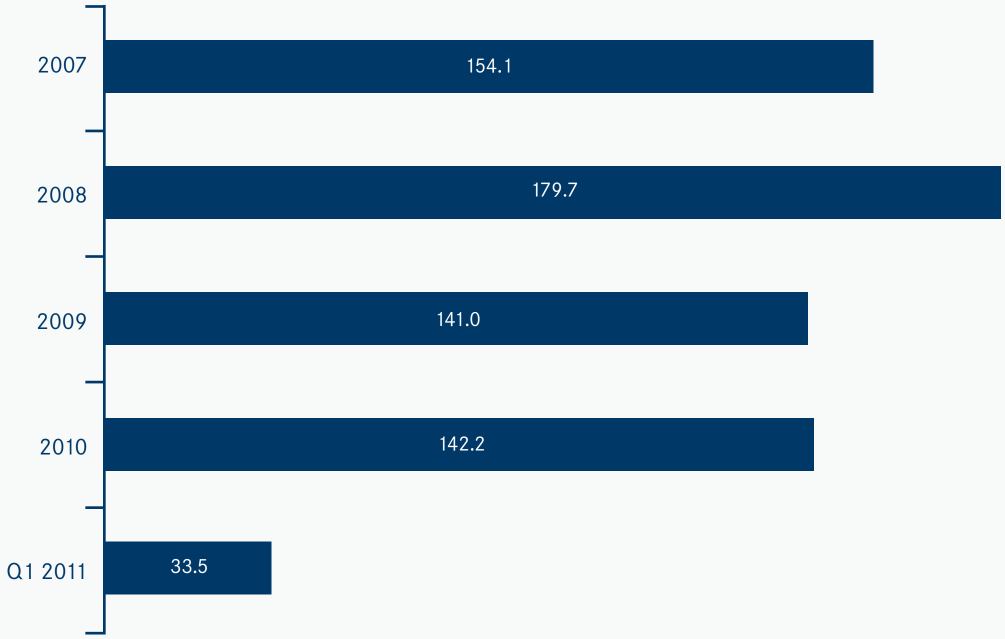
EBIT adjusted by segment (before consolidation)

in € million



Earnings after tax

in € million



General Economic Environment

The global economy continues to recover, with the pattern of recovery proceeding differently from region to region. Growth in the industrial countries was stronger than expected, but still somewhat muted. Economic growth remains strong on many of the world's emerging markets, accompanied by a build-up of inflationary pressure. The global economy grew by 3.8 % in 2010 (source: EIU) whereas in 2009 it had contracted by 2.3 %. Much of this upswing was attributable to a wide range of economic stimulus packages.

The US economy appears to be recovering at a steady pace: the USA's gross domestic product (GDP) grew in the fourth quarter 2010 by 2.8 % compared to 2.6 % in the third quarter.

The euro zone is slowly recovering from the recession despite its sovereign debt problems. Based on provisional Eurostat figures, the euro zone's GNP grew by 1.7 % in 2010, compared to a contraction of 4.1 % in 2009.

Asia continues to be the world's fastest growing region. The combined GDP for Asia and Australia grew by an average of 6.4 % (excluding Japan: 8.2 %) and hence well above the general trend. The fact that world trade has picked up so strongly has been an important factor behind the overall recovery. The earthquake in Japan in March 2011 has had serious repercussions on the economic performance of that country for which exports are normally the main source of growth. As a result of the events, Japan's economic output will now contract in 2011.

The sovereign debt crisis in Europe together with rising food and energy prices currently represent the biggest challenges for the continued recovery of the global economy. The price of oil rose to just over USD 120 per barrel in February, reflecting concerns that political unrest in the Near and Middle East and in North Africa could result in disruptions to oil supplies.

The US dollar is particularly important for MTU's international business. Foreign currency rates fell sharply in the first quarter 2011 against the euro. The US dollar has lost value continuously against the euro since the beginning of the year. The average rate of the US dollar to the euro during the three-month period under report (US $ 1.37) was marginally lower than in the corresponding period one year earlier (US $ 1.38). Reference is made to section 3.3 (Operating results, financial situation and net assets) of the Interim Group Management Report for comments on the impact of changes in exchange rate parities.

1 The Enterprise MTU

MTU Aero Engines Holding AG, Munich, together with its consolidated group of companies (hereafter referred to as "MTU", "group", "enterprise" or "company") is Germany's leading engine manufacturer and one of the world's largest.

2 Research and Development

Technological changes within the aviation sector take place at an extremely rapid pace and require a continuous source of innovation. Research and development expenditure will remain at a high level during the financial years 2011 and 2012. First-quarter expenditure on research and development increased to € 64.5 million. The research and development ratio – measured as R&D expenditure divided by revenues – increased by 1.6 percentage points to 9.7 % (January - March 2010: 8.1 %).

Research and development expenses

	Jan. 1 - March 31, 2011 in € million	Jan. 1 - March 31, 2010 in € million	Change against previous year in € million	in %
Commercial Engine business	44.5	33.6	10.9	32.4
Commercial Maintenance business	1.8	2.4	-0.6	-25.0
Military Engine business	18.2	15.8	2.4	15.2
Research and development (before amounts capitalized)	**64.5**	**51.8**	**12.7**	**24.5**
R&D ratio (as % of revenues)	9.7	8.1	1.6	

The amounts invested are sub-divided into company-funded and externally funded R&D expenditure. Company-funded expenditure is borne by the group whereas externally funded expenditure is paid for by customers. Company-funded expenditure is reported in the table below and in section 8 of the Selected Explanatory Notes to the Interim Consolidated Financial Statements as R&D expense. Externally funded R&D activities are accounted for as contract production receivables or liabilities in accordance with IAS 11 since the work is commissioned specifically by national and international consortia. R&D expenses of € 64.5 million (January - March 2010: € 51.8 million) included € 40.4 million (January - March 2010: € 32.9 million) relating to company-funded R&D expenditure. Of this amount, € 38.6 million (January - March 2010: € 30.5 million) related to Commercial and Military Engine business (OEM). A total of € 5.3 million (January - March 2010: € 3.1 million) relating to the GE38, GEnx and PW1100G engine programs was recognized as capitalized developments costs.

The first-quarter expense for Commercial Maintenance business was € 1.8 million (January - March 2010: € 2.4 million)

The following table includes the own-financed research and development expense reported in the income statement (see section 8 of the Selected Explanatory Notes):

Research and development expenses reported in income statement (own financed)

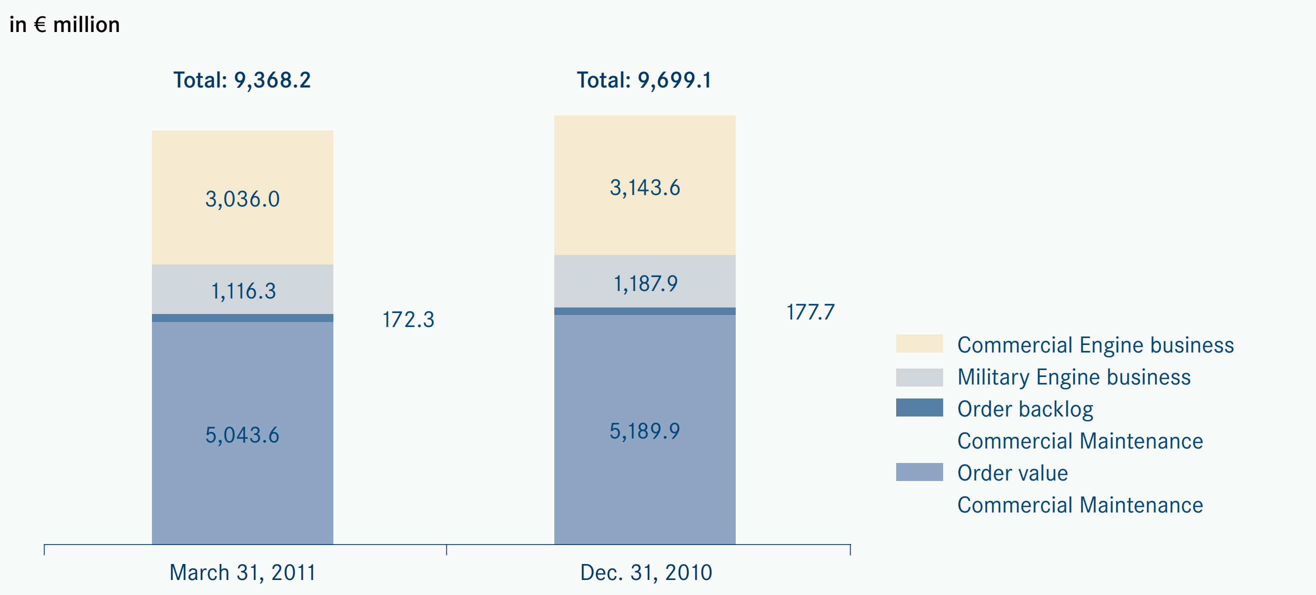
	Jan. 1 - March 31, 2011 in € million	Jan. 1 - March 31, 2010 in € million	Change against previous year in € million	in %
Commercial Engine business	36.2	28.1	8.1	28.8
Commercial Maintenance business	1.8	2.4	-0.6	-25.0
Military Engine business	2.4	2.4		
Own financed R&D expenditure	**40.4**	**32.9**	**7.5**	**22.8**
Capital expenditure on assets required to be capitalized				
Commercial und Military Engine business	-5.3	-3.1	-2.2	-71.0
Commercial Maintenance business	-0.9	-2.0	1.1	55.0
Total capitalized	**-6.2**	**-5.1**	**-1.1**	**-21.6**
Research and development expenses per income statement	**34.2**	**27.8**	**6.4**	**23.0**
Capitalisation ratio in %	**15.3**	**15.5**	**-0.2**	**-1.3**

3 Financial Situation

3.1 Order backlog and value of MRO contracts (order volume)

MTU's order backlog comprises on the one hand of firm orders placed by customers which commit the group to delivering products or providing services as well as the contractually agreed order value of maintenance, repair and overhaul (MRO) contracts on the other.

Order backlog including value of MRO contracts (order volume) before consolidation



The order backlog at March 31, 2011 amounting to approximately € 9.4 billion (Dec. 31, 2010: approximately € 9.7 billion) corresponds to a workload of about three years.

3.3 Operating results, financial situation and net assets

Revenues

Compared with corresponding quarter last year, revenues for the first quarter of 2011 rose by € 24.6 million (3.8 %) to € 664.8 million. Revenues from Commercial and Military Engine business increased by € 19.6 million (4.9 %) to € 421.0 million and revenues from Commercial Maintenance business by € 6.6 million (2.7 %) to € 251.6 million. Adjusted for the US dollar impact (i.e. using the same exchange rate as in the previous year), first-quarter group revenues would have increased by € 17.6 million (2.7 %).

Cost of sales and gross profit

Compared with corresponding quarter last year, cost of sales for the first three months of 2011 increased by € 5.0 million (1.0 %) to € 530.1 million. The first-quarter gross profit went up as a result by € 19.6 million (17.0 %) to € 134.7 million and the gross profit margin improved accordingly from 18.0 % to 20.3 %.

Financial result

The first-quarter financial result was a net expense of € 20.6 million (January - March 2010: € 9.3 million). The deterioration was largely due to the financial result on other items. Fair value losses on foreign currency holdings were only partially offset by fair value gains on derivatives.

Earnings before taxes (EBT)

The higher earnings before interest and taxes (EBIT) figure enabled earnings before taxes (EBT) to increase marginally by € 0.8 million (1.6 %) to € 49.3 million (January – March 2010: € 48.5 million) despite the first-quarter deterioration in financial result.

Earnings after taxes (EAT)

In line with the positive development of earnings before taxes (EBT), earnings after taxes (EAT) increased to € 33.5 million (January - March 2011: € 32.6 million). First-quarter adjusted earnings after taxes (EAT adjusted) improved marginally to € 40.4 million (January - March 2011: € 40.1 million).

Consolidated statement of comprehensive income

In the consolidated statement of comprehensive income, earnings after taxes (EAT) of € 33.5 million (January - March 2010: € 32.6 million) are reconciled to the comprehensive income for the period of € 61.6 million (January - March 2010: € 19.9 million). Income and expenses recognized directly in equity in the first quarter 2011 (net of deferred taxes) comprise a positive impact of € 33.5 million (January - March 2010: negative impact of € 21.8 million) from the fair value measurement of derivative financial instruments, a negative impact of € 5.3 million (January - March 2010: positive impact of € 9.1 million) from the currency translation of the financial statements of foreign subsidiaries and a negative impact of € 0.1 million (January - March 2010: € 0.0 million) resulting from fair value losses on available-for-sale financial assets.

Financial position
The principles and objectives of financial management, as described in the Annual Report 2010 (page 72 onwards), remain unchanged.

The Group's external financing at March 31, 2011 comprises mainly loans, a convertible bond, credit lines and three promissory notes issued by MTU Aero Engines Holding AG, Munich.

At March 31, 2011, the MTU Group has access to a credit facility of € 100.0 million with two banks. Of these credit facilities, € 17.3 million (December 31, 2010: € 29.0 million) were being utilized at March 31, 2011 for guarantees.

Free cash flow
MTU manages liquidity using the key performance indicator „Free cash flow". Free cash flow is defined by the group as the cash inflow from operating activities less cash outflow for investments in intangible assets, property, plant and equipment and financial assets.

Financial position

	Jan. 1 - March 31, 2011 in € million	Jan. 1 - March 31, 2010 in € million	Change against previous year in € million	in %
Cash flow from operating activities	94.0	51.2	42.8	83.6
Cash flow from investing activities	-51.8	-92.5	40.7	44.0
Cash flow from investments/divestitures of financial assets	2.0	1.9	0.1	5.3
Exchange rate changes	-5.9	2.7	-8.6	
Change in cash and cash equivalents	**38.3**	**-36.7**	**75.0**	
Cash and cash equivalents at				
the beginning of the reporting period	111.9	120.8	-8.9	-7.4
at the end of the reporting period	150.2	84.1	66.1	78.6

Cash flow from operating activities
The cash flow from operating activities for the first three months of 2011 rose by € 42.8 million to € 94.0 million (January - March 2010: € 51.2 million), primarily reflecting the lower amount tied up in working capital.

Cash flow from investing activities
The cash outflow for investing activities for the first quarter 2011 was € 51.8 million compared with € 92.5 million in the previous year. First-quarter investments in property, plant and equipment increased to € 16.2 million (January - March 2010: € 14.7 million). The cash outflow for intangible assets amounted to € 6.3 million (January - March 2010: € 5.2 million) and related mainly to capitalized development costs for the PW1100G, GE38 and GEnx programs and for maintenance techniques.

Proceeds from the sale of property, plant and equipment during the first three months of 2011 totalled € 0.3 million (January - March 2010: € 0.4 million).

Cash flow from financing activities
The first-quarter cash inflow from financing activities was at a similar level to the previous year (€ 2.0 million in 2011 compared to € 1.9 million in 2010).

Cash and cash equivalents
The various cash flows resulted in a increase in cash and cash equivalents of € 38.3 million (January - March 2010: decrease of € 36.7 million).

Cash and cash equivalents comprise the following at March 31, 2011:

Cash and cash equivalents

	March 31, 2011 in € million	Dec. 31, 2010 in € million	Change against previous year in € million	in %
Bank balances, cash at hand	23.0	47.7	-24.7	-51.8
Overnight and fixed term deposits	127.2	64.2	63.0	98.1
Total cash and cash equivalents	**150.2**	**111.9**	**38.3**	**34.2**

Net financial position

MTU defines "net financial position" (2010: net financial debt), representing the group's liquidity position, as gross financial liabilities less available cash funds. As a result of the strong business performance, the group has a net positive financial position of € 61.9 million at March 31, 2011 (December 31, 2010: net financial debt of € 56.2 million).

Net financial position

	March 31, 2011 in € million	Dec. 31, 2010 in € million	Change against previous year in € million	in %
Convertible bond	-150.2	-152.4	2.2	1.4
Financial liabilities to banks				
Promissory notes	-25.9	-25.3	-0.6	-2.4
Other bank credits	-32.3	-34.4	2.1	6.1
Financial liabilities to related parties *)	-4.7		-4.7	
Finance lease liabilities	-24.3	-24.9	0.6	2.4
Derivative financial liabilities	-5.8	-24.9	19.1	76.7
Gross financial liabilities	**-243.2**	**-261.9**	**18.7**	**7.1**
Cash and cash equivalents	150.2	111.9	38.3	34.2
Derivative financial assets	55.6	21.8	33.8	
Financial assets not measured at fair value through profit or loss	99.3	72.0	27.3	37.9
Net financial position/net financial debt (-)	**61.9**	**-56.2**	**118.1**	

*) MTU Versicherungsvermittlungs- und Wirtschaftsdienst GmbH, Munich, which is not consolidated on the grounds of materiality.

Net assets position

Changes in items in the statement of financial position

Group total assets at March 31, 2011 increased by 1.9 % compared to December 31, 2010.

Non-current assets increased by € 59.0 million to € 1,892.4 million (December 31, 2010: € 1,833.4 million). Current assets went up by € 6.7 million to € 1,599.4 million.

A total of € 58.0 million of intangible assets was capitalized in the first quarter (January - March 2010: € 5.2 million).

Airbus announced towards the end of 2010 that re-engining of the successful A320 family of aircraft had been started. The new engine for the A320neo series will be supplied by MTU's cooperation partner, Pratt&Whitney. Two engines which are particularly fuel-efficient – the PW1100G from Pratt&Whitney and the Leap-X from CFM International – bearing the additional abbreviation "neo" (new engine option) will be offered for the A319, A320 and A321 models. These modernised aircraft will use up to 15 % less fuel, fly more quietly, have lower operating costs and cause less CO_2 and NO_x emissions. The first orders were placed by airlines immediately after Airbus' announcement to re-engine these models. MTU's share of the PW1100G engine for the A320 family will be at least 15 %. During the first quarter 2011, a total amount of € 50.7 million (January - March 2010: € 0.0 million) was capitalized in conjunction with the PW1100G engine program. Cash outflows will take place on the basis of a fixed schedule agreed with the cooperation partner over the period from 2011 until probably 2018. No payments were made during the first quarter 2011. As well as capitalizing the acquired program participation in the first quarter 2011, MTU also recognized internally generated and bought-in development work for the new engine for the A320 family amounting to € 2.8 million (January - March 2010: € 0.0 million) as intangible assets.

In addition, internally generated development work was capitalized in the first quarter 2011 in the Commercial and Military Engine business segment for the GE38 engine program amounting to € 1.9 million (January - March 2010: € 1.6 million) and for the GEnX amounting to € 1.6 million (January - March 2010: € 1.5 million). Expenditure of € 0.9 million (January - March 2010: € 2.0 million) was also capitalized in the first quarter 2011 in connection with the rationalization of production processes and cost optimization of repair techniques in the Commercial Maintenance business segment.

Inventories increased by € 16.3 million to € 717.3 million, current financial assets by € 40.4 million to € 118.3 million and cash and cash equivalents by € 38.3 million to € 150.2 million. Trade and contract production receivables decreased during the three-month period under report by € 78.9 million to € 591.2 million.

Group equity rose by € 61.6 million to stand at € 880.9 at March 31, 2011 (December 2010: € 819.3 million). Equity was increased during the first three months of 2011 by earnings after taxes (EAT) amounting to € 33.5 million (January - March 2010: € 32.6 million) and by fair value gains on derivative financial instruments recognized directly in equity amounting to € 33.5 million (January - March 2010: equity decreased by € 21.8 million). Equity was decreased by a net negative currency translation impact of € 5.3 million (January - March 2010: equity decreased by € 9.1 million) and by fair value losses on available-for-sale financial assets amounting to € 0.1 million (December 2010: € 0.0 million).

As a result of these various factors, the equity ratio improved to 25.2 % (December 2010: 23.9 %).

Pension provisions increased by € 1.9 million in line with schedule. Other provisions went up by € 54.1 million compared to the end of the previous year, mainly as a result of outstanding obligations for development work still to be performed, pre-retirement part-time working arrangements as well as the measurement of contingent liabilities identified in conjunction with the purchase price allocation.

Income tax liabilities take account of advance payments made during the period and decreased by € 9.0 million due to timing factors around the reporting date.

Financial liabilities were reduced by € 18.7 million compared to December 31, 2010. The convertible bond runs until February 1, 2012 and was therefore reclassified to current debt at March 31, 2011.

Trade payables stood at € 339.2 million at March 31, 2011 and were therefore € 85.3 million lower than at the end of the previous financial year.

Contract production liabilities decreased compared to December 31, 2010 by € 20.4 million to € 645.9 million. Within that figure, advance payments from customers are reported as liabilities to the extent that such payments exceed contract production receivables.

Other liabilities increased by € 71.2 million to € 249.3 million.

4 Opportunity and Risk report

In order to take best advantage of market opportunities and to recognize and manage related risks, the Board of Management has set up an integrated opportunity and risk management system, which is linked to the group's value-oriented performance indicators and its organizational structure. This system also incorporates the group's internal control system with respect to financial reporting processes pursuant to § 289 (5) and § 315 (2) no. 5 HGB. A detailed description of the main features of the system and the methods used is provided in the Annual Report 2010 (pages 89 to 91).

Opportunities

Thanks to its business model, with activities spread over the whole life-cycle of commercial and military engine programs, MTU considers that it is well positioned. MTU considers that good opportunities management will enable it to make best use of its future potential in the fields of development, series, spares part and Commercial Maintenance business and that it will be able to respond quickly to the market's needs. MTU believes that the group's opportunities potential remains similar to that described in the Annual Report 2010. For a comprehensive description of the group's opportunities, reference is made to the Annual Report 2010, page 82 et seq. (Forecasts) and page 97 (SWOT analysis).

Risks

As part of its entrepreneurial activities and in view of the wide range of activities it undertakes with partner companies and consortium partner companies, especially in the USA, risks arise that may have an adverse impact on business and economic developments. As a result of its comprehensive risk management system, MTU knows its risk profile and is in a position to manage those risks actively.

MTU considers that there have been no significant changes in the risk profile discussed in the Annual Report. Reference is made to pages 92 to 97 of the Annual Report 2010 for a detailed description of risks.

Overall conclusion regarding MTU's risk situation

There has been no significant change in the MTU Group's overall risk situation compared with the assessment made as at December 31, 2010. The risks to which the MTU Group is exposed are limited and manageable. From today's perspective, they do not pose any threat to the going concern status of the MTU Group.

6 Significant Transactions with Related Parties

MTU Group companies did not enter into any material contracts with members of the Board of Management, the Supervisory Board or with other key management personnel or with companies in whose management or supervisory boards those persons are represented. The same applies to close members of the families of those persons.

Transactions with related entities are conducted on an arm's length basis. Transactions with related parties are disclosed in section 32 of the Selected Explanatory Notes.

7 Subsequent Events

Events after the interim reporting period (March 31, 2011)

There have been no significant events after the end of the interim reporting period (March 31, 2011) and prior to the date of authorization for issue of the Quarterly Financial Report on May 2, 2011.

Consolidated Income Statement

Consolidated Income Statement

	(Note)	Jan. 1 - March 31, 2011 in € million	in %	Jan. 1 - March 31, 2010 in € million	in %	Change against previous year in € million	in %
Revenues	(6)	664.8	100.0	640.2	100.0	24.6	3.8
Cost of sales	(7)	-530.1	-79.7	-525.1	-82.0	-5.0	-1.0
Gross profit		**134.7**	**20.3**	**115.1**	**18.0**	**19.6**	**17.0**
Research and development expenses	(8)	-34.2	-5.1	-27.8	-4.4	-6.4	-23.0
Selling expenses	(9)	-17.0	-2.6	-17.1	-2.7	0.1	0.6
General administrative expenses	(10)	-15.0	-2.3	-12.8	-2.0	-2.2	-17.2
Other operating income and expenses		1.4	0.2	0.4	0.1	1.0	
Earnings before interest and taxes (EBIT)		**69.9**	**10.5**	**57.8**	**9.0**	**12.1**	**20.9**
Interest income		0.8	0.1	2.8	0.4	-2.0	-71.4
Interest expenses		-5.3	-0.8	-4.0	-0.6	-1.3	-32.5
Interest result	(12)	-4.5	-0.7	-1.2	-0.2	-3.3	
Result from equity accounted investments							
Financial result on other items	(14)	-16.1	-2.4	-8.1	-1.2	-8.0	-98.8
Financial result		**-20.6**	**-3.1**	**-9.3**	**-1.4**	**-11.3**	
Earnings before taxes (EBT)		**49.3**	**7.4**	**48.5**	**7.6**	**0.8**	**1.6**
Income taxes	(15)	-15.8	-2.4	-15.9	-2.5	0.1	0.6
Earnings after taxes (EAT)		**33.5**	**5.0**	**32.6**	**5.1**	**0.9**	**2.8**
Earnings per share in €							
Undiluted (EPS)	(16)	0.69		0.67		0.02	
Diluted (DEPS)	(16)	0.67		0.65		0.02	

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income

	(Note)	Jan. 1 - March 31, 2011 in Mio. €	in %	Jan. 1 - March 31, 2010 in € million	in %	Change against previous year in € million	in %
Earnings after taxes (EAT)		**33.5**	**5.0**	**32.6**	**5.1**	**0.9**	**2.8**
Change in unrealized gains/losses from translation differences		**-5.3**	**-0.8**	**9.1**	**1.4**	**-14.4**	
Unrealized gains/losses from financial instruments							
Derivative financial instruments							
Change in unrealized gains/(losses)		50.8	7.7	-36.2	-5.7	87.0	
Realized (gains)/losses		-1.1	-0.2	3.8	0.6	-4.9	
Tax effect		-16.2	-2.4	10.6	1.7	-26.8	
Unrealized gains/losses total		**33.5**	**5.1**	**-21.8**	**-3.4**	**55.3**	
Financial assets not measures at fair value through profit or loss							
Change in unrealized gains/(losses)		-0.2				-0.2	
Tax effect		0.1				0.1	
Unrealized gains/losses total		**-0.1**				**-0.1**	
Other income and expenses recognized directly in equity	(17)	**28.1**	**4.3**	**-12.7**	**-2.0**	**40.8**	
Comprehensive income for the period		**61.6**	**9.3**	**19.9**	**3.1**	**41.7**	

Consolidated Statement of Financial Position

Assets

in € million	(Note)	March 31, 2011	Dec. 31, 2010
Non-current assets			
Intangible assets	(18)	1,269.2	1,225.4
Property, plant and equipment	(19)	554.9	559.5
Financial assets	(20)	47.4	25.8
Financial assets accounted for using the equity method			
Other assets	(24)	5.8	6.0
Deferred tax assets		15.1	16.7
Total non-current assets		**1,892.4**	**1,833.4**
Current assets			
Inventories	(21)	717.3	701.0
Trade receivables	(22)	447.6	531.9
Contract production receivables	(23)	143.6	138.2
Financial assets	(20)	118.3	77.9
Other assets	(24)	15.4	25.8
Cash and cash equivalents	(25)	150.2	111.9
Prepayments		7.0	6.0
Total current assets		**1,599.4**	**1,592.7**
Total assets		**3,491.8**	**3,426.1**

Equity and Liabilities

in € million	(Note)	March 31, 2011	Dec. 31, 2010
Equity	(26)		
Subscribed capital		52.0	52.0
Capital reserves		348.2	348.2
Revenue reserves		551.1	517.6
Treasury shares		-101.2	-101.2
Other comprehensive income		30.8	2.7
Total equity		**880.9**	**819.3**
Non-current liabilities			
Pension provisions		410.9	409.0
Other provisions	(27)	166.1	140.0
Financial liabilities	(28)	49.8	204.7
Other liabilities	(30)	161.8	111.4
Deferred tax liabilities		241.8	231.5
Total non-current liabilities		**1,030.4**	**1,096.6**
Current liabilities			
Pension provisions		24.2	24.2
Income tax liabilities		62.2	71.2
Other provisions	(27)	228.1	200.1
Financial liabilities	(28)	193.4	57.2
Trade payables		339.2	424.5
Contract production liabilities	(29)	645.9	666.3
Other liabilities	(30)	87.5	66.7
Total current liabilities		**1,580.5**	**1,510.2**
Total equity and liabilities		**3,491.8**	**3,426.1**

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity

in € million	Sub-scribed capital	Capital reserve	Revenue reserves	Treasury shares	Other comprehensive income: Translation differences	Other comprehensive income: Financial assets (Afs)	Other comprehensive income: Derivative financial instruments	Group equity
Balance at January 1, 2010	**52.0**	**353.6**	**420.9**	**-93.4**	**-5.1**		**2.7**	**730.7**
Earnings after taxes (EAT)			32.6					**32.6**
Other income and expenses recognized directly in equity					9.1		-21.8	**-12.7**
Comprehensive income for the period			**32.6**		**9.1**		**-21.8**	**19.9**
Matching Stock Program (MSP)		0.2						**0.2**
Balance at March 31, 2010	**52.0**	**353.8**	**453.5**	**-93.4**	**4.0**		**-19.1**	**750.8**
Balance at January 1,2011	**52.0**	**348.2**	**517.6**	**-101.2**	**4.0**	**-0.1**	**-1.2**	**819.3**
Earnings after taxes (EAT)			33.5					**33.5**
Other income and expenses recognized directly in equity					-5.3	-0.1	33.5	**28.1**
Comprehensive income for the period			**33.5**		**-5.3**	**-0.1**	**33.5**	**61.6**
Balance at March 31, 2011	**52.0**	**348.2**	**551.1**	**-101.2**	**-1.3**	**-0.2**	**32.3**	**880.9**

Reference is made to the disclosures on equity components provided in section 26 of the Selected Explanatory Notes.

Consolidated Statement of Cash Flows

Consolidated Cash Flow Statement

in € million	Jan. 1 - March 31, 2011	Jan. 1 - March 31, 2010
Earnings after taxes (EAT)	**33.5**	**32.6**
Amortization and depreciation on intangible assets and property, plant and equipment	31.8	31.4
Gain/loss on disposal of assets	-0.2	0.1
Change in pension provisions	1.9	2.1
Change in other provisions	53.1	16.8
Other non-cash items	2.3	1.0
Movements in working capital		
Changes in inventories	-16.3	-16.6
Changes in trade receivables	84.3	-27.0
Changes in contract production receivables and liabilities	-25.8	-37.6
Changes in other assets	9.6	14.7
Changes in trade payables	-85.3	-0.3
Changes in other liabilities	20.5	21.1
Net interest result	4.5	1.2
Interest paid	-6.9	-5.2
Interest received	0.6	2.6
Income taxes	15.8	15.9
Income taxes paid and received	-29.4	-1.6
Cash flow from operating activities	**94.0**	**51.2**
Disbursements for investments in:		
Intangible assets	-6.3	-5.2
Property, plant and equipment	-16.2	-14.7
Financial assets	-45.1	-73.0
Proceeds from disposals and disinvestiture of:		
Property, plant and equipment	0.3	0.4
Financial assets	15.5	
Cash flow from investing activities	**-51.8**	**-92.5**
Proceeds (+)/repayments (-) other financial liabilities	2.0	1.9
Cash flow from financing activities	**2.0**	**1.9**
Effect of changes in exchanges rates on cash funds	-5.9	2.7
Change in cash and cash equivalents	**38.3**	**-36.7**
Cash and cash equivalents at January 1	**111.9**	**120.8**
Cash and cash equivalents at March 31	**150.2**	**84.1**

Selected Explanatory Notes

Group Segment Information

Segment information

The activities of the MTU Group's operating segments are described in the Annual Report 2010 of MTU Aero Engines Holding AG. There have been no changes in the identification of reportable segments.

Segment information for the period from January 1 to March 31, 2011 was as follows:

Segment information Q1 2011

in € million	Commercial and Military Engine business Jan. 1 - March 31, 2011	Commercial Maintenance business Jan. 1 - March 31, 2011	Other Group Entities Jan. 1 - March 31, 2011	Consolidation/ reconciliation Jan. 1 - March 31, 2011	Group Jan. 1 - March 31, 2011
External revenues	414.1	250.7			664.8
Inter-segment revenues	6.9	0.9	1.8	-9.6	
Total revenues	421.0	251.6	1.8	-9.6	664.8
Gross profit	99.1	34.6	1.8	-0.8	134.7
Earnings before interest and taxes (EBIT)	50.8	19.6	-0.8	0.3	69.9
Amortization/depreciation resulting from purchase price allocation	9.7	0.9			10.6
Adjusted earnings before interest and taxes (EBIT adjusted)	60.5	20.5	-0.8	0.3	80.5
Result from equity accounted investments					
Assets (March 31, 2011)	3,078.0	882.2	871.3	-1,339.7	3,491.8
Liabilities (March 31, 2011)	2,163.3	470.8	255.1	-278.3	2,610.9
Capital expenditure on:					
Intangible assets	57.0	1.0			58.0
Property, plant and equipment	11.6	4.6			16.2
Total capital expenditure on intangible assets and property, plant and equipment	68.6	5.6			74.2
Key segment data:					
EBIT in % of revenues	12.1	7.8	-44.4		10.5
EBIT adjusted in % of revenues	14.4	8.1	-44.4		12.1

Segment information for the period from January 1 to March 31, 2010 was as follows:

Segment information Q1 2010

in € million	Commercial and Military Engine business Jan. 1 - March 31, 2010	Commercial Maintenance business Jan. 1 - March 31, 2010	Other Group Entities Jan. 1 - March 31, 2010	Consolidation/ reconciliation Jan. 1 - March 31, 2010	Group Jan. 1 - March 31, 2010
External revenues	396.3	243.9			640.2
Inter-segment revenues	5.1	1.1	2.9	-9.1	
Total revenues	401.4	245.0	2.9	-9.1	640.2
Gross profit	86.6	27.2	2.9	-1.6	115.1
Earnings before interest and taxes (EBIT)	42.9	13.1	0.7	1.1	57.8
Amortization/depreciation resulting from purchase price allocation	9.9	1.1			11.0
Adjusted earnings before interest and taxes (EBIT adjusted)	52.8	14.2	0.7	1.1	68.8
Result from equity accounted investments					
Assets (Dec. 31, 2010)	3,022.8	894.0	887.4	-1,378.1	3,426.1
Liabilities (Dec. 31, 2010)	2,165.4	490.8	267.2	-316.6	2,606.8
Capital expenditure on:					
Intangible assets	3.2	2.0			5.2
Property, plant and equipment	11.2	3.5			14.7
Total capital expenditure on intangible assets and property, plant and equipment	14.4	5.5			19.9
Key segment data:					
EBIT in % of revenues	10.7	5.3	24.1		9.0
EBIT adjusted in % of revenues	13.2	5.8	24.1		10.7

The following tables reconcile group segment revenues to group revenues, the adjusted segment result (EBIT adjusted) to group earnings before tax (EBT) and segment assets/liabilities to group assets/liabilities:

Reconciliation of revenues and earnings

in € million	Jan. 1 - March 31, 2011	Jan. 1 - March 31, 2010
Total revenues		
Revenues of reportable segments	674.4	649.3
Consolidation	-9.6	-9.1
Group revenues	**664.8**	**640.2**
Adjusted earnings before interest and taxes (EBIT adjusted)		
Adjusted EBIT of reportable segments	80.2	67.7
Write-down on assets resulting from purchase price allocation	-10.6	-11.0
Consolidation	0.3	1.1
Earnings before interest and taxes (EBIT)	**69.9**	**57.8**
Interest income	0.8	2.8
Interest expense	-5.3	-4.0
Other financial result	-16.1	-8.1
Earnings before taxes (EBT)	**49.3**	**48.5**

Reconciliation of assets and liabilities

in € million	March 31, 2011	Dec. 31, 2010
Assets		
Assets of reportable segments	4,831.5	4,804.2
Consolidation	-1,339.7	-1,378.1
Group assets	**3,491.8**	**3,426.1**
Liabilities		
Liabilities of reportable segments	2,889.2	2,923.4
Consolidation	-278.3	-316.6
Group liabilities	**2,610.9**	**2,606.8**

Information on geographical regions

The following tables show figures for the group by geographical region:

Revenues by seat of customer

in € million	Jan. 1 - March 31, 2011	Jan. 1 - March 31, 2010
Germany	113.8	144.2
Europe	80.3	73.2
North America	402.2	332.0
South America	17.8	34.2
Africa	1.7	1.8
Asia	45.8	49.7
Australia/Oceania	3.2	5.1
	664.8	**640.2**

Capital expenditure on intangible assets and property, plant and equipment

in € million	Jan. 1 - March 31, 2011	Jan. 1 - March 31, 2010
Germany	72.7	17.1
Europe	1.1	1.8
North America	0.3	0.3
South America		
Africa		
Asia	0.1	0.7
Australia/Oceania		
	74.2	**19.9**

Non-current assets

in € million	March 31, 2011	Dec. 31, 2010
Germany	1,773.1	1,708.7
Europe	59.8	60.4
North America	23.7	26.1
South America		
Africa		
Asia	35.8	38.2
Australia/Oceania		
	1,892.4	**1,833.4**

Non-current assets comprise intangible assets, property, plant and equipment, financial assets, other assets and deferred tax assets.

1 General disclosures

MTU Aero Engines Holding AG and its subsidiary companies (hereafter referred to as "MTU" or "Group") comprise one of the world's leading manufacturers of engine modules and components and is the world's leading independent provider of commercial engine MRO services.

The business activities of the Group encompass the entire life-cycle of an engine program, i.e. from development, construction, testing and production of new commercial and military engines and spare parts, through to maintenance, repair and overhaul of commercial and military engines. MTU's activities focus on two segments: "Commercial and Military Engine business (OEM)" and "Commercial Maintenance business (MRO)".

MTU's Commercial and Military Engine business segment covers the development and production of modules, components and spare parts for engine programs, including final assembly. MTU also provides maintenance services for military engines. The Commercial Engine Maintenance segment covers activities in the area of maintenance and logistical support for commercial engines.

MTU Aero Engines Holding AG has its headquarters at Dachauer Str. 665, 80995 Munich, Germany, and is registered under HRB 157206 in the Commercial Registry at the District Court of Munich.

The Condensed Interim Consolidated Financial Statements were authorized for publication by the Board of Management of MTU Aero Engines Holding AG on May 2, 2011.

2 Basis of preparation

In compliance with the provisions of § 37x (3) of the German Securities Trading Act (WpHG) in conjunction with § 37w (2) no. 1 and 2, (3) and (4) WpHG, MTU's Quarterly Financial Report comprises Condensed Interim Consolidated Financial Statements and an Interim Group Management Report. The Condensed Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) relevant for interim financial reporting, as endorsed by the European Union (EU). The Interim Group Management Report has been drawn up in compliance with the applicable provisions of the WpHG.

3 Statement of compliance

The Condensed Interim Consolidated Financial Statements as at March 31, 2011 have been drawn up in compliance with IAS 34. As permitted by IAS 34, MTU has elected to provide condensed information in its Interim Consolidated Financial Statements compared with the Consolidated Financial Statements as at December 31, 2010. The same accounting policies have been applied as in the Consolidated Financial Statements for the financial year 2010.

All of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), applicable at the end of the reporting period and applied by MTU in the Condensed Interim Consolidated Financial Statements, have been endorsed by the European Commission for use in the EU. The Condensed Interim Consolidated Financial Statements therefore also comply with IFRSs issued by the IASB.

From the perspective of management, the Quarterly Financial Report contains all customary accounting adjustments necessary for a fair presentation of the operating results, financial situation and net assets of the MTU Group. Reference is made to the notes to the Consolidated Financial Statements as at December 31, 2010 for further information regarding the basis of preparation and accounting policies used.

4 Adjustments to the Condensed Interim Consolidated Financial Statements

There were no other changes in estimates or forecasts in the first three months of the financial year 2011 which have a significant impact on the interim reporting period. No incidences of erroneous assessments made in earlier periods were identified during the interim reporting period which would require to be disclosed.

5 Consolidated companies

There were no changes in the group reporting entity in the reporting period as a result of acquisitions or disinvestments, changes in shareholdings or similar corporate transactions/events. The number of subsidiaries and investments in associated companies and joint ventures included in the Condensed Interim Consolidated Financial Statements has therefore not changed by comparison to December 31, 2010.

At March 31, 2011, the MTU Group comprised 23 companies including MTU Aero Engines Holding AG, Munich. (See list of major shareholdings provided in the notes to the Consolidated Financial Statements in the Annual Report 2010, note 43.1.2).

Notes to the Consolidated Income Statement

6 Revenues

Revenues

in € million	Jan. 1 - March 31, 2011	Jan. 1 - March 31, 2010
Commercial Engine business	309.6	265.3
Military Engine business	111.4	136.1
Commercial and Military Engine business (OEM)	**421.0**	**401.4**
Commercial Maintenance business (MRO)	**251.6**	**245.0**
Other Group Entities/consolidation	-7.8	-6.2
Total revenues	**664.8**	**640.2**

7 Cost of sales

Cost of sales

in € million	Jan. 1 - March 31, 2011	Jan. 1 - March 31, 2010
Cost of materials	-425.1	-398.4
Personnel expenses	-101.9	-93.3
Depreciation and amortization	-28.3	-27.9
Other cost of sales *)	25.2	-5.5
Total cost of sales	**-530.1**	**-525.1**

*) relates mainly to change in inventories of work in progress, exchange rate factors and changes in provisions

8 Research and development expenditure

Research and development expenditure

in € million	Jan. 1 - March 31, 2011	Jan. 1 - March 31, 2010
Cost of materials	-20.0	-10.6
Personnel expenses	-18.4	-20.2
Depreciation and amortization	-2.0	-2.1
Research and development expenditure	**-40.4**	**-32.9**
Thereof capitalized:		
Development costs (OEM)	5.3	3.1
Development costs (MRO)	0.9	2.0
Capitalized development costs	**6.2**	**5.1**
Research and development expenditure recognized as expense	**-34.2**	**-27.8**

9 Selling expenses

Selling expenses

in € million	Jan. 1 - March 31, 2011	Jan. 1 - March 31, 2010
Cost of materials	-2.0	-2.3
Personnel expenses	-12.2	-12.2
Depreciation and amortization	-0.5	-0.5
Other selling expenses	-2.3	-2.1
Total selling expenses	**-17.0**	**-17.1**

Selling expenses mainly comprise expenses for marketing, advertising and sales personnel, valuation allowances and write-downs on trade receivables.

10 General administrative expenses

General administrative expenses

in € million	Jan. 1 - March 31, 2011	Jan. 1 - March 31, 2010
Cost of materials	-1.4	-1.2
Personnel expenses	-10.7	-9.7
Depreciation and amortization	-1.0	-0.9
Other administrative expenses	-1.9	-1.0
Total general administrative expenses	**-15.0**	**-12.8**

General and administrative expenses comprise expenses for administration which are not attributable to development, production or sales functions.

12 Interest result

Interest result

in € million	Jan 1 - March 31, 2011	Jan 1 - March 31, 2010
Interest income	**0.8**	**2.8**
Interest expenses		
Bank interest	-0.8	-1.2
Interest expense for bonds	-2.0	-2.0
Interest expense for finance leases	-0.3	-0.4
Other interest expenses	-2.2	-0.4
Interest expenses	**-5.3**	**-4.0**
Net interest expense	**-4.5**	**-1.2**

14 Financial result on other items

Financial result on other items		
in € million	Jan. 1 - March 31, 2011	Jan. 1 - March 31, 2010
Effects of changes of foreign exchange rates		
Exchange rate gains/losses on currency holdings	-8.5	5.9
Exchange rate gains/losses on financing transactions	0.3	
Exchange rate gains/losses on finance leases	0.2	-0.3
Fair value gains/losses on derivatives		
Gains/losses on currency derivatives and interest rate derivatives	2.7	-6.0
Gains/losses on commodity contracts	0.5	3.6
Interest portion included in measurement of assets and liabilities		
Pension provision	-5.5	-5.8
Contingent liabilities	-2.6	-3.3
Receivables, other provisions, plan assets, liabilities and advance payments received	-1.8	-2.5
Result from other financial instruments	-1.4	0.3
Financial result on other items	**-16.1**	**-8.1**

The deterioration in financial result from other items for the first quarter was primarily attributable to the negative impact of the measurement of currency holdings at the period end. These expenses were partly offset by the positive effect of currency and interest-rate derivatives.

15 Income taxes

Income tax expense comprised the following:

Income taxes		
in € million	Jan. 1 - March 31, 2011	Jan. 1 - March 31, 2010
Current income tax expense/income	-20.4	-24.3
Deferred tax income/ expense	4.6	8.4
Total income taxes	**-15.8**	**-15.9**

16 Earnings per share

Dilutive effects on earnings per share for the period from January 1 to March 31, 2011 arose from potential ordinary shares in connection with the convertible bond issued on February 1, 2007, from the Matching Stock Program set up on June 6, 2005 and from the Share Matching Plan established with effect from the beginning of 2010. For the purposes of determining diluted earnings per share, the maximum number of shares that could be exercised in conjunction with conversion rights is added to the weighted average number of ordinary shares in circulation. All shares issued during the period under report are included on a weighted basis. In parallel, group earnings are adjusted by the amount of post-tax interest expense relating to the convertible bond.

The following tables show earnings per share as well as the dilutive impact of shares which could be issued in conjunction with the convertible bond, the Matching Stock Program and the Share Matching Plan.

Undiluted and diluted earnings per share for the three-month periods ended March 31, 2011 and 2010 were as follows:

Undiluted and diluted earnings per share

		Jan. 1 - March 31, 2011					Jan. 1 - March 31, 2011
		Undiluted earnings per share	Financial instruments reconciliation				Diluted earnings per share
			Interest expense convertible bond/shares	Current and deferred taxes	Matching Stock Program/ number of shares	Share Matching Plan/number of shares	
Earnings after taxes (EAT)	in € million	33.5	2.0	-0.7			34.8
Weighted average number of shares	shares	48,752,407	3,084,849		208,490	7,024	52,052,770
Earnings per share	**in €**	**0.69**					**0.67**

Undiluted and diluted earnings per share

		Jan. 1 - March 31, 2010					Jan. 1 - March 31, 2010
		Undiluted earnings per share	Financial instruments reconciliation				Diluted earnings per share
			Interest expense convertible bond/shares	Current and deferred taxes	Matching Stock Program/ number of shares	Share Matching Plan/number of shares	
Earnings after taxes (EAT)	in € million	32.6	2.0	-0.7			33.9
Weighted average number of shares	shares	48,922,019	3,086,869		229,450		52,238,338
Earnings per share	**in €**	**0.67**					**0.65**

17 Consolidated statement of comprehensive income

In the consolidated statement of comprehensive income, earnings after taxes (EAT) of € 33.5 million (January - March 2010: € 32.6 million) are reconciled to the comprehensive income for the period of € 61.6 million (January - March 2010: € 19.9 million). The sharp improvement in comprehensive income for the period is attributable to fair value gains (after taxes) on derivative financial instruments amounting to € 33.5 million (January - March 2010: fair value losses of € 21.8 million). The currency translation of the financial statements of foreign subsidies had a net negative impact on comprehensive income for the period of € 5.3 million (January - March 2010: net positive impact of € 9.1 million). In addition, fair value losses on available-for-sale financial assets amounted to € 0.1 million (January - March 2010: € 0.0 million).

Notes to the Consolidated Statement of Financial Position

18 Intangible assets

Intangible assets comprise program values and non-specific program technologies recognized in conjunction with the purchase price allocation, participations in development programs, technical software and purchased goodwill.

A total of € 58.0 million of intangible assets was capitalized in the first quarter (January - March 2010: € 5.2 million). MTU's share of the PW1100G engine for the A320 family will be at least 15%. During the first quarter 2011, a total amount of € 50.7 million (January - March 2010: € 0.0 million) was capitalized in the Commercial Engine business segment in conjunction with the participation in the PW1100G engine program. In addition, MTU also recognized internally generated and bought-in development work for the new engine for the A320 family amounting to € 2.8 million in the first quarter 2011 (January - March 2010: € 0.0 million) as intangible assets.

Internally generated development work was also capitalized in the first quarter 2011 in the Military and Commercial Engine business segment for the GE38 engine program amounting to € 1.9 million (January - March 2010: € 1.6 million) and for the GEnX amounting to € 1.6 million (January - March 2010: € 1.5 million). Expenditure of € 0.9 million (January - March 2010: € 2.0 million) was also capitalized in the first quarter 2011 in connection with the rationalization of production processes and cost optimization of repair techniques in the Commercial Maintenance business segment.

Capitalized intangible assets totalling € 58.0 million in the first quarter 2011 (January - March 2010: € 5.2 million) comprise € 51.8 million (January - March 2010: € 0.1 million) of purchased and € 6.2 million (January - March 2010: € 5.1 million) of internally generated intangible assets. The amortization expense for the three-month period amounted to € 12.6 million (January - March 2010: € 12.6 million).

19 Property, plant and equipment

Capital expenditure for property, plant and equipment during the first quarter 2011 was € 16.2 million (January - March 2010: euro 14.7 million). Additions to property, plant and equipment related mainly to technical equipment, plant and machinery as well as to other operational and office equipment. The depreciation expense for the period under report amounted to € 19.2 million (January - March 2010: € 18.8 million).

20 Financial assets

Financial assets increased by € 62.0 million during the first three months of 2011 to € 165.7 million (December 31, 2010: € 103.7 million), whereby the increase was primarily due to the acquisition of financial assets held as a liquidity reserve and to higher fair values of derivative assets.

21 Inventories

Inventories comprise the following:

Inventories

in € million	March 31, 2011	Dec. 31, 2010
Raw materials and supplies	315.1	323.1
Work in progress	373.0	347.4
Advance payments	29.2	30.5
Total inventories	**717.3**	**701.0**

22 Trade receivables

Trade receivables comprise the following:

Trade receivables

in € million	March 31, 2011	Dec. 31, 2010
Third parties	403.2	498.4
Associated companies, joint ventures and other investee companies	44.4	33.5
Total trade receivables	**447.6**	**531.9**

23 Contract production receivables

Contract production receivables comprise the following:

Contract production receivables

in € million	March 31, 2011	Dec. 31, 2010
Contract production receivables	441.4	424.3
of which related to:		
Advance payments from customers	-297.8	-286.1
Net contract production receivables	**143.6**	**138.2**

24 Other assets

Other assets comprise:

Other assets

	Total		Non-current		Current	
in € million	March 31, 2011	Dec. 31, 2010	March 31, 2011	Dec. 31, 2010	March 31, 2011	Dec. 31, 2010
Other taxes	7.0	16.0			7.0	16.0
Receivables from employees	1.6	1.4			1.6	1.4
Receivables from suppliers	0.5	5.3			0.5	5.3
Sundry other assets	12.1	9.1	5.8	6.0	6.3	3.1
Total other assets	**21.2**	**31.8**	**5.8**	**6.0**	**15.4**	**25.8**

Other taxes relate primarily to value added tax receivables.

25 Cash and cash equivalents

Cash and cash equivalents comprise the following:

Cash and cash equivalents

in € million	March 31, 2011	Dec .31, 2010
Bank balances, cash at hand	23.0	47.7
Overnight and fixed term deposits	127.2	64.2
Total cash and cash equivalents	**150.2**	**111.9**

MTU cannot freely access cash and cash equivalents amounting to € 10.0 million (December 31, 2010: € 15.9 million) held by MTU Maintenance Zhuhai Co. Ltd., Zhuhai, China.

26 Equity

The Company's share capital amounts to € 52.0 million (December 31, 2010: € 52.0 million) and is divided into non-par-value 52.0 million shares (December 31, 2010: 52.0 million shares).

26.1 Subscribed capital

The Company's share capital is unchanged at € 52.0 million and is divided into 52.0 million non-par-value shares (December 31, 2010: 52.0 million shares).

26.2 Capital reserves

Capital reserves includes premiums arising on the issue of shares, the equity component (and proportionate transaction costs) of the convertible bond, the fair values recorded for the Matching Stock Program and Share Matching Plan as well as the difference arising without income statement effect on transferring treasury shares to employees in conjunction with the Employee Stock Program.

Matching Stock Program (MSP)

In order to strengthen its ability to achieve business targets, the Group created the MSP as a long-term remuneration instrument – with both incentive and risk character – to involve management in the ownership of the company. The MSP entitles qualifying individuals to subscribe to so-called "Phantom Stocks". The fair value of the Phantom Stocks is recognized on a time-apportioned basis as personnel expense and, at the same time, within equity (capital reserves) until the exercise date.

Share Matching Plan (SMP)

A detailed description of the SMP is provided in the Management Compensation Report section of the Corporate Governance Report in the Annual Report 2010. Members of the Board of Management are entitled to invest the amount to be disbursed under the Performance Share Plan (PSP) in shares of MTU Aero Engines Holding AG, which must then be held for a further three years. At the end of the vesting period, these shares are matched with each Board of Management member being awarded one additional free share for every three MTU shares acquired in this way. The entitlement to additional free shares is deemed to have been fulfilled once the corresponding number of such shares has been transferred to the member of the Board of Management. The total value of the matching shares available for allocation at the end of the vesting period is limited to three times the initial purchase price.

Employee Stock Program (MAP)

In the second quarter 2010 (previous year: second quarter 2009), the Board of Management of MTU Aero Engines Holding AG allocated shares to group employees under an Employee Stock Program ("MAP"). Each of these two plans runs for two years, with the plan set up in 2010 expiring in June 2012 (previous year: plan set up in 2009 expiring in June 2011). The purchase price for registered shares of MTU Aero Engines Holding AG is based on the lowest price quoted on April 16, 2010 (acquisition date) and was thus € 42.58 per share (previous year: € 21.80 per share). Under the terms of the MAP Employee Stock Program, MTU grants a so-called "match" to each MAP participant at the end of a two-year vesting period. In other words, at the end of the program term, each MAP participant receives a taxable money amount equivalent to 50 % of the amount invested in MTU shares at the beginning of the program. The total first-quarter cost incurred for the match in conjunction with the MAP was € 0.3 million (January - March 2010: € 0.4 million) which is being recognized as an expense on a time-apportioned basis over the term of the program. The liability at March 31, 2011 amounted to € 2.3 million (December 31, 2011: € 2.0 million).

26.3 Revenue reserves

Revenue reserves comprise the retained earnings of consolidated group companies, and earnings after taxes for the first three months of 2011 amounting to € 33.5 million (January - March 2010: € 32.6 million). Revenue reserves increased during the period from January 1 to March 31, 2011 correspondingly.

26.4 Treasury shares

Reconciliation of weighted average number of shares with the actual number of shares in circulation

As a result of the treasury shares bought back by March 31, 2011, the issue of shares to group employees in conjunction with the exercise of the first and fourth tranches of the Matching Stock Program and the Employee Stock Program in the financial years 2008, 2009 and 2010, the weighted average number of shares in circulation during the first three months of 2011 was 48,752,407 shares (January - March 2010: 48,922,019 shares). At the end of the reporting period, a total of 48,752,407 MTU Aero Engines Holding AG shares was in issue (March 31, 2010: 48,922,440 shares). The treasury shares were acquired to enable the group to meet contractual obligations relating to convertible bonds and to issue shares to group employees in conjunction with the Matching Stock Program, the Share Matching Plan and the Employee Stock Program.

The following table shows changes in the number of bought-back shares, the month-end number of shares and the weighted average number of shares in circulation.

Reconcilation to weighted, average number of shares in circulation

	2011			2010		
Number of shares	in circulation	Treasury shares	in circulation	in circulation	Treasury shares	in circulation
Balance at January 1	**48,752,407**	**3,247,593**		**48,921,808**	**3,078,192**	
Buyback and issue of shares						
January	48,752,407		48,752,407	48,921,808		48,921,808
February	48,752,407		48,752,407	48,921,808		48,921,808
March	48,752,407		48,752,407	48,921,808	-632	48,922,440
Treasury shares (March 31)		**3,247,593**			**3,077,560**	
Weighted average at March 31			**48,752,407**			**48,922,019**

27 Other provisions

Other provisions comprise primarily personnel-related obligations and potential contractual warranty obligations. Provisions for pending losses on onerous contracts relate to unchanged risks concerning the order backlog for Commercial Maintenance business.

At March 31, 2011 contingent liabilities relating to business combinations totalled € 150.4 million (December 31, 2010: € 124.9 million).

28 Financial liabilities

All non-derivative and derivative financial obligations at the relevant balance sheet are reported as financial liabilities. They comprise the following:

Financial liabilities

in € million	Total		Non-Current		Current	
	March 31, 2011	Dec. 31, 2010	March 31, 2011	Dec. 31, 2010	March 31, 2011	Dec. 31, 2010
Bonds						
Convertible bond	149.5	148.6		148.6	149.5	
Interest liability on convertible bond	0.7	3.8			0.7	3.8
Liabilities to banks						
Promissory notes	25.9	25.3	24.9	24.7	1.0	0.6
Other liabilities to banks	32.3	34.4	24.7	26.3	7.6	8.1
Liabilities to related companies *)	4.7				4.7	
Other financial liabilities						
Finance lease liabilities	24.3	24.9	0.2	0.2	24.1	24.7
Derivative financial liabilities	5.8	24.9		4.9	5.8	20.0
Total financial liabilities	**243.2**	**261.9**	**49.8**	**204.7**	**193.4**	**57.2**

*) MTU Versicherungsvermittlungs- und Wirtschaftsdienst GmbH, Munich, which is not consolidated on the grounds of materiality

Convertible bond

MTU Aero Engines Finance B.V., Amsterdam, Netherlands, issued a convertible bond during the financial year 2007 with a total volume of € 180.0 million (divided into 1,800 partial bonds). In September and October 2008, MTU bought back partial convertible bonds (before maturity date) with a nominal volume of € 27.2 million. Further information is provided in the notes to the Consolidated Financial Statements in the Annual Report 2010 (Note 33, Financial liabilities). At a conversion price of € 49.50, the conversion ratio at issue date was 2,020.20. The coupon rate is fixed at 2.75 %, payable annually on February 1.

The present value of the future contractually agreed cash flows has been discounted using a market interest rate, i.e. the rate the company would have had to pay if it had issued a non-convertible bond. The interest expense that will be recognized over the term of the convertible loan results from unwinding the obligation using the market interest (5.425 %) used to determine its present value.

The convertible bond runs until February 1, 2012 and was therefore reclassified as current debt at March 31, 2011.

Revolving Credit Facility (RCF)

At March 31, 2011, the MTU Group has access to an overdraft facility of € 100.0 million with two banks.

Of these credit facilities, € 17.3 million (December 31, 2010: € 29.0 million) were being utilized at March 31, 2011 for guarantees. Interest on credit lines actually drawn down is charged on the basis of customary interest reference rates plus a margin. A commitment fee is paid on credit facilities which are not being utilized.

Promissory notes

Of the four promissory notes placed on June 3, 2009 with a nominal amount of € 65.0 million (less transaction costs of € 0.4 million), MTU bought back € 30.0 million on June 7, 2010 and € 10.0 million on December 6, 2010, leaving three notes outstanding at March 31, 2011 with a nominal value of € 25.0 million. The promissory notes are payable in full on the following maturity dates:

Promissory notes

Maturity	Interest rate type	Original note amount (nominal) in € million	Buy-back June 7, 2010 in € million	Buy-back December 6, 2010 in € million	Remaining note amount (nominal) in € million
June 5, 2012	fixed	1.5			1.5
June 5, 2014	fixed	11.5			11.5
June 5, 2012	variable *)	27.0	15.0		12.0
June 5, 2014	variable *)	25.0	15.0	10.0	
		65.0	**30.0**	**10.0**	**25.0**

*) 6-month Euribor plus margin

At subsequent reporting dates, they are measured at amortized cost.

29 Contract production liabilities

Contract production liabilities comprised the following:

Contract production liabilities

in € million	March 31, 2011	Dec. 31, 2010
Advance payments received for contract production	943.7	952.4
of which relating to:		
Contract production receivables	-297.8	-286.1
Total contract production liabilities	**645.9**	**666.3**

Advance payments received relate mainly to military engine program participations. Any surplus of advance payments received over contract production receivables with a remaining term of more than 12 months are discounted to their present value.

30 Other liabilities

Other liabilities comprise the following items:

Other liabilities

	Total		Non-current		Current	
in € million	March 31, 2011	Dec. 31, 2010	March 31, 2011	Dec. 31, 2010	March 31, 2011	Dec. 31, 2010
Liabilities relating to employees						
Social security	2.1	2.1			2.1	2.1
Part-time pre-retirement working arrangements	21.9	20.5	19.7	18.3	2.2	2.2
Other	54.2	37.6	2.8	2.7	51.4	34.9
Accrued interest expense	18.4	18.7	18.4	18.7		
Maintenance work still to be performed on engines	9.1	8.8	9.1	8.8		
Repayment of grants towards development costs	58.7	57.3	58.0	57.3	0.7	
Sundry other liabilities	71.0	24.5	53.8	5.6	17.2	18.9
Other taxes	13.9	8.6			13.9	8.6
Total other liabilities	249.3	178.1	161.8	111.4	87.5	66.7

Liabilities relating to employees

Liabilities relating to employees include holiday entitlements, flexitime credits, obligations relating to pre-retirement part-time working arrangements, obligations resulting from earlier efficiency improvement programs as well as obligations under pre-retirement part-time working arrangements in place since 2010 (TV FlexÜ). In addition, obligations for profit-shares and bonuses, for specific liabilities relating to pre-retirement part-time working arrangements (outstanding obligations), long-service awards and structural measures taken in conjunction with the introduction of the ERA (Entgelt Rahmenabkommen – Framework Agreement on Pay) are included in other provisions.

Social security liabilities relate mainly to contributions to employees‘ accident insurance associations amounting to € 1.4 million (December 31, 2010: € 1.5 million) and liabilities to health insurance agencies amounting to € 0.7 million (December 31, 2010: € 0.6 million).

Accrued interest expense

Non-current payments received on account from customers for contract production are discounted over the term of the advance payments using appropriate market interest rates and the deferred interest recognized as a liability within other liabilities until the engine is delivered. Accrued interest expense of € 18.4 million (December 31, 2010: € 18.7 million) relates to advance payments received for long-term military construction contracts.

Outstanding maintenance work on engines

This line item relates mainly to obligations for the maintenance of engines made available to airlines on a temporary basis (as part of commercial MRO activities) while the airlines’ own engines are being maintained or repaired.

Repayment of grants towards development costs
In the financial years 1976 to 1991, MTU received grants towards the internally generated costs of developing the PW2000 engine from the German Federal Ministry of Economics and Technology which were recognized in the income statement. Once the contractually agreed sales figures of PW2000 production engines have been reached for the Boeing 757 and C17, MTU is obliged to pay back the grants (government subsidy of development costs) within a timeframe of ten years. Due to a significant increase in the probability of repayment as a result of the strong demand for engines for the C17 aircraft, a liability of € 57.3 million was recognized in the consolidated financial statements at December 31, 2010, measured at amortized cost and using the effective interest method. The first instalment of the repayment is expected to become due in early 2012.

Sundry other liabilities
MTU's share of the PW1100G engine for the A320 family will be at least 15 %. During the first quarter 2011, a total amount of totalling € 50.7 million (January - March 2010: € 0.0 million) was recognized as a liability in conjunction with agreements between MTU und Pratt&Whitney relating to participation in the PW1100G engine program. Cash outflows relating to the program participation will take place on the basis of a fixed schedule agreed with the cooperation partner over the period from 2011 until probably 2018. No payments were made during the first quarter 2011.

Other taxes
Other taxes amounting to € 13.9 million (December 31, 2010: € 8.6 million) relate to payable wage, solidarity surcharges, church taxes and transactional taxes.

32 Related party transactions

Transactions with related entities
Transactions with related entities are undertaken as part of the group's ordinary operating activities, buying and selling various products and services on an arm's length basis.

Proportionately consolidated entities (MTU Maintenance Zhuhai)
There were no trade receivables due from MTU Maintenance Zhuhai at March 31, 2011. Trade payables due to this entity totalled € 4.7 million. Income recognized during the first three months of 2011 totalled € 0.5 million with expenses totalling € 6.7 million.

Entities accounted for at equity and at cost
Entities accounted for at equity and at cost are disclosed in note 43.1.2 (Major shareholdings) of the Annual Report for the year ended December 31, 2010. Trade receivables at March 31, 2011 amounted to € 44.4 million. Trade payables at that date amounted to € 38.0 million. Income recognized during the three-month period under report amounted to € 210.1 million, with expenses totalling € 92.6 million.

Transactions with related individuals
MTU Group companies did not enter into any material contracts with members of the Board of Management, the Supervisory Board or with other key management personnel or with companies in whose management or supervisory boards those persons are represented. The same applies to close members of the families of those persons.

33 Contingent liabilities and other financial commitments

Contingent liabilities and other financial obligations at March 31, 2011 amounted to € 106.6 million (December 31, 2010: € 126.6 million). Contingent liabilities and other financial obligations are not material to the MTU Group. As in previous periods, with the exception of lease payments, no amounts fell due for payment during the period under report. Similarly, no amounts are expected to be paid for the financial year 2011. Information regarding the composition and nature of contingent liabilities and other financial obligations is provided in the notes to the consolidated financial statements in the Annual Report 2010 (Note 42).

Purchase commitments for intangible assets and property, plant and equipment amounted to € 33.3 million at March 31, 2011 (December 31, 2010: € 30.0 million).

34 Events after the end of the reporting period (March 31, 2011)

There have been no significant events after the end of the interim reporting period (March 31, 2011) and prior to the date of authorization for issue of the Quarterly Financial Report on May 2, 2011.

35 Publication of the Quarterly Financial Report

The Quarterly Financial Report of MTU Aero Engines Holding AG, Munich, for the period from January 1 to March 31, 2011 was published on the Internet on May 3, 2011.

Financial Calendar

Telephone Conference on first quarter 2011 earnings	**May 3, 2011**
MTU Annual General Meeting for the financial year 2010	**May 5, 2011**
Telephone Conference on second quarter 2011 earnings	**August 1, 2011**
Telephone Conference on third quarter 2011 earnings	**October 26, 2011**

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Translation

The German version takes precedence.

MTU Aero Engines Holding AG on the Internet

- Further information about MTU Aero Engines Holding AG can be obtained via the Internet at: www.mtu.de.

- Investor Relations information is available directly at **http://www.mtu.de/de/investorrelations/latest_news/index.html**

- Information about MTU Aero Engines Holding AG's can be obtained at: **www.mtu.de/de/products_services/new_business_commercial/index.html**

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