



Annual General Meeting

MTU Aero Engines Holding AG

Address by the Chief Executive Officer

Egon Behle

on April 22, 2010

in Munich

- Check against delivery -

Good morning ladies and gentlemen, shareholders of the company,

Welcome to the 2010 Annual General Meeting of MTU Aero Engines Holding AG.

On behalf of the entire Board of Management, I thank you for travelling to Munich to be with us here today, and for taking a personal interest in the recent and future development of the company in which you have invested.

A year ago, at the last Annual General Meeting, we already spoke about the challenges imposed by the global financial and economic crisis. At that juncture, we were just beginning to see the first signs of a recession and estimate the extent of the potential damage that it might cause. But it was still too early to reliably predict the actual repercussions. As might have been expected, the crisis has had a marked impact on our industry, as on many others: International air passenger volumes have fallen by around 4 percent, freight traffic has been down by more than ten percent, and the business jet segment has plummeted. The situation was weighed down further by the upturn in the price of crude oil and the persistently strong euro.

Indications that the market is healing have been multiplying over recent months, with key economic indicators sending clear signals of market stabilization. Air traffic is on the rise again. Obviously, there is bound to be a brief dip in the curve this April, resulting from the wide-scale closure of European airspace after the eruption of an Icelandic volcano. What effect will this have on MTU? Like most industrial firms, MTU is dependent on air freight services. When flights are cancelled, this causes delays in our logistics chain. If the airspace only remains closed for a short time before being fully reopened, we will be able to bring our logistics processes rapidly back on track without any major repercussions. Nevertheless, it would be unwise to be overly optimistic as regards future developments: 2010 is not going to be any less challenging than 2009.

We have adapted our processes to the effects of the economic crisis. When I spoke to you at last year's Annual General Meeting, I was already able to report on the measures that MTU had implemented to meet the challenges posed by the deteriorating market situation. At the same time, I spoke about the ways in which our company intended to exploit the opportunities in our business. I can now tell you what results we achieved, with reference to our performance in the past financial year.

MTU has met all business targets for 2009

On the assumption that you have already seen the final figures for 2009, which we presented two months ago at our annual results press conference, here I would just like to say a few words about the key performance indicators. A full presentation in the customary format can be found in our 2009 Annual Report and also, of course, on our website.

To start with, I would like to point out that our predictions for 2009 at the beginning of the year were, shall we say, realistically optimistic. This was not an obvious step to take, given that many companies were not even willing or able to define quantitative targets for the year. Under these circumstances, and in view of the challenging market environment, I am all the more delighted to report that MTU has pulled through and fully met the targets it had set for the financial year 2009.

We generated revenues of 2.61 billion euros, which almost exactly matches the forecast of around 2.6 billion euros. In the course of the year, we were able to increase our earnings forecast, in terms of adjusted EBIT, to approximately 290 million euros. The year-end result of 292 million euros was even slightly better than we had predicted. Our earnings after tax amounted to 141 million euros, compared with a target of approximately 140 million euros. As for free cash flow, here we performed significantly better than predicted, with a result of 120 million euros or 20 percent over the targeted 100 million euros.

As regards the longer-term future, MTU can count on a solid financial situation, based on the fact that we reduced our net liabilities by 44 percent to 142 million euros in 2009. At the same time, we have also significantly increased our equity base, by 113 million euros. As a result, our equity ratio has risen by nearly four percentage points to 23.3 percent.

Furthermore, our order book situation is stable: despite the strained market environment, we have witnessed a slight increase in our total order backlog in 2009. The group's order volume – in other words, order backlog plus the contractual value of service agreements – represents approximately three years' production capacity.

Employees

The fact that we have succeeded in achieving such positive results, at a time when the world economy is ailing, is due in no small measure to the efforts of our employees, without whom we would not have been able to confront the crisis with such determination. One of the revelatory aspects of the crisis has been to demonstrate that the people who work for MTU are not merely "doing their job" but also support and identify strongly with the company. Each in their individual way helps to promote the culture of innovation that is the bedrock of MTU's future. Thanks to their work, our customers continue to place their trust in the company – an element of prime importance to MTU both today and tomorrow. I would therefore like to take this opportunity to express my sincere gratitude to all MTU employees, both in Germany and at our international locations throughout the world, on behalf of the Board of Management – and I am sure you will also join me in this sentiment.

I am particularly happy that MTU has been able to navigate a course through these troubled waters without having to resort to such measures as short-time working or, worse still, redundancies, which would have obliged us to part with valuable sources of know-how. From the present point of view, such measures will not be necessary in 2010 either. Given the general situation of most companies today, this is not a negligible achievement.

Dividend

It is only natural that you, our shareholders, should receive a return on your investment that reflects MTU's sustained operational profitability. As item 2 on today's agenda, we will therefore be proposing a dividend payment of 93 cents per share. This is the same as the dividend we paid in the two prior years, and underscores our commitment to keep dividends at a consistent level, even in these trying times.

Share performance

At this point, I would like to briefly turn your attention to the performance of the MTU share. Before going any further, I can already report that the capital markets have responded positively to the measures we have taken to improve efficiency and to align our engine portfolio with the future needs of the market. As you can see from the chart, in 2009 the MTU share clearly outperformed the two benchmark indexes, the MDAX and the Dow Jones Aerospace & Defense Index. From a quoted price of 19.58 euros at the beginning of 2009, the MTU share increased progressively in value to reach 38.19 euros at the close of trading on December 30, 2009. This represents an increase of 95 percent. I am pleased to note that our share has continued to perform well in the first months of 2010, and now stands even higher.

MTU Principles: Working to shape the future of aviation

Now, I am sure that if you are here today it is not only to hear about our results in the past year but also, and more importantly, to discover what we are doing to prepare for the future. We have set ourselves the ambitious goal of actively shaping the future of aviation through a policy of sustainable development. The associated objectives were formulated in a new set of Corporate Principles in 2009, and communicated to all employees throughout the group. They also provide the main topic for our 2009 Annual Report. The Principles contain all the elements that characterize MTU as a company – its business model and products, customers and partners, values and objectives. The intention is that it should serve as a compass to guide the day-to-day work of all MTU employees.

The fact that our results for the past year were significantly better than those of many other companies, despite the extremely difficult conditions imposed by the financial crisis, is confirmation that this compass is pointing in the right direction.

Measures to improve efficiency

We have undoubtedly benefited from the fact that we took the initiative of introducing cost-optimization measures well before the time at which they would have become an unavoidable necessity. On the contrary, we launched our “Challenge 2010” cost-reduction program well before the crisis began to take hold. Today I can report that all is proceeding according to plan. This year we are looking to save about 30 million euros, and from 2011 onward that figure is set to rise to 50 million euros per annum. Our efforts are focused on optimizing product costs and making savings in production and logistics processes.

The present crisis has incited us to take a closer look at all of our cost structures, processes and workflows, with a view to reviewing them from the ground up. Alongside various specific cost-saving projects targeting selected areas of activity, we can also rely on our CIP continuous improvement program. We have been improving efficiency across the board by launching improvement processes in all areas of the group and systematically implementing the resulting proposed measures. Of particular note in this context are the improvements achieved within the production network, where two milestone events marked our progress in 2009: the sale of our production operations in the United States, which were incompatible with the group’s overall objectives, and the establishment of a new plant in Poland. These measures promise to further improve the cost structure of our manufacturing activities.

The ultimate aim of this package of measures is not simply to guide MTU safely through the troubled waters of this unusually difficult period of economic instability. Our main interest lies in preparing a sustainable future for our enterprise, in which it will emerge as an even stronger competitor. This includes giving ourselves the necessary room to maneuver.

To meet this challenge, we are continuing to invest substantial amounts of capital in our research and development programs. In 2009, MTU’s capital expenditure on R&D was 27 percent up on the previous year. We intend to maintain R&D expenditure at this high level, given that technology leadership is one of the top priorities in our business agenda for 2010. Chief among these projects is the implementation of the PW1000G geared turbofan engine, which is the powerplant for the Mitsubishi Regional Jet, the Bombardier CSeries, and the Irkut MS-21. Its most recent success to date was in March 2010, when Republic Airways placed a firm order for 40 Bombardier CSeries aircraft, with an option for a further 40 of the same type. All will be powered by the PW1000G. Meanwhile, our engineering teams are working flat out to develop new materials, manufacturing processes and repair techniques for tomorrow’s aviation programs, to the high quality standards for which they are renowned. The results of their work will benefit new programs such as the GENx engine for the Boeing 787 Dreamliner and the Boeing 747-8 or the GE38 engine for heavy-lift transport helicopters.

The troubled progress of the development program for the Airbus A400M military transporter and its TP400-D6 engine made headline news on several occasions in 2009. As things stand today, I can

report that the technical side of the program is making gratifying progress. The A400M successfully performed its maiden flight in December 2009, and has since then achieved successful results in a considerable number of test flights, totaling around 80 flight hours. Together with our partners in the EPI engine consortium, we are continuing to support the Airbus flight test program to the best of our abilities. From a technical point of view, we are steadily advancing. From a financial point of view, however, the situation is not as bright as originally anticipated. Under the present circumstances, we don't expect to derive any significant profits from the TP400-D6 engine program.

Our commercial maintenance business scored another success in 2009 by obtaining a major contract from the U.S. Air Force to maintain the CF6-50 engines that power its KC-10 tanker fleet. This contract is expected to generate revenues of at least 300 million euros. We have expanded our collaboration with General Electric in the MRO sector too, where we have signed a joint development agreement for new repair techniques. Plans for the current year include expanding the capacity of our Chinese location, MTU Maintenance Zhuhai, and extending the range of our maintenance portfolio through the addition of engines for widebody aircraft.

Together, all these aspects illustrate the central role played by technology and innovation at MTU. For these are the factors on which our present and future competitiveness depends.

Outlook

Indeed, it is to strengthen our competitiveness that we are reinforcing our local presence in the major growth markets for our sector of industry. For once we have weathered the current turbulence, the global aviation market will enter a new phase of substantial growth. Industry experts expect passenger volumes to increase at an annual rate of close to 5 percent over the next 20 years; the forecasts for Asia and the Middle East are even higher. Against this backdrop, MTU is systematically strengthening its presence in these regions. We took important steps in this direction in 2009, for example by acquiring a stake in the Saudi Arabian maintenance company MEPC and signing a cooperation agreement with the Chinese engine manufacturer AVIC.

All in all, the medium- and long-term perspectives for the aviation market are good. But what about the short term? What developments can we expect to see in the current business year? And how are the figures and results to be interpreted in relation to forecasts for the financial year 2010?

Our outlook is based on the assumption that the markets will stabilize in the current year. Passenger and freight traffic will gradually start to revive, as will the business jet sector. The International Air Transport Association – IATA – expects international passenger traffic to increase by 5.6 percent in 2010 and freight traffic to grow by 12.0 percent. The statistics for the first few months of the year confirm this trend. But as I stated earlier, 2010 will nevertheless be a challenging year for MTU. We are presently going through a phase in which it will not be immediately possible for MTU to continue along the steady line of growth that we have been accustomed to following for the past several years. We do, however, expect to return to growth next year, or at the latest by the year after next.

All the same, our position at the end of 2009 provides us with a solid basis for a stable development in the coming year. In 2010, we expect to generate revenues on the level of last year. EBIT adjusted and net income can also be expected to develop along stable lines. We anticipate a free cash flow of at least 100 million euros for 2010 – despite research and development expenditure at a continuing high level. We think it likely that business will improve as the year progresses, particularly in the MRO segment, and await better results in the second half of the year than in the first six months.

These predictions are borne out by the financial data for the first quarter, which we published the day before yesterday. As expected, the figures are mostly at a similar level to those reported for the fourth quarter of 2009. MTU generated revenues of 640 million euros in the first three months of 2010. Operating profit amounted to 69 million euros, and the adjusted EBIT margin came to 10.7 %. Earnings after tax amounted to 33 million euros. We will keep you informed of our further progress in our

regular quarterly reports. We are nonetheless confident that we will be able to keep MTU on a stable course as planned.

For you, our shareholders, MTU is committed to offering an investment based on a policy of continuity, including a successful business model, a portfolio of services geared to market trends, and a proven business strategy. Another of MTU's assets is the company's strong customer base, which takes its root in long-established business relationships and technically demanding projects which have been consistently widened and intensified – and carried from strength to strength by the trust placed in us by our customers, for which I would like to take this opportunity to thank them once again.

Ladies and gentlemen, allow me to sum up my presentation by concluding that we have demonstrated our flexibility by responding quickly and, in the end, successfully, to the changed operating environment. We have succeeded in finding the middle way between the immediate necessity to cut costs and the longer-term objective of building up a balanced business strategy and portfolio of services. As a result, for example, we have been able to maintain and even increase our high level of capital expenditure on research and development activities, while at the same time adhering to a strict policy of cost management. We are proud to have been able to attain our quantitative goals in spite of the difficulties imposed by the general economic situation. This approach has permitted us to lay the foundations for stable development in the current financial year. As a result, we have set up the conditions that will enable us to meet our declared objective of actively shaping the future of aviation.

Before handing over to the next speaker, please let me express my gratitude to the shareholders present today on behalf of the Board of Management – for your loyalty, your constructive interest in our company, and the confidence you have accorded us even in such times of economic disarray.

Whatever happens, there is one thing of which you can be assured: we will do everything in our power to guarantee the long-term profitable growth of your stake in this company.

Thank you for your support and kind attention.