



Interim Report as at September 30, 2006

MTU Aero Engines Holding AG, Munich



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Selected Consolidated Financial Information and Key Figures

	2006	2005
Key income statement figures in € million		
Revenues	1,749.9	1,545.6
Research and development expenses	42.9	20.8
Earnings before interest and tax (EBIT)	157.6	89.0
Earnings before interest, tax, depreciation and amortization (EBITDA)	247.3	189.4
Earnings before tax (EBT)	135.9	33.7
Income tax expense	-55.9	-14.3
Net profit	80.0	19.4
Key income statement figures in € million (adjusted)		
Earnings before interest, tax, depreciation and amortization (EBITDA)	224.7	166.6
Earnings before tax (EBT)	147.2	59.2
Net profit	87.7	35.3
Key balance sheet figures in € million		
Equity	549.8	528.3
Total assets	2,814.9	2,553.3
Fixed assets	1,498.0	1,535.3
Non-current financial liabilities (excluding deferred tax liabilities)	766.3	767.6
Number of employees at quarter end *)		
By company		
MTU Aero Engines GmbH, Munich	4,568	4,628
MTU Maintenance Hannover GmbH, Langenhagen	1,417	1,298
MTU Maintenance Berlin-Brandenburg GmbH, Ludwigsfelde	506	516
MTU Maintenance Canada Ltd., Canada	165	133
MTU Aero Engines North America Inc., USA	205	207
Vericor Power Systems L.L.C., USA	32	34
	6,893	6,816
By market segment		
Civil and Military Engine Business	4,773	4,835
Civil Engine Maintenance Business	2,120	1,981
	6,893	6,816
Key Figures in %		
Gross margin	15.7	12.0
EBITDA-margin	14.1	12.3
EBIT-margin	9.0	5.8
Pre-tax return on sales	7.8	2.2
Return on equity	14.8	5.3
Equity ratio	19.5	20.7
Research and development expenses (excluding utilization of provisions) as percentage of sales	3.1	3.0
Key figures in % (adjusted)		
EBITDA-margin	12.8	10.8
Pre-tax return on sales	8.4	3.8
Return on equity	16.3	9.6
Cash flow in € million		
Cash flow from operating activities	142.9	300.0
Cash flow from investing activities	-45.8	-42.7
Free cash flow	97.1	257.3
Free cash flow as percentage of cash inflow from operating activities	67.9	85.8
Shares		
Average weighted number of outstanding shares (' 000)	54,486	55,000
Earnings per share in Euro	1.47	0.35
Earnings per share in Euro (adjusted)	1.61	0.64
Free cash flow per share in Euro	1.78	4.68
Equity per share in Euro	10.09	9.61

*) excluding Joint ventures

Market Overview, Financial Situation

The first nine months of 2006 depict a positive picture of the aerospace market environment, driving with ongoing strong demand for new engines, spare parts and aftermarket services. Traffic indicators are healthy, jet fuel prices are sending out some positive signals and the US airline industry is finally feeling the benefit of its cost reduction and restructuring programs.

International passenger traffic for the first eight months*) of the year has grown by 6.1% according to IATA (+6.7% during the first six months of the year). All top three regions, North America, Europe and Asia-Pacific performed similarly. In the US, capacity restraints and higher yields combined with strong demand have led to record load factors and improved profitability. The security alert at UK airports in August has had no significant impact on overall passenger traffic demand levels so far. Cargo traffic remains stable with IATA's international traffic up 5.2% for the first eight months*) of 2006 (also 5.2% for the first six months).

September witnessed a welcome 13% drop in jet fuel prices compared to August helping third quarter price to stabilise at \$87 a barrel (\$88 a barrel in the second quarter). This will be felt in the bottom line of most airlines as third quarter financial results are unveiled.

The strength of the US second-quarter results and the operating profits posted by the two carriers under bankruptcy protection, Delta and Northwest Airlines, came as a surprise to most analysts. Capacity restraints, air fares on average 10% higher than last year and a consumer willingness to pay is the price asked have all contributed to this positive developments. Positive operating margins are now being widely forecast by US airlines for the full years 2006 and 2007. The now perceptible and long overdue return of US network carriers to profitability remains a pre-requisite for the renewal of their aged fleets.

*) IATA figures for September 2006 were not available at the reporting date.

Financial Situation

Earnings for the first nine months of 2006

Group **revenues** for the first three quarters of 2006 rose by € 204.3 million to € 1,749.9 million, an increase of 13.2% compared to the corresponding period last year. Most of this increase (€ 157.6 million, representing a rise of 28.9%) related to civil engine maintenance business, whilst civil and military engine business increased by € 49.2 million (4.9%) to € 1,061.9 million. In the civil engine business, revenues for the nine-month period increased by € 44.4 million (6.3%), reaching a total of € 746.5 million. Military engine business revenues edged up by € 4.8 million (1.5%) to € 315.4 million compared to the corresponding period last year. Adjusted for the disposal of ATENA Engineering GmbH, Munich as at June 30, 2005, total revenues rose by € 222.6 million (14.6%) and civil and military engine business revenues rose by € 67.5 million (6.8%).

Group **cost of sales** amounted to € 1,475.2 million, thus increasing 4.8 percentage points slower than revenues. Cost of sales for civil engine maintenance business increased by € 122.1 million (24.8%), whereas civil and military engine business recorded a decrease of € 5.6 million (0.6%).

Compared to the first three quarters of 2005, **gross profit** increased by € 89.4 million to € 274.7 million. The overall gross profit percentage increased to 15.7%, and was thus 3.7 percentage points higher than in the corresponding period last year; the gross profit percentage for engine business improved by 4.6 percentage points to € 186.7 million and that of the engine maintenance business improved by 2.8 percentage points to € 88.1 million.

Excluding the utilization of the development expense provision recognized at January 1, 2004, **research and development expenses** totalled € 55.0 million, which was € 9.4 million above the level for the corresponding period last year. Lower expenditure for the GP7000 and PW6000 development programs (which are now drawing to a close) was more than offset by higher expenditure for the joint development of a geared turbofan with Pratt & Whitney.

Selling expenses amounted to € 54.3 million, 8.0% higher than in the correspond-

ing period last year. This was largely due to the increase in allowances on civil engine maintenance receivables attributable to the general expansion in business and sales.

General administrative expenses decreased by 5.8% to € 32.7 million, mainly as a result of the disposal of ATENA Engineering GmbH, Munich, at the middle of the previous year.

Depreciation and amortization included in cost of sales, research and development expenses, selling and general administrative expenses amounted to € 89.7 million (January–September 2005: € 100.4 million).

Adjusted EBITDA (adjusted earnings before interest, taxes and depreciation) takes account of adjustments relating to the purchase price allocation and to other special factors (see list on page 5).

The **financial result** for the nine-month period was a net expense of € 22.1 million, a further improvement over the net expense of € 57.2 million recorded in the corresponding period last year.

As a result of the reduction of loans payable in the previous year, interest expense for the nine-month period decreased by € 14.5 million (31.8%) to € 31.1 million compared to € 45.6 million incurred in the corresponding period last year; € 13.1 million of the decrease related to the High Yield Bond. Exchange rate losses on financing transactions did not arise during the first nine months of 2006. The amount of € 13.0 million reported in 2005 related to the repayment of liabilities to banks (Senior Facility Agreement). Net fair value gains on swap transactions amounted to € 4.9 million, an improvement of € 13.6 million compared to the corresponding period last year when net fair value losses of € 8.7 million were recorded; net exchange rate gains on currency holdings fell by € 12.3 million as a result of exchange rate fluctuations.

The **profit before tax** for the nine-month period increased by € 102.2 million to € 135.9 million and the pre-tax return on sales was 7.8% (January–September 2005: 2.2%).

The Group recorded a **net profit** of € 80.0 million for the first three quarters of 2006, an improvement of € 60.6 million compared to the corresponding period last year.

Group earnings per share for the nine-month

Financial Situation

Adjusted reconciliation of EBIT to EBITDA € million	Sep. 30, 2006	Sep. 30, 2005
EBIT	157.6	89.0
+ Depreciation / amortization	89.7	100.4
EBITDA	247.3	189.4
- Utilization of R&D provision	-12.1	-24.8
+ Restructuring costs		2.0
- Gains on sale of land	-10.5	
EBITDA adjusted	224.7	166.6

period improved to € 1.47 compared to € 0.35 in the corresponding period last year.

Adjusted for the impact of the purchase price allocation, the net profit was € 87.7 million (January-September 2005: € 35.3 million). The adjusted pre-tax return on sales was 8.4% (January-September 2005: 3.8%). Adjusted earnings per share for the nine-month period were € 1.61 (January-September 2005: € 0.64).

Earnings by Segment

Civil and Military Engine Business

Earnings for the third quarter 2006

Revenues of the civil and military engine business segment in the third quarter 2006 rose by € 42.2 million to € 372.1 million, a 12.8% increase compared to the same quarter last year. Civil engine business revenues increased by € 39.0 million (17.6%) to € 261.1 million, while military engine revenues increased by € 3.2 million (3.0%) to € 111.0 million.

The segment gross profit for the quarter increased by € 31.2 million (66.4%) to € 78.2 million and the adjusted profit before interest, taxes, depreciation and amortization (adjusted EBITDA) improved by € 20.2 million (49.1%) to € 61.3 million.

The segment profit before tax was € 44.9 million compared to € 11.8 million in the third quarter last year. The pre-tax return on sales was therefore 12.1% (third quarter 2005: 3.6%).

Earnings for the first nine months of 2006

Revenues of the civil and military engine business segment for the nine-month period rose by € 49.2 million (4.9%) to € 1,061.9 million.

Civil engine business revenues increased by € 44.4 million (6.3%) to € 746.5 million. Revenues from the PW2000 and V2500 en-

gine programs rose by € 28.8 million (25.4%) and € 46.0 million (26.6%) respectively and revenues from the cooperation arrangements with Pratt & Whitney Canada were up by € 16.6 million (39.6%) compared to the corresponding period last year. By contrast, the disposal of ATENA (which had recorded revenues of € 18.3 million during the period from January to June 2005) and exchange rate losses of € 20.7 million due to currency fluctuations had a negative impact on revenues.

Military engine revenues climbed by € 4.8 million (1.5%) to € 315.4 million.

Segment gross profit for the nine-month period improved by € 54.8 million (41.5%) to € 186.7 million.

The adjusted profit before interest, taxes, depreciation and amortization (adjusted EBITDA) increased by € 36.7 million (31.7%) to € 152.3 million.

Thanks to the significantly lower interest expense within the financial result, the segment profit before tax for the nine-month period increased from € 16.3 million to € 86.5 million, an improvement of € 70.2 million. The pre-tax return on sales was 8.1% (January-September 2005: 1.6%).

Civil Engine Maintenance Business

Earnings for the third quarter 2006

Civil engine maintenance revenues for the third quarter 2006 increased by € 40.8 million (21.1%) to € 234.6 million.

Compared to the third quarter 2005, segment gross profit was up by € 2.6 million (12.4%) to € 23.6 million, the adjusted profit before interest, taxes, depreciation and amortization (adjusted EBITDA) increased by € 2.4 million (12.7%) to € 21.3 million and the profit before tax increased by € 2.2 million to € 15.4 million.

The pre-tax return on sales for the third quarter was 6.6% compared to 6.8% one year earlier.

Earnings for the first nine months of 2006

Civil engine maintenance revenues for the nine-month period increased sharply, rising by € 157.6 million (28.9%) to € 702.6 million, compared to € 545.0 million in the corresponding period last year. Segment gross profit rose at an even faster pace (67.5%) with a € 35.5 million increase to € 88.1 million.

The adjusted profit before interest, taxes, depreciation and amortization (adjusted EBITDA) increased accordingly by € 25.2 million (52.0%) to € 73.7 million, whilst the profit before tax improved by € 26.7 million to € 55.5 million. The pre-tax return on sales was 7.9% (January-September 2005: 5.3%).

Financial Position

The Group's cash flow statements show the source and application of cash flows during the first nine months of the financial years 2006 and 2005, distinguishing between cash flows from operating, investing and financing activities.

During the first nine months of 2006, the Group's **operations** generated a cash inflow of € 142.9 million (January-September 2005: € 300.0 million). The cash flow from operating activities was therefore down by € 157.1 million (-52.4%) compared to the corresponding period last year, mainly as a result of a less favourable change in working capital. Accounts receivables went up by € 178.1 million due to timing reasons, whereas in the previous year they went down by € 12.9 million during the equivalent period. Within liabilities, the increase in advance payments from customers slowed down compared to the first nine months of 2005, whilst still remained at a high level in absolute terms.

Capital expenditure on intangible assets and property, plant and equipment during the first nine months of 2006 was € 22.5 million (52.4%) higher than in the corresponding period in 2005. Net of proceeds from disposals, cash used for investing activities amounted to € 45.8 million (January-September 2005: € 42.7 million).

Financial Situation

In the area of **financing activities**, cash funds increased as a result of utilizing a further € 47.8 million of the Rolling Credit Facility (RCF), bringing the overdraft balance at September 30, 2006 to € 64.8 million. On the other hand, the dividend payment of € 40.2 million and the repurchase of own shares for € 37.5 million reduced cash funds, so that, overall, the cash outflow for financing activities amounted to € 29.0 million. The equivalent figure for the same period last year was a cash outflow of € 209.2 million, which was attributable to repayment of bank loans under the Senior Facility Agreement (€ 174.2 million), the Vendor Loan (€ 185.5 million), the loan from Blade Lux Holding Two S.a.r.L., Luxembourg (€ 69.6 million) as well as partial repayment of the High Yield Bond (€ 80.0 million). Approximately two thirds of these repayments in the previous year were financed out of the proceeds from the IPO.

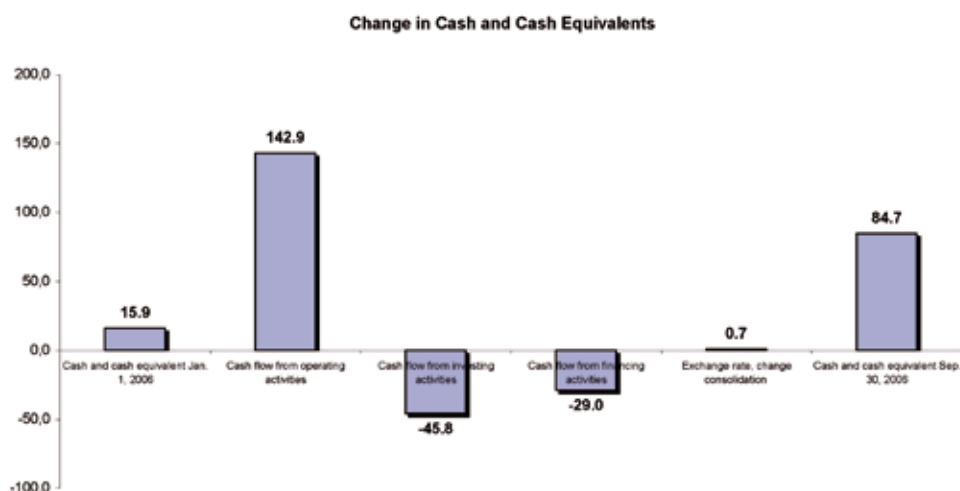
After taking account of exchange rate effects and changes in the group reporting entity, cash and cash equivalents increased by € 68.8 million (January-September 2005: € 54.6 million).

Free cash flow, defined as the aggregate amount of the cash flows from operating and investing activities, amounted to € 97.1 million for the nine-month period (January-September 2005: € 257.3 million) and therefore represented 67.9% (January-September 2005: 85.8%) of the cash inflow from operating activities.

Net Asset Position

The group balance sheet total increased by € 261.6 million or 10.2% compared to December 31, 2005.

While non-current assets decreased by € 33.3 million (mainly intangible assets and property, plant and equipment), current assets went up in total by € 294.9 million, with inventories increasing by € 44.5 million (8.6%), and receivables from production and maintenance contracts (percentage of completion) and trade receivables rising in total by € 161.9 million (38.7%). Other assets were € 19.2 million (31.8%) higher than at December 31, 2005, with the major part of the increase (€ 21.1 million) relating to receivables from related companies. Cash and cash equivalents have increased since December 31, 2005 by € 68.8 million thanks



to the overall positive cash flow, to stand at € 84.7 million at September 30, 2006.

Group equity rose from € 528.3 million to € 549.8 million. On the one side, it was increased by the net profit of € 80.0 million recorded for the nine-month period and by fair value gains of € 19.1 million recognized on forward currency contracts. On the other, it was reduced by the dividend payment of € 40.2 million resolved at the Annual General Meeting in May 12, 2006, and the purchase of own shares for € 37.5 million.

The equity ratio fell from 20.7% at December 31, 2005 to 19.5% at September 30, 2006.

Pension provisions were increased as planned by a total of € 15.1 million.

Other non-current and current provisions increased in total by € 26.1 million compared to December 31, 2005, with the level of sales deductions due within one year increasing in particular.

Within financial liabilities, the main impact came from the increase in the current utilization of the RCF overdraft facility which increased by € 47.8 million to stand at € 64.8 million at the reporting date.

Trade payables went up by € 60.9 million (21.1%) to € 350.2 million due to timing reasons.

Sundry other liabilities increased by € 71.5 million (11.6%) to € 687.0 million.

The main factors here were higher advance payments received (up by € 67.1 million or 15.6%) and higher payables to related companies (up by € 22.7 million or 36.9%), the latter also due to timing reasons. By contrast, negative fair values of derivatives decreased by € 29.6 million.

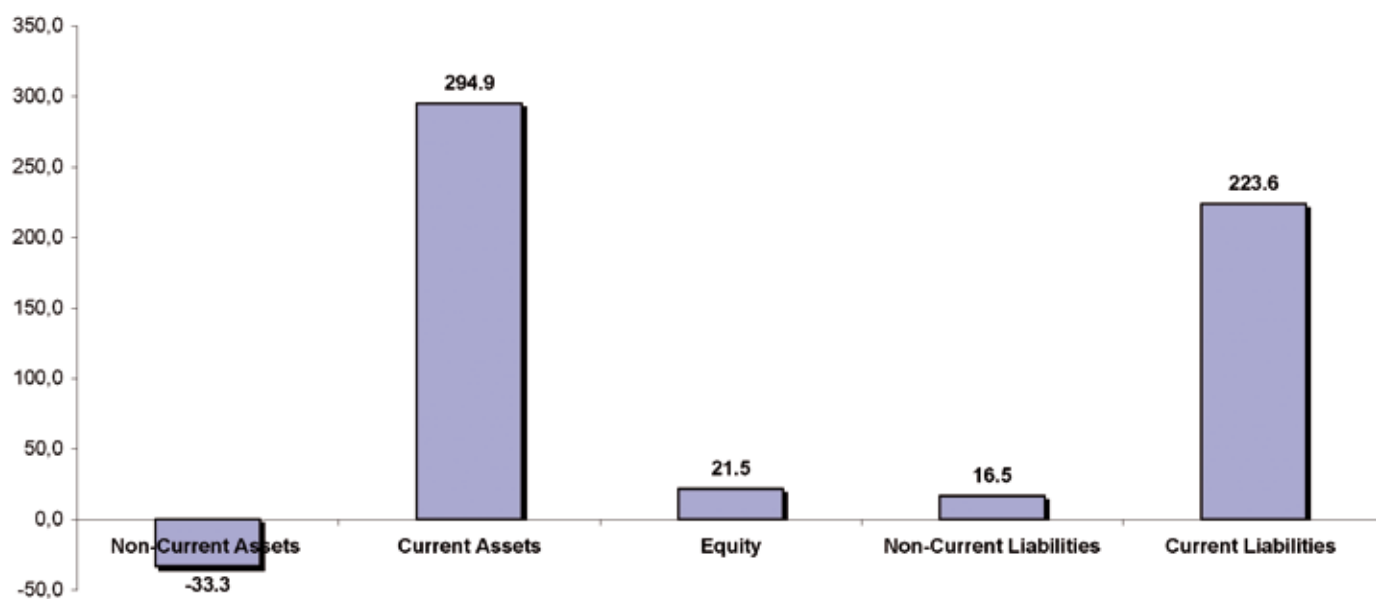
The table on the following page distinguishes between current and non-current items to illustrate how the net asset position has changed in the period from December 31, 2005 to September 30, 2006:

Financial Situation

Statement of Changes in Assets, Equity and Liabilities (Comparing September 30, 2006 to December 31, 2005)

	€ million	€ million
Non-current assets		
Intangible assets	-3.9	
Property, plant and equipment	-31.2	
Investments	-2.2	
Other assets	3.8	
Deferred tax assets	0.2	-33.3
Current assets		
Inventories	44.5	
Receivables	161.9	
Other assets	15.4	
Cash and cash equivalents	68.8	
Prepayments	4.3	294.9
Changes in assets		261.6
Equity		21.5
Non-current liabilities		
Provisions	10.4	
Financial liabilities	-4.0	
Other liabilities	-7.7	
Deferred tax liabilities	17.8	16.5
Current liabilities		
Provisions	30.8	
Financial liabilities	52.7	
Trade payables	60.9	
Other liabilities	79.2	223.6
Changes in equity and liabilities		261.6

Changes in Assets, Equity and Liabilities



Consolidated Income Statement

€ million	Notes	Jan. 1 to Sep. 30, 2006	Jan. 1 to Sep. 30, 2005	Q 3 2006	Q 3 2005
Revenues		1,749.9	1,545.6	601.4	519.9
Cost of sales	(6.)	-1,475.2	-1,360.3	-499.7	-452.0
Gross profit		274.7	185.3	101.7	67.9
Research and development expenses	(7.)	-42.9	-20.8	-12.7	-6.3
Selling expenses	(8.)	-54.3	-50.3	-18.1	-17.2
General administrative expenses	(9.)	-32.7	-34.7	-12.9	-10.2
Other operating income and expenses	(10.)	12.8	9.5	10.9	3.9
Result before financial result		157.6	89.0	68.9	38.1
Financial result	(11.)	-22.1	-57.2	-9.8	-17.6
Share of profit/loss of joint ventures accounted for using the equity method		0.4	1.9		1.4
Result from ordinary activities		135.9	33.7	59.1	21.9
Income taxes	(12.)	-55.9	-14.3	-24.1	-9.2
Net profit		80.0	19.4	35.0	12.7
Earnings per share (in Euro)	(13.)	1.47	0.35	0.65	0.23



Consolidated Balance Sheet

Assets			
€ million	Notes	Sep. 30, 2006	Dec. 31, 2005
Non-Current Assets			
Intangible assets	(16.)	937.8	941.7
Property, plant and equipment	(17.)	514.8	546.0
Investments		45.4	47.6
Other assets	(20.)	5.3	1.5
Deferred tax assets		0.2	
		1,503.5	1,536.8
Current Assets			
Inventories	(19.)	562.7	518.2
Receivables	(20.)	580.3	418.4
Other assets	(20.)	74.2	58.8
Cash and cash equivalents		84.7	15.9
Prepayments		9.5	5.2
		1,311.4	1,016.5
Total assets		2,814.9	2,553.3

Equity and Liabilities			
€ million	Notes	Sep. 30, 2006	Dec. 31, 2005
Equity			
	(24.)		
Subscribed capital		55.0	55.0
Capital reserves		453.8	453.8
Revenue reserves *)		72.6	32.8
Own shares		-37.5	
Accumulated other equity		5.9	-13.3
		549.8	528.3
Non-Current Liabilities			
Pension provisions		377.8	362.5
Other provisions	(26.)	26.4	31.3
Financial liabilities	(27.)	225.8	229.8
Other liabilities	(28.)	136.3	144.0
Deferred tax liabilities	(29.)	268.6	250.8
		1,034.9	1,018.4
Current Liabilities			
Pension provisions		15.1	15.3
Other provisions	(26.)	238.2	207.2
Financial liabilities	(27.)	76.0	23.3
Trade payables		350.2	289.3
Other liabilities	(28.)	550.7	471.5
		1,230.2	1,006.6
Total Equity and Liabilities		2,814.9	2,553.3

*) December 31, 2005: Retained earnings

Consolidated Statement of Changes in Equity

	Sub- scribed capital	Capital re- serves	Revenue re- serves *)	Own shares	Accumulated other equity			Subtotal	Total
€ million					Trans- lation differences	Matching Stock Program	Derivative financial instru- ments		
Balance as at January 1, 2005	2.2	203.7	-0.1		-1.0		12.2	11.2	217.0
Financial instruments (available-for-sale)							-23.9	-23.9	-23.9
Translation differences					1.6			1.6	1.6
= Income and expense not recognized in the income statement					1.6		-23.9	-22.3	-22.3
Net profit for the period			19.4						19.4
= Total income and expense for the period			19.4		1.6		-23.9	-22.3	-2.9
Capital increase out of company funds	37.8	-37.8							
Capital increase new issue	15.0	300.0							315.0
Matching Stock Program (MSP)		0.3							0.3
Transaction costs (after taxes)		-11.8							-11.8
Balance as at Sep. 30, 2005	55.0	454.4	19.3		0.6		-11.7	-11.1	517.6
Balance as at January 1, 2006	55.0	453.8	32.8		1.0	0.7	-15.0	-13.3	528.3
Financial instruments (available-for-sale)							19.1	19.1	19.1
Translation differences					-0.8			-0.8	-0.8
= Income and expense not recognized in the income statement					-0.8		19.1	18.3	18.3
Net profit for the period			80.0						80.0
= Total income and expense for the period			80.0		-0.8		19.1	18.3	98.3
Dividend paid			-40.2						-40.2
Purchase of own shares				-37.5					-37.5
Matching Stock Program (MSP)						0.9		0.9	0.9
Balance as at Sep. 30, 2006	55.0	453.8	72.6	-37.5	0.2	1.6	4.1	5.9	549.8

*) Same period last year: Retained earnings



Consolidated Cash Flow Statement



€ million	Jan. 1 to Sep. 30, 2006	Jan. 1 to Sep. 30, 2005
Net profit	80.0	19.4
+ Depreciation and amortization	89.7	100.4
+/- Profit / loss of associated companies	1.8	-1.9
+/- Profit / loss on disposal of assets	-9.9	1.0
+/- Increase / decrease in pension provisions	15.1	16.8
+/- Increase / decrease in other provisions	26.1	-14.6
+/- Change in non-cash taxes	4.7	9.4
+/- Matching Stock Program	0.9	0.3
+/- Increase / decrease in inventories	-44.5	-47.6
+/- Increase / decrease in receivables (excl. derivatives)	-178.1	12.9
+/- Increase / decrease in liabilities (excl. derivatives)	157.1	203.9
Cash flow from operating activities	142.9	300.0
- Investments in intangible assets and property, plant and equipment	-65.4	-42.9
- Investments in financial assets		-0.3
+ Proceeds from asset disposals	19.6	0.5
Cash flow from investing activities	-45.8	-42.7
Free cash flow	97.1	257.3
+/- Increase / decrease in financial liabilities	48.7	-504.4
+ Change in capital (purchase of own shares)	-37.5	
+ Capital increase after deduction of transaction costs		295.2
- Dividend paid	-40.2	
Cash flow from financing activities	-29.0	-209.2
Exchange rate movements in equity	-0.8	1.6
Exchange rate movements in fixed assets	1.5	-3.1
Change in composition of group reporting entity		8.0
	0.7	6.5
Change in cash and cash equivalents	68.8	54.6
Cash and cash equivalents as at January 1	15.9	28.5
Cash and cash equivalents as at September 30	84.7	83.1
Change in cash and cash equivalents	68.8	54.6
Cash and cash equivalents as at September 30	84.7	83.1
- Liabilities to banks (Note 27)	-64.8	
Liquidity as at September 30	19.9	83.1

I. Basis of Preparation

1. General Information

MTU Aero Engines Holding AG and its group companies (hereafter Group or Group companies) rank among the world's largest manufacturers of engine modules and components and are the leading independent provider of maintenance services for civil aircraft engines.

The Group's business covers an engine program's entire lifecycle – development and construction, testing and manufacturing of new civil and military engines and spare parts, and maintenance services for civil and military engines. MTU's activities comprise two segments: Civil and Military Engine Business and Civil Engine Maintenance Business.

In the civil engine business, the Group develops and manufactures modules and components as well as spare parts for civil engine programs and also performs final assembly. In the case of military engines, MTU focuses on developing and manufacturing engine modules and components, manufacturing spare parts, performing final assembly and providing maintenance services for these engines. The civil maintenance segment includes maintenance and logistics services for civil engines.

MTU Aero Engines Holding AG (the parent company) with its headquarters at Dachauer Str. 665, 80995 Munich, Germany, is registered under HRB 157 206 in the registration court's commercial register at the local court of Munich.

2. IFRS Accounting Standards

The consolidated financial statements of MTU Aero Engines Holding AG as at December 31, 2005 were prepared in compliance with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as valid at the balance sheet date and as applicable in the EU. The consolidated interim financial statements ("Interim Report") of MTU Aero Engines Holding AG as at September 30, 2006 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", applying,

in all material respects, the same accounting methods as used in the consolidated financial statements for the financial year 2005. Any necessary adjustments resulting from new or revised Standards or made for the purposes of increased transparency are explained in Note 4. The consolidated financial statements comply with all Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that were mandatory at September 30, 2006. In addition, the Interim Report complies with German Accounting Standard No. 6 (GAS 6) – Interim Financial Statements – issued by the German Accounting Standards Committee e.V. (GASC). The Interim Report has not been audited by the group auditor.

For further information on the accounting policies applied, please refer to the consolidated financial statements of MTU Aero Engines Holding AG as at December 31, 2005. The consolidated financial statements have been drawn up in Euro. All amounts are stated in millions of Euro (€ million) unless stated otherwise.

3. Newly Issued Financial Reporting Standards

The following standards have been adopted by the IASB or IFRIC and endorsed by the European Commission:

- Amendments to IAS 39 („Financial Instruments: Recognition and Measurement)
- IFRIC 4 ("Determining whether an Arrangement contains a Lease")
- IFRS 7 ("Financial Instruments: Disclosures") including requirements for disclosures pursuant to IAS 1

The Group has applied the amended IAS 39 and IFRIC 4 with effect from the beginning of 2006. The overall impact for the financial year 2006 will not be material.

IFRS 7 and the amendments to IAS 1 are mandatory from January 1, 2007 onwards.

4. Change in Presentation in the Interim Report for January to September 2006

Retained earnings remaining after payment of the dividend have been transferred to revenue reserves and, within equity, the item "Retained earnings" has been designated as "Revenue reserves". In addition, a separate line has been included in equity for the purchase of own shares (Own shares). For the purpose of comparison, the prior year amounts are also adjusted.

Amounts utilized under the RCF overdraft facility (Note 27) have an impact on cash or cash equivalents. In order to improve transparency, the group's net liquidity position is also shown in the cash flow statement by setting off liabilities to banks with cash and cash equivalents.

5. Consolidated Companies

The group reporting entity is unchanged at September 30, 2006, and comprises six German and three foreign subsidiaries. Two subsidiaries are not consolidated on the grounds of immateriality. MTU Maintenance do Brasil Ltda., Sao Paulo, Brazil, which was not consolidated previously on the grounds of immateriality, was sold with effect from July 1, 2006. MTU München Unterstützungskasse GmbH, Munich, is not consolidated because its obligations are recognized in the consolidated financial statements.

Notes to the Consolidated Financial Statements

II. Notes to the Consolidated Income Statement

6. Cost of Sales

€ million	Jan. 1 to Sep. 30, 2006	Jan. 1 to Sep. 30, 2005	Q 3 2006	Q 3 2005
Cost of materials	-1,125.4	-975.9	-365.8	-343.1
Personnel expense	-280.0	-285.3	-95.4	-93.5
Depreciation and amortization	-82.8	-93.8	-26.1	-30.1
Other cost of sales	13.0	-5.3	-12.4	14.7
	-1,475.2	-1,360.3	-499.7	-452.0

7. Research and Development Expenses

€ million	Jan. 1 to Sep. 30, 2006	Jan. 1 to Sep. 30, 2005	Q 3 2006	Q 3 2005
Cost of materials	-13.1	-7.9	-2.7	-2.5
Personnel expense	-37.7	-33.7	-12.8	-9.3
Depreciation and amortization	-4.2	-4.0	-1.2	-2.8
	-55.0	-45.6	-16.7	-14.6
Utilization of the R&D provision	12.1	24.8	4.0	8.3
	-42.9	-20.8	-12.7	-6.3

8. Selling Expenses

€ million	Jan. 1 to Sep. 30, 2006	Jan. 1 to Sep. 30, 2005	Q 3 2006	Q 3 2005
Cost of materials	-7.0	-6.6	-2.2	-2.1
Personnel expense	-33.4	-34.8	-11.1	-11.3
Depreciation and amortization	-1.7	-1.5	-0.6	-0.4
Other selling expenses	-12.2	-7.4	-4.2	-3.4
	-54.3	-50.3	-18.1	-17.2

Selling expenses comprise mainly expenditure for marketing, advertising and sales personnel as well as write-downs on trade accounts receivable.

9. General Administrative Expenses

€ million	Jan. 1 to Sep. 30, 2006	Jan. 1 to Sep. 30, 2005	Q 3 2006	Q 3 2005
Cost of materials	-3.0	-2.5	-1.4	-1.1
Personnel expense	-20.4	-18.5	-6.9	-6.1
Depreciation and amortization	-1.0	-1.1	-0.3	-0.3
Other administrative expenses	-8.3	-12.6	-4.3	-2.7
	-32.7	-34.7	-12.9	-10.2

10. Other operating income and expenses

Other operating income and expenses include the disposal of various plots of land with a carrying amount of € 7.5 million, for which sales proceeds of € 18.0 million were received.

Notes to the Consolidated Financial Statements

11. Financial Result

Composition in € million	Jan. 1 to Sep. 30, 2006	Jan. 1 to Sep. 30, 2005	Q3 2006	Q3 2005
Income from investments				
Income from associated companies	-0.1	0.2	-0.2	
Interest income/expenses				
Income				
Exchange rate gains on currency holdings	19.7	30.3	4.7	5.5
Exchange rate gains on finance leases	1.6		-0.1	
Exchange rate gains on interest rate swaps	4.9	4.4	-1.2	
Interest and similar income	20.0	16.1	2.5	1.1
Exchange rate gains on financing transactions		2.6		
Other financial income	0.2	0.2	0.1	
	46.4	53.6	6.0	6.6
Expenses				
Exchange rate losses on currency holdings	-20.9	-19.2	-4.3	-6.0
Interest expense attributable to pension provisions	-13.8	-13.7	-4.6	-4.6
Interest and similar expenses	-31.1	-45.6	-5.8	-12.0
Interest expense on finance leases	-2.2	-2.1	-0.8	-0.7
Interest expense attributable to the development provision	-0.3	-1.3	-0.1	-0.4
Exchange rate losses on finance leases		-2.8		-0.1
Exchange rate losses on interest rate swaps		-13.1		-0.3
Interest expense attributable to other personnel-related provisions	-0.1	-0.2		-0.1
Exchange rate losses on financing transactions		-13.0		
	-68.4	-111.0	-15.6	-24.2
	-22.1	-57.2	-9.8	-17.6

12. Income Taxes

€ million	Jan. 1 to Sep. 30, 2006	Jan. 1 to Sep. 30, 2005	Q 3 2006	Q 3 2005
Current tax expense	-51.2	-12.4	-20.9	-1.9
Deferred tax expense	-4.7	-1.9	-3.2	-7.3
Income taxes reported in income statement	-55.9	-14.3	-24.1	-9.2

13. Earnings per Share

	Jan. 1 to Sep. 30, 2006	Jan. 1 to Sep. 30, 2005	Q 3 2006	Q 3 2005
Net profit in € million	80.0	19.4	35.0	12.7
Average weighted number of outstanding shares	54,486,072	55,000,000	53,761,790	55,000,000
Earnings per share in Euro	1.47	0.35	0.65	0.23

Program to buy back share

In conjunction with the authorization given at the Annual General Meeting on May 12, 2006, the Board of Management of MTU Aero Engines Holding AG resolved to put a share buy-back program in place.

As a result of the share buy-back transactions, the average number of outstanding shares at September 30, 2006 was 54,486,072.

Calculation of the Average Weighted Number of Outstanding Shares:

Month	Balance at beginning of month	Purchased	Balance at end of month
	Number	Number	Number
January	55,000,000		55,000,000
February	55,000,000		55,000,000
March	55,000,000		55,000,000
April	55,000,000		55,000,000
May	55,000,000	-170,130	54,829,870
June	54,829,870	-570,463	54,259,407
July	54,259,407	-238,916	54,020,491
August	54,020,491	-270,496	53,749,995
September	53,749,995	-235,110	53,514,885
Purchased / Weighted average		-1,485,115	54,486,072

Other explanatory comments relating to the share buy-back transactions are provided in Note 24.

Notes to the Consolidated Financial Statements

III. Notes to the Consolidated Balance Sheet

16. Intangible Assets

Intangible assets comprise program/product values and program-independent technologies capitalized on the basis of the purchase price allocation, software (mainly technical) and purchased goodwill.

Additions to intangible assets during the first nine months amounted to € 21.2 million. Amortization for the period under report amounted to € 25.2 million (January-September 2005: € 23.4 million).

17. Property, Plant and Equipment

During the first nine months of 2006, € 44.2 million were invested in property, plant and equipment. Depreciation during the same period totalled € 64.5 million (January-September 2005: € 77.0 million).

19. Inventories

€ million	Sep. 30, 2006	Dec. 31, 2005
Raw materials and supplies	235.9	233.3
Work in process	318.8	277.4
Advance payments	8.0	7.5
	562.7	518.2

20. Receivables and Other Assets

Receivables	Sep. 30, 2006			Dec. 31, 2005		
	Current	Non-current	Total	Current	Non-current	Total
	Due within one year	Due in more than one year		Due within one year	Due in more than one year	
€ million						
Trade receivables	331.4		331.4	269.9		269.9
Accounts receivable attributable to production and maintenance orders (POC)	248.9		248.9	148.5		148.5
	580.3		580.3	418.4		418.4

Other Assets	Sep. 30, 2006			Dec. 31, 2005		
	Current	Non-current	Total	Current	Non-current	Total
	Due within one year	Due in more than one year		Due within one year	Due in more than one year	
€ million						
Accounts receivable from related companies						
Associated companies	44.5		44.5	26.3		26.3
Joint ventures	3.3		3.3	0.4		0.4
Tax refund claims						
Income taxes	6.1		6.1	5.4		5.4
Other taxes	5.5		5.5	11.6		11.6
Receivable from employees	3.5		3.5	1.0		1.0
Receivable from suppliers	5.6		5.6	11.8		11.8
Market value of derivatives						
Forward foreign exchange transactions	4.5	3.0	7.5			
Other assets	1.2	2.3	3.5	2.3	1.5	3.8
	74.2	5.3	79.5	58.8	1.5	60.3

24. Equity

Capital Reserves

Changes in equity during the period from January 1, 2006 to September 30, 2006 are shown in the consolidated statement of changes in equity on page 10.

Revenue Reserves

In line with the proposal made by the Board of Management and the Supervisory Board, the shareholders resolved at the Annual General Meeting on May 12, 2006 to pay a dividend of € 40.2 million for the financial year 2005.

Own Shares

At the Annual General Meeting of MTU Aero Engines Holding AG held on May 12, 2006, the Board of Management was authorized to purchase, via the stock exchange, up to a total of 10% of the

Notes to the Consolidated Financial Statements

Company's outstanding share capital at the date of the resolution and to withdraw those shares from circulation without any further shareholder resolution being needed. The authorization for the share buy-back runs until November 11, 2007.

In conjunction with the authorization resolved at the Annual General Meeting on May 12, 2006, the Board of Management of MTU Aero Engines Holding AG has resolved to buy back shares via the stock exchange. In conjunction with this program, a total of 1,485,115 shares (i.e. 2.7% of the

Company's share capital) had been purchased up to September 30, 2006 at an average stock exchange price of € 25.24. Transaction costs arising in conjunction with the purchase of own shares have been recognized, net of the income tax impact, directly in equity.

Accumulated Other Equity

Accumulated other equity comprises translation differences arising on the translation of the financial statements of foreign subsidiaries, stock appreciation rights granted in

conjunction with the Matching Stock Program (MSP) and fair value gains and losses on financial instruments recognized directly in equity.

26. Other Provisions

Other provisions relate mainly to personnel and social obligations, pending losses on onerous maintenance, repair and overhaul (MRO) contracts, warranties and tax liabilities.

27. Financial Liabilities

€ million	Current		Non-current				Total	
	Due within one year		Due in more than one year and less than five years		Due in more than five years		Total	Total
	Sep. 30, 2006	Dec. 31, 2005	Sep. 30, 2006	Dec. 31, 2005	Sep. 30, 2006	Dec. 31, 2005		
Bonds								
High Yield Bond					165.0	165.0	165.0	165.0
Interest liabilities on High Yield Bond	6.8	3.4					6.8	3.4
Liabilities to banks								
Revolving Credit Facility	64.8	17.0					64.8	17.0
Liabilities due to related companies								
Other companies	1.8	0.3					1.8	0.3
Other financial liabilities								
Finance lease liabilities	2.6	2.6	20.1	22.2	26.9	28.4	49.6	53.2
Loan from the province of British Columbia to MTU Maintenance Canada			13.8	14.2			13.8	14.2
	76.0	23.3	33.9	36.4	191.9	193.4	301.8	253.1

In addition, overdraft credit facilities of € 250.0 million are in place, including a credit line of € 130.0 million agreed with a consortium of

banks. Bilateral credit agreements (ancillary facilities) for the remaining € 120.0 million have been concluded with three banks.

Of the € 250.0 million credit facility, € 64.8 million was drawn down as a bank overdraft and € 26.9 million was used for bank guarantees of behalf of third parties at September 30, 2006.

28. Other Liabilities

€ million	Current		Non-current				Total	
	Due within one year		Due in more than one year and less than five years		Due in more than five years		Total	Total
	Sep. 30, 2006	Dec. 31, 2005	Sep. 30, 2006	Dec. 31, 2005	Sep. 30, 2006	Dec. 31, 2005		
Advance payments from customers	384.4	317.3	113.7	113.7			498.1	431.0
Liabilities to related companies								
Non-consolidated subsidiaries	5.0	4.9					5.0	4.9
Joint ventures	0.1	5.0					0.1	5.0
Other companies	79.2	51.7					79.2	51.7
Taxes payable	12.1	4.9					12.1	4.9
Social security	2.2	10.8					2.2	10.8
Employees	50.5	43.1	9.0	7.1			59.5	50.2
Market value of derivatives / Interest rate swaps	0.5	19.5	2.8	13.4			3.3	32.9
Sundry other liabilities	16.7	14.3	8.2	7.2	2.6	2.6	27.5	24.1
	550.7	471.5	133.7	141.4	2.6	2.6	687.0	615.5

Notes to the Consolidated Financial Statements

29. Deferred Tax Liabilities

Deferred tax liabilities September 30, 2006 € million	Due in more than one year	Total Sep. 30, 2006
Deferred tax liabilities	268.6	268.6
	268.6	268.6

Deferred tax liabilities December 31, 2005 € million	Due in more than one year	Total Dec. 31, 2005
Deferred tax liabilities	250.8	250.8
	250.8	250.8

32. Relationships with Related Parties

Group companies have not entered into any reportable transactions with members of the Board of Management or Supervisory Board, with other key management personnel or with entities, in whose management or supervisory boards those individuals sit. This also applies to close members of the families of those individuals.

Changes in the Board of Management

Dr. Rainer Martens, Munich, was appointed to the Board of Management, with responsibility for Technology, with effect from April 15, 2006. Dr. Michael Süß, Munich stepped down from the Board of Management on April 30, 2006.

35. Segment Information by Business Segment

For further information about each business segment's activities please refer to the Group financial statements of MTU Aero Engines Holding AG as at December 31, 2005. Segment information for the first nine months of 2006 and for the third quarter 2006 is as follows:

36. Explanatory Comments on Segment Information

Primary Business Segment 2006	Civil and Military Engine Business		Civil Engine Maintenance Business		Consolidation/ reconciliation		Group	
€ million	Jan. 1 to Sep. 30, 2006	Q 3 2006	Jan. 1 to Sep. 30, 2006	Q 3 2006	Jan. 1 to Sep. 30, 2006	Q 3 2006	Jan. 1 to Sep. 30, 2006	Q 3 2006
Revenues with third parties	1,052.8	368.4	697.1	233.0			1,749.9	601.4
Civil	737.4	257.4	697.1	233.0			1,434.5	490.4
Military	315.4	111.0					315.4	111.0
Revenues with other segments	9.1	3.7	5.5	1.6	-14.6	-5.3	0.0	0.0
Civil	9.1	3.7	5.5	1.6	-14.6	-5.3	0.0	0.0
Military							0.0	0.0
Total revenues	1,061.9	372.1	702.6	234.6	-14.6	-5.3	1,749.9	601.4
Civil	746.5	261.1	702.6	234.6	-14.6	-5.3	1,434.5	490.4
Military	315.4	111.0					315.4	111.0
Cost of sales	-875.2	-293.9	-614.5	-211.0	14.5	5.2	-1,475.2	-499.7
Gross profit	186.7	78.2	88.1	23.6	-0.1	-0.1	274.7	101.7
Result before financial result (EBIT)	108.6	55.1	50.3	13.8	-1.3		157.6	68.9
Depreciation and amortization	66.3	20.7	23.4	7.5			89.7	28.2
Earnings before interest, tax, depreciation and amortization (EBITDA)	174.9	75.8	73.7	21.3	-1.3		247.3	97.1
Adjusted earnings before inter- est, tax, depreciation and amor- tization (EBITDA adjusted)	152.3	61.3	73.7	21.3	-1.3		224.7	82.6
Financial result	-15.1	-7.8	-2.2	-0.8	-4.8	-1.2	-22.1	-9.8
Share of profit/loss of joint ventures accounted for using the equity method			0.4				0.4	0.0
Internal allocations	-7.0	-2.4	7.0	2.4			0.0	0.0
Earnings before tax (EBT)	86.5	44.9	55.5	15.4	-6.1	-1.2	135.9	59.1
Pre-tax return on sales %	8.1	12.1	7.9	6.6			7.8	9.8

Notes to the Consolidated Financial Statements

37. Explanatory Comments on Segment Information

Primary Business Segment 2005	Civil and Military Engine Business		Civil Engine Maintenance Business		Consolidation/ reconciliation		Group	
€ million	Jan. 1 to Sep. 30, 2005	Q 3 2005	Jan. 1 to Sep. 30, 2005	Q 3 2005	Jan. 1 to Sep. 30, 2005	Q 3 2005	Jan. 1 to Sep. 30, 2005	Q 3 2005
Revenues with third parties	1,005.1	327.7	540.5	192.2			1,545.6	519.9
Civil	694.5	219.9	540.5	192.2			1,235.0	412.1
Military	310.6	107.8					310.6	107.8
Revenues with other segments	7.6	2.2	4.5	1.6	-12.1	-3.8	0.0	0.0
Civil	7.6	2.2	4.5	1.6	-12.1	-3.8	0.0	0.0
Military							0.0	0.0
Total revenues	1,012.7	329.9	545.0	193.8	-12.1	-3.8	1,545.6	519.9
Civil *)	702.1	222.1	545.0	193.8	-12.1	-3.8	1,235.0	412.1
Military	310.6	107.8					310.6	107.8
Cost of sales	-880.8	-282.9	-492.4	-172.8	12.9	3.7	-1,360.3	-452.0
Gross profit	131.9	47.0	52.6	21.0	0.8	-0.1	185.3	67.9
Result before financial result (EBIT)	62.3	23.1	24.2	10.7	2.5	4.3	89.0	38.1
Depreciation and amortization	76.1	25.4	24.3	8.2			100.4	33.6
Earnings before interest, tax, depreciation and amortization (EBITDA)	138.4	48.5	48.5	18.9	2.5	4.3	189.4	71.7
Adjusted earnings before inter- est, tax, depreciation and amor- tization (EBITDA adjusted)	115.6	41.1	48.5	18.9	2.5	4.3	166.6	64.3
Financial result	-42.8	-10.2	-0.5		-13.9	-7.4	-57.2	-17.6
Share of profit/loss of joint ventures accounted for using the equity method			1.9	1.4			1.9	1.4
Internal allocations	-3.2	-1.1	3.2	1.1			0.0	0.0
Earnings before tax (EBT)	16.3	11.8	28.8	13.2	-11.4	-3.1	33.7	21.9
Pre-tax return on sales %	1.6	3.6	5.3	6.8			2.2	4.2

*) As a result of the deconsolidation of ATENA Engineering GmbH, Munich, adjusted civil engine and military business revenues amounted to € 683.8 million.

Financial Calendar

Financial Calendar

Conference call on results for the third quarter 2006
Conference call on annual result 2006
Conference call on result for the first quarter 2007
General meeting on fiscal 2006

Oct. 25, 2006
March 13, 2007
April 23, 2007
April 27, 2007

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MTU Aero Engines Holding AG in the Internet

- Further information on MTU Aero Engines Holding AG can be found on the Internet at: www.mtu.de.
- You can reach the investor relations section directly at:
<http://www.mtu.de/de/investorrelations/index.html>
- You can find information on MTU Aero Engines Holding AG's products at:
www.mtu.de/de/programme/index.html





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