Interim Report as of June 30, 2005

MTU Aero Engines Holding AG, Munich

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Selected consolidated financial information and key figures

	2005	2004
P&L (€ million)		
Revenues	1,025.7	900.8
Cash-Flow	85.2	55.8
Depreciation and amortization	66.8	62.8
Research and Development costs	14.5	31.9
Earnings before financial result, taxes	50.9	2.9
Earnings before financial result, taxes and Depreciation/Amortization	117.7	65.7
Profit before tax	11.8	-55.8
Taxes	-5.1	21.3
Net income/loss (-)	6.7	-34.5
Capital expenditures	28.5	23.2
Balance sheet (€ million)		
Equity	505.7	217.0
Total	2.650.6	2,719.1
Non-current assets	1.552.4	1,591.8
Non-current debt (without deferred taxes)	816.7	1,080.8
Employees (June 30, 2005)		
MTU Aero Engines GmbH, Munich	4,636	5,044
MTU Maintenance Hannover GmbH, Langenhagen	1,266	1,310
MTU Maintenance Berlin-Brandenburg GmbH, Ludwigsfelde	512	533
ATENA Engineering GmbH, Munich**)	0	491
MTU Maintenance Canada Ltd., Richmond, Canada	136	127
MTU Aero Engines North America Inc., Rocky Hill, USA	195	198
Vericor Power Systems L.L.C., Atlanta, USA	33	34
Total	**6,778**	**7,737**
Key figures in %		
Capital expenditures in % of revenues	2.8	2.6
Cash-Flow to capital expenditures	298.9	240.5
Return on sales (before tax)	1.2	-6.2
Equity ratio	19.1	8.0
Equity to non-current assets	32.6	13.6
Research and development costs (w/o release of provisions) as % of revenues	3.0	9.0
Shares*)		
Number of shares ('000)	55,000	55,000
Earnings per share in Euro	0.12	-0.63
Cash-Flow per share in Euro	1.55	1.01
Equity per share in Euro	9.19	3.95

*) Prior year (2004) "as if presentation"

**) Sold, June 30, 2005

Market overview – Financial situation

Market overview – H1 2005

Key global economic and sector indicators were mostly positive for the MTU group during the second quarter of 2005 in view of the continuing solid increase in passenger numbers and the passenger load factor, increasing delivery rates for engines, a higher order intake (e.g., as a result of the Paris Air Show) and a favorable US dollar exchange rate.

During the first five months of 2005, international passenger numbers (according to current IATA figures) increased by 8.7%, whereas the volume of freight lifted by 3.1% during the same period compared to the first five months of 2005 as a result of a downturn in May. The increase in passenger figures was higher in North America (11.5%) than in the Asia-Pacific region (7.9%) and in Europe (6.2%).

However, fuel prices remain high, which continues to be problematic. These reached a new record high in the second quarter at an average of USD 1.63 per gallon, thus up 49% on the same quarter of the previous year. This meant that some airlines, which are among our key accounts, continue to face financial pressure.

The most important European and Asian airlines that are MTU's customers are now also suffering as a result of the negative developments in the energy sector, however airlines in the US are most strongly affected as a result of the continued weak domestic revenues. The strong sales increase in May is positive news – airlines increased their sales per flown passenger kilometer by 5.2% compared to the May 2004.

The MTU group is enjoying substantial benefits from this increase in terms of products delivered – this is primarily due to the recovery of the aviation sector outside North America and the growth of discount airlines in the US, and is reflected in the strong demand for V2500 and CF6-80 engines.

Figures for engine deliveries (not including replacement engines) are as follows: in the first five months of 2005, 596 engines for Airbus and Boeing aircraft were delivered to airlines (+7% compared to the first five months of the previous year), of which MTU was involved in 178 or 30% (first five months of 2004: 21%). In addition, in the first five months of 2005 a further 826 engines were ordered for 401 Airbus and Boeing aircraft for which the engine decision had already been taken. The MTU group is involved in 144 of these engines.

Deliveries of Airbus and Boeing transport aircraft increased in the months up to and including May by 11% compared to the first five months of 2004 to 281 aircraft. Airbus and Boeing are forecasting the delivery of 360 respectively 320 aircraft in 2005, with an increase to 400 respectively 375 to 385 in 2006.

Further indicators which support a positive forecast for the MTU group are the number of parked MTU engines, which fell by 14% in June compared to June 2004 (compared to the industry-wide figure: 8%) and the number of MTU engines that are less than 15 years old which fell by 37% (industry-wide just 21%).

Financial situation

Income in H1 2005

Revenue increased by 13.9% to € 1,025.7 million. The increase is due in particular to revenues from civil engine maintenance (+31%) and civil engine business (+13%). Sales fell by 5% in military engine business – this is primarily due to delivery a postponement in EJ200 engines delieveries according to a customers' news schedule.

The **cost of sales** increased by 18.8% to € 908.3 million. Compared to the increase in revenues, this above average increase is due to the increase in civil MRO business, which requires a high proportion of material and third-party services, and also to the increase in revenues in the civil engine business, which is mostly due to series engines.

The strong increase in the cost of sales compared to revenues means that the **gross profit on sales** has fallen to € 117.4 million compared to the same period of the previous year.

Research and development costs totaled € 14.5 million, and are thus € 17.4 million lower than the corresponding figure from the previous year. This is mostly due to the progress of the GP7000 and PW6000 programs.

The **cost of sales** fell by 7.8% to € 33.1 million. Cost cuts played a role here, impacting the **general administrative expenses**. These totaled € 24.5 million – down € 42.9 million compared to the first half of 2004. However we must also take into account that last year this figure included direct transaction costs totaling € 18.9 million as well as further indirect expenses from the acquisition by KKR.

The **amortization and depreciation** contained in the cost of sales, research and development costs, sales and general administrative expenses totaled € 66.8 million (previous year: € 62.8 million).

Other operating income and expense was impacted by the deconsolidation of ATENA GmbH in the first half of 2005 with proceeds totaling € 4.4 million.

After adjustment for the effects of the purchase price allocation which occurred last year from the purchase price allocation as well as the extraordinary factors last year, the interim results based on the adjusted earnings before taxes, depreciation and amortization is as follows:

	30.06.2005 million €	30.06.2004 million €
Earnings before interest, taxes and depreciation/amortization (EBITDA)	117.7	65.7
Utilization of provision for development costs	-16.5	-49.1
Inventory valuation	-	27.0
Restructuring costs	1.1	2.0
Direct transaction costs from acquisition	-	18.9
Adjusted earnings before interest, taxes and depreciation/amortization (EBITDA)	**102.3**	**64.5**

Financial situation

The financial result was negative, and was cut from € -57.9 million in the first half of 2004 to € -39.6 million in the first half of 2005. During the first six months of 2005, financial debt fell by € 518.6 million. This was due to both the high cash flow from operating activities as well as the capital increase from the IPO.

The pre-tax earnings totaled € 11.8 million – up by € 67.6 million compared to the first half of 2004.

In total, the group recorded net income totaling € 6.7 million after a net loss of € 34.5 million in the first half of 2004.

Earnings by segments
In the first half of 2005, revenues from the civil engines business increased by € 48.4 million (11.2%) compared to the same period of the previous year to € 480.0 million, whereas revenues from military engine business fell by € 10.4 million (-4.8%) to € 202.8 million. EBIT from the civil and military engine business increased by € 31.1 million to € 39.2 million.

In the second quarter, revenues from the civil engines business increased by € 13.2 million (5.8%), in contrast revenues from the military engines business fell by € 13.0 million (11.2%) in the second quarter. In contrast, EBIT from the civil and military engine business fell by € 13.9 million (46.5%) to € 16.0 million in the second quarter.

Revenues in the "civil engine maintenance" segment increased by € 83.0 million (30.9%) in the first half of the year to € 351.2 million, earnings increased by € 18.2 million. During the second quarter, revenues increased by € 43.0 million (31.7%) to € 178.6 million, whereas EBIT increased by € 6.4 million to € 7.4 million in the second quarter compared to the second quarter of 2004.

Financial position
The group's cash flow statements show the origin and use of the cash flows during H1 2005 and H1 2004. The cash flows are broken down into operating activities, investing activities and financing activities. The cash and cash equivalents in the cash flow statement correspond to the cash and cash equivalents on the balance sheet.

The group's cash flow from operating activities in the first half of 2005 totals € 232.8 million (previous year: € 50.9 million).

A key component of this figure were advance payments from customers in business with authorities. In the first half of 2005, capital expenditure for property, plant and equipment was up by € 5.3 million (22.8%) in the first half of 2005 compared to H1 2004. In total, the net cash used in operating activities during the first half of the year thus totaled € 28.3 million (previous year after adjustment for the corporate acquisition in 2004: € 20.7 million).

As part of financing activities, as a result of the issue of 15 million shares, a total of € 296.0 million were accrued to the company after the deduction of transaction costs (Status July 2005); this was mostly then used for the redemption of loans totaling € 429.0 million. In addition, a further € 133.0 was financed from net cash from operating activities.

After adjustment for currency translation and consolidation effects, the individual cash flows show growth of cash and cash equivalents totaling € 85.2 million (previous year € 55.8 million). The free cash flow, i.e. the balance of the net cash from operating activities and the net cash used in investing activities, totaled € 204.5 million during the first half of 2005 (previous year after adjustment for corporate acquisition: € 30.2 million).

Assets
The group's total assets fell by € 68.5 million or 2.5% compared to December 31, 2004. This decrease was primarily due to the repayment of financial liabilities totaling € 429.0 million. In contrast, other liabilities increased as a result of changes to the market value of derivatives.

On the assets side non-current assets less scheduled amortization/depreciation fell, with inventories increasing by € 19.3 million and receivables increasing by € 21.4 million. In contrast, other assets fell as a result of a decrease in the market value of financial instruments and payments for tax refunds.

Investments in property, plant and equipment and intangible assets totaled € 28.5 million in the first half of 2005. There were no development costs to be capitalized.

The group's equity increased above all as a result of the net cash obtained from the issue of shares from the capital increase less the direct costs of the IPO. Within the consolidated equity, total earnings fell by € 21.6 million from € 11.2 million to € -10.4 million. This downturn is mostly due to the lower market values of the derivatives after taking into account deferred taxes. Translation differences increased the Accumulated other equity by € 1.7 million. The Equity-ratio rose as a result of the stock exchange emission proceeds from 8.0% to 19.1%.

Provisions for pensions increased by € 10.8 million in the first half of the year. Other provisions fell by € 10.2 million. This results particularly due to lower obligations from personnel-staff.

Trade accounts payable increased due to matching by € 47.4 million (20.8%) to € 274.5 million.

Prepayments on account of orders were up by € 105.5 million to € 416.3 million and the increase in the market value of derivatives meant that other liabilities increased by € 133.2 million (28.4%) to € 602.2 million.

Consolidated income statement

€ million	Notes	June 30, 2005 H1 2005	1June 30, 2004 H1 2004	2. Quarter Q2 2005	2. Quarter Q2 2004
Revenues		1,025.7	900.8	516.0	470.8
Cost of sales	(6)	-908.3	-764.8	-462.9	-391.8
Gross Profit		**117.4**	**136.0**	**53.1**	**79.0**
Research and development costs	(7)	-14.5	-31.9	-9.7	-12.6
Selling costs	(8)	-33.1	-35.7	-16.1	-17.5
General adminstrative expenses	(9)	-24.5	-67.4	-10.6	-19.4
Other operating income and expense		5.6	1.9	4.3	1.6
Result before financial result		**50.9**	**2.9**	**21.0**	**31.1**
Financial result	(11)	-39.6	-57.9	-17.9	-13.3
Share of loss of Joint Ventures accounted for using the equity method		0.5	-0.8	0.5	0.0
Result from ordinary activities		**11.8**	**-55.8**	**3.6**	**17.8**
Income taxes	(12)	-5.1	21.3	-1.9	-7.7
Net profit/loss (-)		**6.7**	**-34.5**	**1.7**	**10,1**
Loss carried forward		-0.1	-0.3	0.0	0.0
Accumulated profit/loss (-)		**6.6**	**-34.8**	**1.7**	**10.1**
Earnings per share in Euro*)	(13)	**0.12**	**-0.63**	**0.03**	**0.18**

*) Prior year (2004) "as if presentation"

Consolidated balance sheet

Assets

€ million	Notes	June 30, 2005	Dec. 31, 2004
Non-current assets			
Intangible assets	(14)	952.9	968.6
Property, plant and equipment	(15)	552.5	576.6
Financial assets	(16)	47.0	46.6
Other assets	(17)	0.8	40.4
Deferred tax assets		3.5	2.4
		1,556.7	**1,634.6**
Current assets			
Inventories	(19)	467.4	448.1
Receivables	(20)	416.0	394.6
Other assets	(17)	92.2	203.7
Cash and cash equivalents		113.7	28.5
Prepayments		4.6	9.6
		1,093.9	**1,084.5**
Total		**2,650.6**	**2,719.1**

Equity and Liabilities

€ million	Notes	June 30, 2005	Dec. 31, 2004
Equity	(22)		
Subscribed capital		55.0	2.2
Capital reserves		454.5	203.7
Accumulated other equity		-10.4	11.2
Accumulated profit/loss (-)		6.6	-0.1
		505.7	**217.0**
Non-current debt			
Pension provisions		355.5	344.7
Other provisions	(24)	57.1	56.7
Financial liabilities	(25)	340.0	621.2
Other liabilities	(26)	64.1	58.2
Deferred tax liabilities	(27)	347.9	367.7
		1,164.6	**1,448.5**
Current debt			
Pension provisions		14.2	14.2
Other provisions	(24)	145.6	156.2
Financial liabilities	(25)	7.9	245.3
Trade payables		274.5	227.1
Other liabilities	(26)	538.1	410.8
		980.3	**1,053.6**
Total		**2,650.6**	**2,719.1**

Consolidated statement of changes in equity

€ million	Subscribed capital	Capital reserves	Accumulated profit/loss (-)	Accumulated other equity: Translation differences	Derivative financial instruments	Subtotal	Total
January 1, 2004	**0.0**	**201.5**	**-0.3**	**0.0**	**0.0**	**0.0**	**201.2**
Financial instruments					-2.4	-2.4	**-2.4**
Translation differences				0.7		0.7	**0.7**
= profit not stated in income statement	**0.0**	**0.0**	**0.0**	**0.7**	**-2.4**	**-1.7**	**-1.7**
Net profit			-34.5				**-34.5**
= Total income	**0.0**	**0.0**	**-34.5**	**0.7**	**-2.4**	**-1.7**	**-36.2**
June 30, 2004	**0.0**	**201.5**	**-34.8**	**0.7**	**-2.4**	**-1.7**	**165.0**
December 31, 2004	**2.2**	**203.7**	**-0.1**	**-1.0**	**12.2**	**11.2**	**217.0**
Financial instruments					-23.3	-23.3	**-23.3**
Translation differences				1.7		1.7	**1.7**
= profit not stated in income statement	**0.0**	**0.0**	**0.0**	**1.7**	**-23.3**	**-21.6**	**-21.6**
Net profit			6.7				**6.7**
= Total income	**0.0**	**0.0**	**6.7**	**1.7**	**-23.3**	**-21.6**	**-14.9**
capital increase from company funds	+37.8	-37.8					**0.0**
capital increase new issue	15.0	300.0					**315.0**
Transaction costs after taxes		-11.4					-11.4
June 30, 2005	**55.0**	**454.5**	**6.6**	**0.7**	**-11.1**	**-10.4**	**505.7**

Consolidated cash flow statement

€ million	June 30, 2005 H1 2005	June 30, 2004 H1 2004
Net profit/loss (-)	**6.7**	**-34.5**
+ Depreciation and amortization	66.8	62.8
+/- Profits/losses of associated companies	-0.5	0.8
+/- Profit/loss on disposal of assets	0.4	-1.6
+/- Increase/decrease in pension provisions	11.4	8.0
+/- Increase/decrease in other provisions	-11.6	-36.5
+/- Change in non-cash taxes	2.1	-34.5
+/- Increase/decrease in assets and liabilities		
+/- Increase/decrease in inventories	-24.3	-19.8
+/- Increase/decrease in receivables (excl. derivatives)	17.6	-1.5
+/- Increase/decrease in liabilities (excl. derivatives)	164.2	107.7
Cash flow from operating activities	**232.8**	**50.9**
- Investments in intangible assets and property, plant and equipment	-28.5	-23.2
- Acquisition of MTU-Group		-766.6
- Investments in financial assets	-0.1	-0.1
+ Proceeds from asset disposals	0.3	2.4
+ Repayment of loans		0.2
Cash flow from investing activities	**-28.3**	**-787.3**
+/- Increase/decrease in financial liabilities	-427.1	25.5
+ Acquisition of MTU-Group		766.6
+ Capital increase	300.8	
Cash flow from financing activities	**-126.3**	**792.1**
Exchange rate movements in equity	1.7	0.7
Exchange rate movements in fixed assets	-2.7	-0.6
Change in consolidation	8.0	
	7.0	**0.1**
Change in cash and cash equivalents	**85.2**	**55.8**
Cash and cash equivalents at January 1	28.5	205.6
Cash and cash equivalents at June, 30	**113.7**	**261.4**

Notes to the consolidated financial statements

The interim financial statements for the second quarter of 2005

1. Principles

The business activities of MTU Aero Engines Holding AG and its subsidiary companies (hereinafter referred to as MTU Aero Engines Holding AG or the company) focus in Germany and in the rest of the world on developing, producing, maintaining, marketing, servicing, overhauling and repairing combustion engines (in particular gas turbines) and their control and monitoring equipment including accessories and replacement parts for aircraft and also for stationary applications. In addition, the company develops methods to maintain, overhaul and repair this type of product and tools and equipment which are used in these methods.

MTU Aero Engines Erste Holding GmbH (HRB 151 251) with its registered office in Dachauer Str. 665, 80995 Munich, Germany, was transformed to become an Aktiengesellschaft (German public limited company) by way of a transformation resolution passed on May 2, 2005 within the meaning of the Umwandlungsgesetz (German Corporate Transformation Act) via a change of legal form. This transformation was entered in the commercial register on May 19, 2005 under number HRB 157 206. Also by way of a shareholders' resolution passed on May 2, 2005, the share capital of MTU Aero Engines Erste Holding GmbH was increased by € 37.8 million according to the rules for a capital increase from company funds from € 2.2 million to € 40.0 million prior to the change of legal form. For this purpose, an amount of € 37.8 million was withdrawn from the share premium and transformed to become ordinary share capital. No new shares were issued. The capital increase took effect when it was entered in the commercial register on May 19, 2005.

In the general meeting on May 30, 2005, a resolution was passed to increase the company's share capital against capital contributions by € 15.0 million from € 40.0 million to € 55.0 million by issuing 15.0 million new no-par value bearer shares. The new shares, which carry dividend rights from the start of the current fiscal year, were issued with a nominal amount of € 1.00. The capital increase took effect when it was entered in the commercial register on June 3, 2005. The purpose of the capital increase was to place the shares as part of the company's initial public offering.

Conditional capital

Conditional capital of € 19,250 million was also created by way of a resolution of the General Meeting on May 30, 2005. This conditional capital is to be used to grant shares to the holders of convertible bonds or bonds with warrants.

Authorized capital

According to a resolution by the General Meeting on May 30, 2005, the Managing Board is authorized, subject to approval by the Supervisory Board, to increase the share capital on or before May 29, 2010 against cash contributions on one or several occasions by a total of up to € 5.5 million, whereby it is possible to exclude shareholders' subscription rights (Authorized capital I).

In addition, according to a resolution by the General Meeting on May 30, 2005, the Managing Board is authorized, subject to approval by the Supervisory Board, to increase the share capital on or before May 29, 2010 against cash and/or non-cash contributions on one or several occasions by a total of up to € 19,250 million, whereby it is possible to exclude shareholders' subscription rights (Authorized capital II).

The new shares of the company were issued on June 6, 2005 on the Frankfurt Stock Exchange, Amtlicher Markt, using bookbuilding and with a subscription period from May 25 to June 3, 2005. After the subscription offers had been received within the bookbuilding window at prices of between € 19.00 and € 22.00 per share, the issue price was set at € 21.00 per share. Initial listing on the first day of trading was at € 21.89. With a placement volume of 31 million shares plus a greenshoe of 4.65 million shares, this thus resulted in a placement volume of € 748.65 million. Of these proceeds, a total of € 296.0 million accrued to MTU Aero Engines Holding AG after the deduction of costs from the capital increase of 15 million shares. This sum was mostly used to repay debts. The remaining proceeds from the issue accrued to the company's former main shareholder, Blade Lux Holding Two S.a.r.l., Luxembourg.

As part of the IPO, the group established a share-based remuneration program (matching stock program "MSP") for its managers.

The consolidated financial statements of MTU Aero Engines Holding GmbH as of December 31, 2004 have been prepared in line with International Financial Reporting Standards (IFRS) and the interpretations. The consolidated interim financial statements ("interim financial statements" of MTU Aero Engines Holding AG as of June 30, 2005 have been prepared based on International Accounting Standard (IAS 34) "Interim Financial Reporting", and mostly uses the same accounting methods as in the consolidated financial statements for fiscal year 2004. Any necessary adjustments resulting from new or revised standards are discussed under note 3. All of the binding interpretations from the International Financial Reporting Interpretations Committee (IFRIC) have been applied. In addition, this interim report is in line with German Accounting Standard no. 6 (DRS 6) – Interim financial statements – by the Deutsche Rechungslegungsstandards Committee e.V. (DRSC). The interim financial statements are not audited.

Notes to the consolidated financial statements

For further information on the accounting and valuation methods applied, please refer to the consolidated financial statements of MTU Aero Engines Erste Holding GmbH as of December 31, 2004. The consolidated financial statements have been prepared in euros. All amounts are stated in millions of euro (€ million or EUR million) if not otherwise stated.

2. Group of consolidated companies

The consolidated financial statements for the second quarter of 2005 includes MTU Aero Engines Holding AG with 6 German and 3 foreign subsidiaries. ATENA Engineering GmbH is no longer consolidated as of June 30, 2005, as it was sold on this date. MTU Aero Engines Zweite Holding GmbH, Munich, and MTU Aero Engines Dritte Holding GmbH, Munich, have been merged to form MTU Aero Engines Holding AG, Munich.

3. New accounting standards

The following standards, which have been revised as part of the IASB's improvement projects, were applied for the first time from 2005:

- IAS 1
  (Presentation of Financial Statements)
- IAS 8
  (Accounting Policies, Changes in Accounting Estimates and Errors)
- IAS 16
  (Property, Plant and Equipment)
- IAS 24
  (Related Party Disclosures)

In addition, IASB issued new or reworked and amended standards in 2004. These are, in particular:

- IFRS 2
  (Share-based Payments)
- IFRS 5
  (Non-current Assets Held for Sale and Discontinued Operations)

The impact of the application of the new standards on the interim financial statements of MTU Aero Engines Holding AG for the second quarter of 2005 was not material.

Notes to the consolidated financial statements

Notes to the income statement

6. Cost of sales

€ million	June 30, 2005 H1 2005	June 30, 2004 H1 2004	2. Quarter Q2 2005	2. Quarter Q2 2004
Cost of materials	-632.8	-508.7	-323.6	-263.2
Personnel expenses	-191.8	-177.9	-98.3	-94.0
Depreciation and amortization	-63.7	-61.0	-31.8	-30.6
Other cost of sales	-20.0	-17.2	-9.2	-4.0
	-908.3	-764.8	**-462.9**	-391.8

7. Research and development costs

€ million	June 30, 2005 H1 2005	June 30, 2004 H1 2004	2. Quarter Q2 2005	2. Quarter Q2 2004
Costs of material	-5.4	-33.5	-4.6	-13.7
Personnel expenses	-24.4	-46.2	-12.6	-22.8
Depreciation and amortization	-1.2	-1.3	-0.8	-0.6
Expenses	-31.0	-81.0	-18.0	-37.1
Consumption of R&D provisions	16.5	49.1	8.3	24.5
	-14.5	-31.9	**-9.7**	-12.6

The Research- and development costs comprise per June 30, 2005 €16.5 million consumption of R&D provisions (previous year € 49.1 million)

8. Selling costs

€ million	June 30, 2005 H1 2005	June 30, 2004 H1 2004	2. Quarter Q2 2005	2. Quarter Q2 2004
Costs of material	-4.5	-4.5	-2.1	-1.9
Personnel expenses	-23.5	-24.4	-12.4	-12.1
Depreciation and amortization	-1.1	-0.2	-0.5	-0.1
Other selling costs	-4.0	-6.6	-1.1	-3.4
	-33.1	-35.7	**-16.1**	-17.5

The selling costs comprise mainly expenses for marketing, advertising and sales personnel as well as write-downs in relation to trade accounts receivable.

9. General administrative costs

€ million	June 30, 2005 H1 2005	June 30, 2004 H1 2004	2. Quarter Q2 2005	2. Quarter Q2 2004
Costs of material	-1.4	-0.4	-0.7	-0.4
Personnel expenses	-16.2	-12.8	-6.0	-6.4
Depreciation and amortization	-0.8	-0.3	-0.4	-0.2
Other administrative costs	-6.1	-53.9	-3.5	-12.4
	-24.5	-67.4	**-10.6**	-19.4

Notes to the consolidated financial statements

11. Financial result

€ million	June 30, 2005 H1 2005	June 30, 2004 H1 2004	2. Quarter Q2 2005	2. Quarter Q2 2004
Income from non-consolidated subsidiaries	0.2	0.0	0.2	0.0
Net interest income				
interest income	15.0	9.6	10.6	2.7
Interest expenses*)	-34,9	-39.0	-21.8	-16.7
Other financial result	-19,9	-28.5	-6.9	0.7
	-39.6	-57.9	**-17.9**	-13.3

*) Q2 2005: including expenses for interest swaps of the High Yield Bond.

12. Income taxes

€ million	June 30, 2005 H1 2005	June 30, 2004 H1 2004	2. Quarter Q2 2005	2. Quarter Q2 2004
Current tax expenses	-10.6	-13.2	-4.8	-13.2
Deferred tax expenses	5.5	34.5	2.9	5.5
	-5.1	21.3	**-1.9**	-7.7

13. Earnings per share

	June 30, 2005 H1 2005	June 30, 2004 H1 2004*)	2. Quarter Q2 2005*)	2. Quarter Q2 2004*)
Net profit/loss (-) in € million	6.7	-34.5	1.7	10.1
Number of shares (in '000)	55,000	55,000	55,000	55,000
Earning per share in Euro	**0.12**	-0.63	**0.03**	0.18

*) "As if" presentation

Notes to the balance sheet

14. Intangible assets

Intangible assets is used to disclose capitalized programs, technologies independent of specific programs, acquired customer relationships, usufructuary rights and licenses as well as goodwill. The capitalized programs total € 374.9 million (December 31, 2004: € 376.9 million). Amortization for intangible assets totaled € 15.6 million (Q2 2005: € 7.8 million).

Goodwill is distributed over cash generating units for impairment tests.

The required impairment test was conducted on June 30, 2005 based on the cash generating units. There are no reasons to suspect impairment.

15. Property, plant and equipment

During the first six months, € 28.2 million was invested in property, plant and equipment (H1 2004: € 22.6 million). During the same period, depreciation totaled € 51.2 million (H1 2004: € 50.4 million).

16. Financial assets

ATENA Engineering GmbH, Munich with its subsidiary ATENA INDIA PRIVATE LIMITED, Bangalore, India, was sold as of June 30, 2005 by way of a share purchase and transfer agreement dated May 17, 2005.

17. Other assets

€ million	June 30, 2005 current due in less than one year	June 30, 2005 non-current due after more than one year	June 30, 2005 Total	Dec. 31, 2004 current due in less than one year	Dec. 31, 2004 non-current due after more than one year	Dec. 31, 2004 Total
Receivables again related companies						
Associates	44.9		**44.9**	46.0		46.0
Joint Ventures	2.3		**2.3**	9.8		9.8
Tax refund claims						
Income taxes	1.1		**1.1**	41.3		41.3
Other taxes	3.3		**3.3**	11.9		11.9
Accounts due from employees	4.7		**4.7**	1.1		1.1
Accounts from suppliers	22.0		**22.0**	13.6		13.6
Market values of derivatives						
Currency futures (Forex)				77.1	34.8	111.9
Interest rate swaps					5.2	5.2
Other assets	13.9	0.8	**14.7**	2.9	0.4	3.3
	92.2	**0.8**	**93.0**	203.7	40.4	244.1

19. Inventories

€ million	June 30, 2005	Dec. 31, 2004
Raw materials and supplies	**190.3**	196.3
Work in process	**275.1**	249.8
Advance payments	**2.0**	2.0
	467.4	448.1

20. Receivables

€ million	June 30, 2005 current due in less than one year	June 30, 2005 non-current due after more than one year	June 30, 2005 Total	Dec. 31, 2004 current due in less than one year	Dec. 31, 2004 non-current due after more than one year	Dec. 31, 2004 Total
Trade receivables	288.7		**288.7**	304.9		304.9
Receivables from Constructions- and Maintenance Contracts (POC)	127.3		**127.3**	89.7		89.7
	416.0	**0.0**	**416.0**	394.6	0.0	394.6

22. Equity

Capital reserves

A total of € 300.0 million accrued to MTU Aero Engines Holding AG from the proceeds from the listing on the Frankfurt Stock Exchange resulting from the capital increase of 15.0 million shares after deduction of the face value of € 1 per share (see ”Principles“). Transaction costs associated with the IPO have been deducted from equity less the associated income tax benefits.

In implementing its economic objectives the group has set up a program for its managers to participate in its share capital as part of a matching stock program, which authorizes the subscription of ”phantom stocks“. On the date of subscription to the MSP, participants must have an existing employment relationship with MTU Aero Engines Holding AG or a German company in the MTU group.

The MSP runs for 8 years. The fair value of the work performed by the employees as consideration for options being granted (phantom stocks) is carried as an expense on a pro-rata basis. The total expense which is to be recorded over the period to the options’ maturity (strike date) is calculated from the fair value of the options granted. Non-market oriented exercise thresholds are taken into account in the assumptions for the number of options which for which it is expected that these could be exercised. On the balance sheet date, the company reviews the estimate of the number of options through to the end of the respective exercise period for an allocated tranche for which it is likely that these could be exercised. The impact of any changes to original estimates that may have to be taken into account are taken into account in the income statement and via a corresponding adjustment to equity for the remaining period until they become non-forfeitable. No more changes to valuation are made after the strike date (date on which the options become non-forfeitable).

Each MSP share acquired from the program authorizes the holder to subscribe for six phantom stocks per tranche. There are a total of five tranches as part of the MSP. As a rule, MSP shares are not subject to any restraints on disposal. MSP shares authorize the holder to participate in dividends and subscription rights.

The exercise threshold has been reached if the strike price of the allocated options (phantom stocks) corresponds to the average, non-weighted closing price of the shares in XETRA trading over the last 60 stock market days on the Frankfurt Stock Exchange (FSE) prior to the phantom stocks being exercised, and is above the average non-weighted closing price of the shares in XETRA trading over the last 60 stock market days prior to the allocation of the options plus a basic premium of 10%. Options are linked to the employee working form the company.

The strike price (gross MSP profit) is subject to tax and social insurance contributions. The net MSP profit is used to buy shares of MTU Aero Engines Holding AG. The holders may freely dispose of the shares after a two year period has expired after the acquisition of the shares of MTU Aero Engines Holding AG.

In total, 72,671 shares were subscribed as part of the matching stock program. This means that on June 30, 2005 after taking into account fluctuations of 4% p.a., 1,854,774 options (phantom stocks) could be exercised.

The five tranches to be allocated annually in a 5-year period from June 6, 2005 have the following expiration dates at the end of the period under review for the following quantities of options which can be exercised:

Strike date (expiration date)	Number of exercisable options
June 6, 2007	401,842
June 6, 2008	385,768
June 6, 2009	370,337
June 6, 2010	355,524
June 6, 2011	341,303
Total	**1,854,774**

The fair value of the options granted during the period calculated using the Black-Scholes model totaled € 0.1 million. The key parameters for this model are the closing share price on the date of initial listing of € 21.11, an assumed average share price performance of 6.5% and the annual term-dependent risk-free interest rate of between 2.1% for the first year to 3.4% for the fifth year. Volatility, measured using the standard deviation of the expected share price returns, is derived from historic and implicit volatilities of the ”peer group companies“ and was applied at a median of 20%.

Accumulated other equity

Total earnings includes the differences from currency translation not recognized in income for the financial statements of foreign subsidiaries and the impact of the valuation of financial instruments not recognized in income.

24. Other provisions

Other provisions mostly relate to Human Resources and social commitments, to threatened losses from the maintenance, repair and overhaul business (MRO) and warranties.

25. Financial liabilities

€ million	current due within one year		non-current due between one and five years		non-current due after more than five years		Total	Total
	June 30, 2005	Dec. 31, 2004	June 30, 2005	Dec. 31, 2004	June 30, 2005	Dec. 31, 2004	June 30, 2005	Dec. 31, 2004
Bonds								
HY Bond					275.0	275.0	**275.0**	275.0
Interest liabilities	5.7	5.7					**5.7**	5.7
Liabilities to banks								
Senior Facility Agreement		174.2						174.2
Liabilities to related companies								
Subsidiaries	0.3						**0.3**	
Associates								
Joint Ventures								
Others*)	0.2	63.5		98.9			**0.2**	162.4
Other financial liabilities								
Vendor Loan Note						185.5	**0.0**	185.5
Others	1.7	1.9	35.1	29.3	29.9	32.5	**66.7**	63.7
	7.9	245.3	**35.1**	128.2	**304.9**	493.0	**347.9**	866.5

*) Prior Year, due within one year: Forex U.K. Ltd.
Prior Year, due between one and five years: Forex U.K. Ltd. and Blade Lux Holding Two. S.a.r.l., Luxembourg

In addition to financial liabilities, the company has been granted an additional overdraft limit of € 250 million from March 1, 2005. This was taken up in the amount of € 12.3 million via availment and bank guarantees in favor of third parties for the company's liabilities and via US dollar sale transactions.

26. Other liabilities

in Mio. -Euro	current due within one year		non-current due between one and five years		non-current due after more than five years		Total	Total
	June 30, 2005	Dec. 31, 2004	June 30, 2005	Dec. 31, 2004	June 30, 2005	Dec. 31, 2004	June 30, 2005	Dec. 31, 2004
Advance payments received	373.4	267.9	42.9	42.9			**416.3**	310.8
Liabilities to related companies								
Subsidiaries	5.8	5.7					**5.8**	5.7
Associates								
Joint Ventures	0.2						**0.2**	
Others*)	55.0	56.7					**55.0**	56.7
Other taxes	11.8	14.9					**11.8**	14.9
Social security	13.6	10.8					**13.6**	10.8
Employees	41.9	44.7	8.3	7.7			**50.2**	52.4
Others	36.4	10.1	10.5	5.4	2.4	2.2	**49.3**	17.7
	538.1	410.8	**61.7**	56.0	**2.4**	2.2	**602.2**	469.0

*) essentially IAE International Aero Engines AG, Switzerland

27. Deferred tax liabilities

June 30, 2005 € million	due more than one year	Total
Deferred taxes	347.9	347.9
Tax liabilities	**347.9**	**347.9**

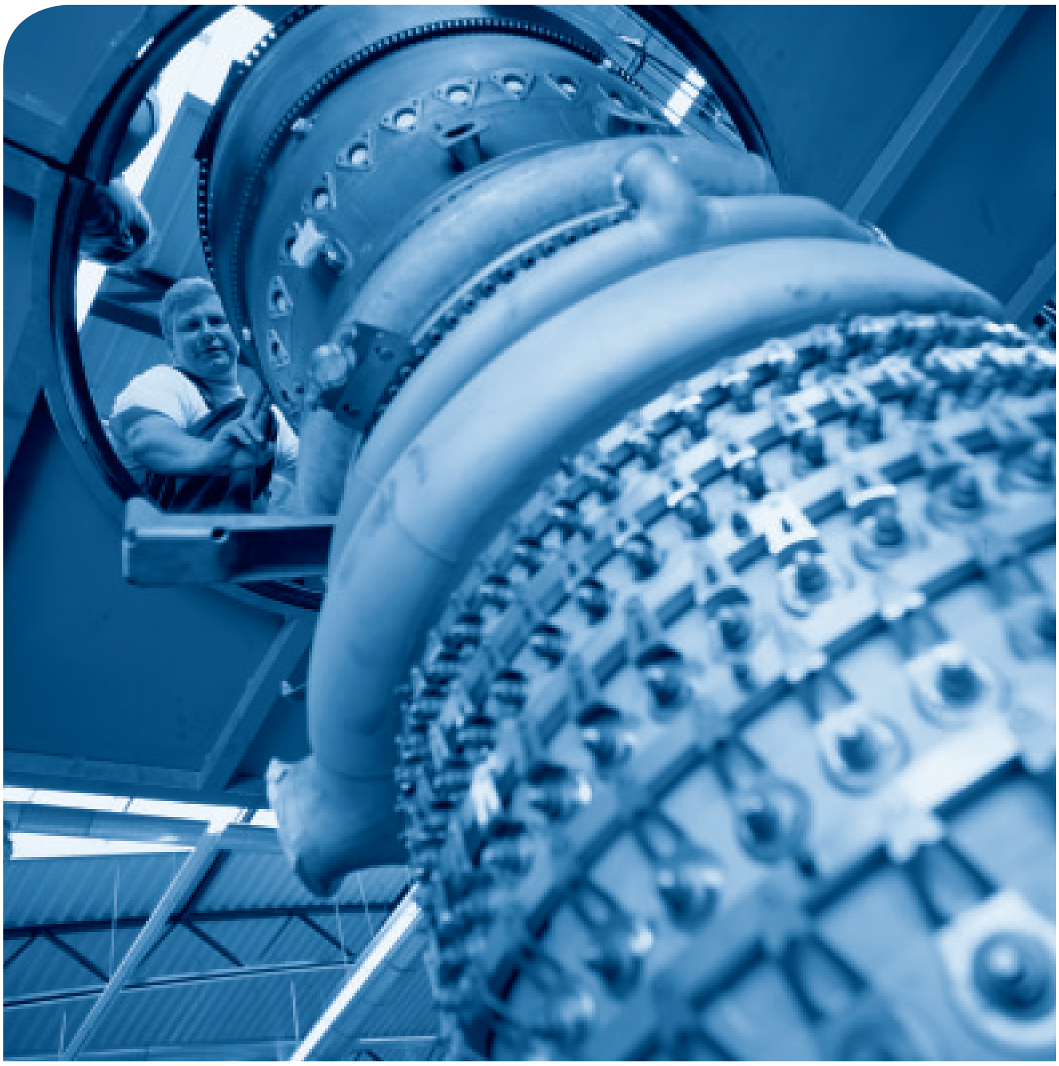
December 31, 2004 € million	due more than one year	Total
Deferred taxes	367.7	367.7
Tax liabilities	**367.7**	**367.7**

32. Segment and business unit data H1 2005 and Q2 2005

Primary business segment	Commercial and military engine business		Commercial MRO		Consolidation		Total	
€ million	January 1, 2005 to June 30, 2005	2. Quarter 2005	January 1, 2005 to June 30, 2005	2. Quarter 2005	June 30, 2005	2. Quarter 2005	January 1, to June 30, 2005	2. Quarter 2005
Revenues	**677.4**	**339.0**	**348.3**	**177.0**			**1,025.7**	**516.0**
commercial	474.6	236.8	348.3	177.0			822.9	413.8
military	202.8	102.2	0.0	0.0			202.8	102.2
Revenues with others segments	**5.4**	**1.8**	**2.9**	**1.6**	**-8.3**	**-3.4**	**0.0**	**0.0**
commercial	5.4	1.8	2.9	1.6	-8.3	-3.4	0.0	0.0
military	0.0	0.0	0.0	0.0			0.0	0.0
Total revenues	**682.8**	**340.8**	**351.2**	**178.6**	**-8.3**	**-3.4**	**1,025.7**	**516.0**
commercial	480.0	238.6	351.2	178.6	-8.3	-3.4	822.9	413.8
military	202.8	102.2	0.0	0.0			202.8	102.2
Earnings before interest and tax (EBIT)	**39.2**	**16.0**	**13.5**	**7.4**	-1.8	-2.4	**50.9**	**21.0**
Financial result	**-32.6**	**-14.2**	**-0.5**	**-0.2**	-6.5	-3.5	**-39.6**	**-17.9**
Share of loss of Joint Ventures accounted for using the equity method	**0.0**	**0.0**	**0.5**	**0.5**			**0.5**	**0.5**
Internal allocation	-2.1	-1.0	2.1	1.0			0.0	0.0
Earnings before tax	**4.5**	**0.8**	**15.6**	**8.7**	-8.3	-5.9	**11.8**	**3.6**
Return on sales %	**0.7**	**0.2**	**4.4**	**4.9**			**1.2**	**0.7**

33. Segment and business unit data H1 2004 and Q2 2004

Primary business segment	Commercial and military engine business		Commercial MRO		Consolidation		Total	
€ million	January 1, 2004 to June 30, 2004	2. Quarter 2004	January 1, 2004 to June 30, 2004	2. Quarter 2004	June 30, 2004	2. Quarter 2004	January 1, 2004 to June 30, 2004	2. Quarter 2004
Revenues	**635.1**	**336.5**	**265.7**	**134.3**			**900.8**	**470.8**
commercial	421.9	221.3	265.7	134.3			687.6	355.6
military	213.2	115.2	0.0	0.0			213.2	115.2
Revenues with others segments	**9.7**	**4.1**	**2.5**	**1.3**	**-12.2**	**-5.4**	**0.0**	**0.0**
commercial	9.7	4.1	2.5	1.3	-12.2	-5.4	0.0	0.0
military	0.0	0.0	0.0	0.0			0.0	0.0
Total revenues	**644.8**	**340.6**	**268.2**	**135.6**	**-12.2**	**-5.4**	**900.8**	**470.8**
commercial	431.6	225.4	268.2	135.6	-12.2	-5.4	687.6	355.6
military	213.2	115.2	0.0	0.0			213.2	115.2
Earnings before interest and tax (EBIT)	**8.1**	**29.9**	**-4.7**	**1.0**	-0.5	0.2	**2.9**	**31.1**
Financial result	**-43.4**	**-4.3**	**-2.4**	**-1.3**	-12.1	-7.7	**-57.9**	**-13.3**
Share of loss of Joint Ventures accounted for using the equity method	**0.0**	**0.0**	**-0.8**	**0.0**			**-0.8**	**0.0**
Internal allocation	-2.4	-1.2	2.4	1.2			0.0	0.0
Earnings before tax	**-37.7**	**24.4**	**-5.5**	**0.9**	-12.6	-7.5	**-55.8**	**17.8**
Return on sales %	**-5.8**	**7.2**	**-2.1**	**0.7**			**-6.2**	**3.8**



Financial Calendar

Financial Calendar

Interim report as of September 30, 2005	Nov. 8, 2005
Analysts/investors conference	Fall 2005
Annual Report 2005	Spring 2006
Annual General Meeting	Spring 2006

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MTU Aero Engines Holding AG in the Internet

- You can find further information on MTU Aero Engines Holding AG in the Internet at: **www.mtu.de**
- You can go directly to the Investor Relations section at **http://www.mtu.de/de/investorrelations/index.html.**
- Information on the MTU group's products is available at: **www.mtu.de/de/programme/index.html**

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