Interim Report as at June 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	**1,148.5**	1,025.7
Research and development expenses	**30.2**	14.5
Earnings before interest and tax (EBIT)	**88.7**	50.9
Earnings before interest, tax, depreciation and amortization (EBITDA)	**150.2**	117.7
Earnings before tax (EBT)	**76.8**	11.8
Income tax expense	**-31.8**	-5.1
Net profit	**45.0**	6.7
Key Income Statement figures in € million (adjusted)		
Earnings before interest, tax, depreciation and amortization (EBITDA)	**142.1**	102.3
Earnings before tax (EBT)	**92.9**	29.3
Net profit	**55.4**	17.5
Key Balance Sheet figures in € million		
Equity	**537.5**	528.3
Total assets	**2,718.2**	2,553.3
Fixed assets	**1,492.7**	1,535.3
Non-current financial liabilities (without deferred tax liabilities)	**762.2**	767.6
Number of employees at quarter end *)		
By company		
MTU Aero Engines GmbH, Munich	**4,559**	4,636
MTU Maintenance Hannover GmbH, Langenhagen	**1,272**	1,266
MTU Maintenance Berlin-Brandenburg GmbH, Ludwigsfelde	**504**	512
MTU Maintenance Canada Ltd., Canada	**164**	136
MTU Aero Engines North America Inc., USA	**205**	195
Vericor Power Systems L.L.C., USA	**34**	33
	6,738	6,778
By market segment		
Civil and Military Engine Business	**4,764**	4,831
Civil Engine Maintenance Business	**1,974**	1,947
	6,738	6,778
Key Figures in %		
Gross margin	**15.1**	11.4
EBITDA-margin	**13.1**	11.5
EBIT-margin	**7.7**	5.0
Pre-tax return on sales	**6.7**	1.2
Return on Equity	**8.4**	1.9
Equity ratio	**19.8**	20.7
Research and development expenses (excluding utilization of provisions) as percentage of sales	**3.3**	3.0
Key Figures in % (adjusted)		
EBITDA-margin	**12.4**	10.0
Pre-tax return on sales	**8.1**	2.9
Return on Equity	**10.4**	4.8
Cash flow in € million		
Cash flow from operating activities	**120.4**	232.8
Cash flow from investing activities	**-22.2**	-28.3
Free cash flow	**98.2**	204.5
Free cash flow as percentage of cash inflow from operating activities	**81.6**	87.8
Shares		
Average weighted number of outstanding shares (´ 000)	**54,848**	55,000
Earnings per share in Euro	**0.82**	0.12
Earnings per share in Euro (adjusted)	**1.01**	0.32
Free cash flow per share in Euro	**1.79**	3.72
Equity per share in Euro	**9.80**	9.61

*) *excluding joint ventures*

Despite the increase in fuel prices during the second quarter 2006, most of the main market indicators developed positively. On the back of generally favourable economic conditions, global passenger numbers and freight traffic volumes will increase sharply in 2006, with the consequence that airlines will need more new engines, spare parts and maintenance services. The financial condition of the American airlines is also improving, partly as a result of higher average revenues per seat: for the five-month period to May 2006, this was some 10% above its 2005 level.

According to IATA, international passenger numbers rose by 6.8% during the first five months of the year (with an increase of 5.9% registered in the first three months alone). Europe and the Asia-Pacific again recorded faster growth rates than the USA. Despite strong demand, American airlines are still hesitant about increasing capacities. Competitive conditions amongst the US airlines continue to converge, mainly as a result of measures taken to hedge kerosene prices. Overall, the climate in the USA is becoming more conducive to further rises in ticket prices. Freight traffic volumes (always an important economic indicator) developed favourably. Freight airlines affiliated to IATA recorded a 5.1% increase worldwide during the first five months of 2006.

The price of kerosene, which amounted to an average of US Dollar 88 per barrel during the second quarter, is significantly holding down earnings generated by airlines. Strong global demand and the fact that the airlines continue to be able to add kerosene surcharges to ticket prices, combined with drastic cost cutting measures, especially in the USA, show, however, that the industry is learning to come to terms with high energy costs.

Financial Situation

Earnings for the first six months of 2006

Compared to the same period last year, **revenues** for the first six months of 2006 rose by € 122.8 million (12.0%) to € 1,148.5 million. The lion's share of this increase (€ 116.8 million representing a rise of 33.3%) related to civil engine maintenance, whilst civil and military engine business increased by € 7.0 million (1.0%) to € 689.8 million. In the civil engine business, revenues went up by € 5.4 million (1.1%) compared to the same period last year and amounted to € 485.4 million, whilst revenues for military engine business edged up by € 1.6 million (0.8%) to € 204.4 million for the six-month period. Adjusted for the disposal of ATENA Engineering GmbH, Munich, with effect from June 30, 2005, total revenues rose by € 141.1 million (14.0%) and those of the civil and military engine business segment by € 25.3 million (3.8%).

Group **cost of sales** amounted to € 975.5 million, rising at a rate 4.6 percentage points lower than the increase in revenues. Revenues generated by civil engine business increased by € 83.9 million (26.3%), whereas revenues from civil and military engine business fell by € 16.6 million (2.8%).

Compared to the first six months of 2005, **gross profit** increased by € 55.6 million to € 173.0 million. The gross profit percentage, at 15.1%, improved by 3.7 percentage points. At a segment level, the gross profit percentage for engine business improved by 3.3 percentage points to give a gross profit of € 108.5 million and that of engine maintenance business improved by 4.8 percentage points to give a gross profit of € 64.5 million.

Excluding the utilization of the development expense provision recognized at January 1, 2004, **research and development expenses** totalled € 38.3 million, which was € 7.3 million above the level for the corresponding period last year. Lower expenditure for the GP7000 and PW6000 development programs (now drawing to a close) was more than offset by upfront expenditure for the joint development of a geared turbofan with Pratt & Whitney.

Selling expenses amounted to € 36.2 million, 9.4% higher than in the same period last year. This was largely due to the € 2.8 million increase in allowances on civil engine maintenance receivables during the first six months of 2006 (January- June 2005: utilization of € 0.9 million from the R&D provision) due to the general expansion in business and sales. Adjusted for this effect, selling expenses would have been lower than in the same period last year. Cost savings had a beneficial impact on **general administrative expenses**: overall these decreased by -19.2 % to € 19.8 million. Adjusted for one-time remuneration components recorded in the previous year and for the disposal of ATENA Engineering GmbH, Munich, the reduction in general administrative expenses compared to the corresponding period last year was 7.5%. **Depreciation and amortization** included in cost of sales, research and development expenses, selling and general administrative expenses amounted to € 61.5 million (January – June 2005: € 66.8 million). Adjusted for effects resulting from the purchase price allocation in connection with the Company's acquisition, the interim result based on adjusted EBITDA (earnings before interest, tax, depreciation and amortization/see list on page 5).

The **financial result** for the first six months of the year was a net expense of € 12.3 million, a further improvement over the net expense of € 39.6 million recorded in the corresponding period last year. As a result of the reduction of loans payable in the previous year, interest expense decreased by € 8.3 million (24.7%) to € 25.3 million compared to € 33.6 million in the same period last year, with € 4.5 million of the decrease relating to the High Yield Bond. Exchange rate losses on financing transactions did not arise during the first half of 2006. In the previous year, exchange rate losses of € 13.2 million on financing transactions had related to liabilities to banks repaid during 2005 (Senior Facility Agreement).

The fair value of interest rate swaps increased in total by € 14.5 million to a positive amount of € 6.1 million, the carrying amount of currency holdings fell by € 13.2 million as a result of exchange rate fluctuations.

The **profit before tax** increased by € 65.0 million to € 76.8 million and the pre-tax return on sales was 6.7% (January-June 2005: 1.2%).

The Group recorded a **net profit** of € 45.0 million for the first half of 2006, an improvement of € 38.3 million compared to the corresponding period last year.

Group earnings per share for the period amounted to € 0.82 (January-June 2005: € 0.12).

Adjusted for the impact of the purchase price allocation, the net profit was € 55.4 million (January-June 2005: € 17.5 million). The adjusted pre-tax return on sales was therefore 8.1% (January-June 2005: 2.9%). Adjusted earnings per share for the first half of 2006 were € 1.01 (January-June 2005: € 0.32).

Financial Situation

Adjusted Reconciliation of EBIT to EBITDA € million	June 30, 2006	June 30, 2005
EBIT	**88.7**	50.9
+ Depreciation / amortization	61.5	66.8
EBITDA	**150.2**	117.7
- Consumption of R&D provision	-8.1	-16.5
+ Restructuring costs		1.1
EBITDA adjusted	**142.1**	102.3

Earnings by Segment

Civil and Military Engine Business

Earnings for the second quarter 2006

During the second quarter 2006, revenues of the civil and military engine business segment rose by € 0.7 million to € 341.5 million, a 0.2% increase compared to the second quarter 2005. Civil engine business revenues increased by € 0.8 million to € 239.4 million (0.3%), while military engine revenues were € 0.1 million (- 0.1%) lower, and thus practically unchanged against the second quarter 2005. Adjusted for the disposal of ATENA Engineering GmbH, Munich, with effect from June 30, 2005, revenues of the civil and military engine business segment increased by € 10.2 million (3.1%).

The segment gross profit for the second quarter 2006 increased by € 25.9 million (72.5%) to € 61.6 million, and the adjusted earnings before interest, tax, depreciation and amortization (adjusted EBITDA) improved by € 13.7 million (40.1%) to € 47.9 million compared to the second quarter last year. Due to the improved financial result, the segment profit before tax was € 24.3 million compared to € 0.8 million in the previous year. The pre-tax return on sales was therefore 7.1% (January-June 2005: 0.2%).

Earnings for the first six months of 2006

Revenues of the civil and military engine business segment for the first six months of 2006 rose by € 7.0 million (1.0%) to € 689.8 million.

Civil engine business revenues increased by € 5.4 million (1.1 %) to € 485.4 million. Revenues from the PW2000 and V2500 engine programs rose by € 17.8 million (23.8%) and € 28.8 million (24.1%) respectively and revenues from the cooperation arrangements with Pratt & Whitney, Canada jumped by € 16.1 million (61.9%) compared to the corresponding period last year. By contrast, the disposal of ATENA (which had recorded revenues of € 18.3 million during the first six months of 2005) and exchange rate losses of € 35.1 million due to currency fluctuations had a negative impact on revenues.

Military engine revenues increased by € 1.6 million (0.8%) to € 204.4 million.

Segment gross profit for the six-month period improved by € 23.6 million (27.8%) to € 108.5 million.

The adjusted earnings before interest, tax, depreciation and amortization (adjusted EBITDA) improved by € 16.5 million (22.1%) to € 91.0 million.

Thanks to the significantly improved financial result, the segment profit before tax increased from € 4.5 million to € 41.6 million, an improvement of € 37.1 million. The pre-tax return on sales was 6.0% (January-June 2005: 0.7%).

Civil Engine Maintenance Business

Earnings for the second quarter 2006

Civil engine maintenance revenues for the second quarter 2006 totalled € 246.9 million, an increase of € 68.3 million (38.2%) over the previous year. Compared to the second quarter 2005, segment gross profit was up by € 15.8 million (92.4%) to € 32.9 million, the adjusted earnings before interest, tax, depreciation and amortization (adjusted EBITDA) increased by € 13.2 million (85.2%) to € 28.7 million and the profit before tax increased by € 13.1 million to € 21.8 million.

The pre-tax return on sales for the second quarter was 8.8% compared to 4.9% one year earlier.

Earnings for the first six months of 2006

Civil engine maintenance revenues for the first half of 2006 again increased sharply, rising by € 116.8 million (33.3%) to € 468.0 million, compared to € 351.2 million in the corresponding period last year. Segment gross profit rose at an even faster pace (104.1%) with a € 32.9 million increase to € 64.5 million.

The adjusted earnings before interest, tax, depreciation and amortization (adjusted EBITDA) increased accordingly by € 22.8 million (77.0 %) to € 52.4 million, whilst the profit before tax improved by € 24.5 million to € 40.1 million. The pre-tax return on sales was 8.6% (January-June 2005: 4.4%).

Financial Position

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

During the first half of 2006, the Group’s **operations** generated a cash inflow of € 120.4 million (January-June 2005: € 232.8 million). The cash flow from operating activities was therefore down by € 112.4 million (-48.3%) compared to the same period last year, mainly as a result of the smaller decrease in working capital. During the first six months of 2006, inventories went up by € 28.4 million. Accounts receivables went up € 92.3 million due to timing reasons. In the previous year, the Group recorded a significantly higher level of advance payments from customers on engine orders.

Capital expenditure on intangible assets and property, plant and equipment during the first six months of 2006 was € 1.6 million (5.6%) higher than in the corresponding period in 2005. Net of proceeds from disposals, cash used for investing activities amounted to € 22.2 million (January-June 2005: € 28.3 million).

In the area of **financing activities,** cash funds increased as a result of utilizing a further € 33.3 million of the Rolling Credit Facility (RCF), bringing the overdraft balance at June 30, 2006 to € 50.3 million. On the other hand, the dividend payment of € 40.2 million and the repurchase of own shares for € 18.0 million reduced cash funds, so that, overall, the cash outflow for financing activities amounted to € 25.9 million. The equivalent figure for the same period last year was a cash outflow of € 126.3 million, which was attributable to repayment of bank loans under the Senior Facility Agreement (€ 174.2 million), the Vendor Loan (€ 185.5 million) and the loan from Blade Lux Holding Two S.a.r.L., Luxembourg (€ 69.7 million). These repayments were financed primarily 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 € 73.0 million (January-June 2005: € 85.2 million).

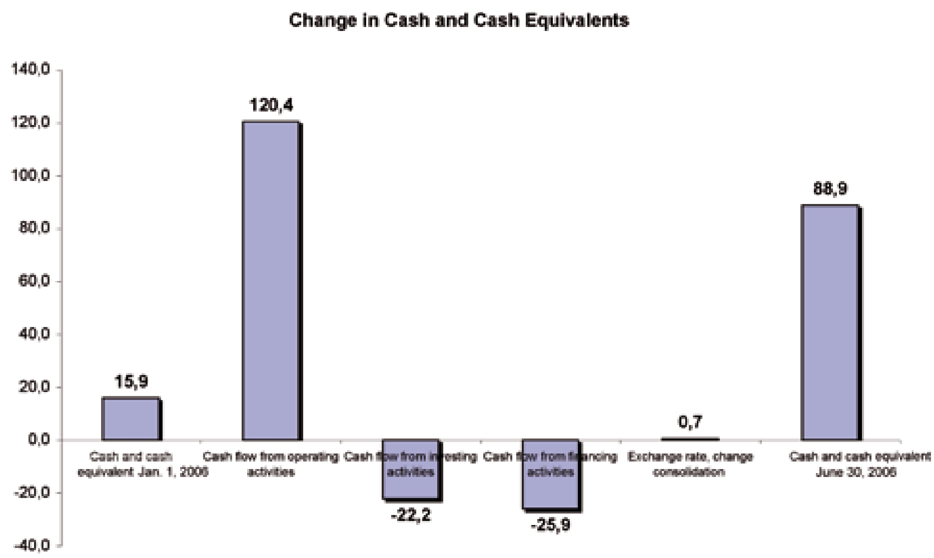
Free cash flow, defined as the aggregate amount of the cash flows from operating and investing activities, amounted to € 98.2 million for the first six months of 2006 (January-June 2005: € 204.5 million). Free cash flow therefore represented 81.6% (January-June 2005: 87.8%) of the cash inflow from operating activities.

Net Asset Position

Compared to December 31, 2005, the group balance sheet total increased by € 164.9 million or 6.5%.

While non-current assets decreased by € 35.8 million (mainly intangible assets and property, plant and equipment), current assets went up in total by € 200.7 million, with inventories increasing by € 28.4 million (5.5 %), and receivables from production and maintenance contracts (percentage of completion) and trade receivables rising in total by € 67.6 million (16.2%). Other assets were € 29.9 million (50.9%) higher than at December 31, 2005, the major part of the increase (€ 28.0 million) relating to receivables from related companies. Thanks to the overall positive cash flow, cash and cash equivalents have increased since December 31, 2005 by € 73.0 million to stand at € 88.9 million at June 30, 2006.

Group equity rose from € 528.3 million to € 537.5 million. On the one side, it was increased by the net profit of € 45.0 million recorded for the six-month period and by fair value gains of € 22.8 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 € 18.0 million.

The equity ratio fell from 20.7% at December 31, 2005 to 19.8% at June 30, 2006.

Pension provisions were increased as planned by a total of € 10.6 million.

Other non-current and current provisions decreased by € 5.0 million in total compared to December 31, 2005, with the level of personal and social obligations due within one year falling in particular.

Financial liabilities increased mainly as a result of the current utilization (€ 33.3 million) of the RCF overdraft facility.

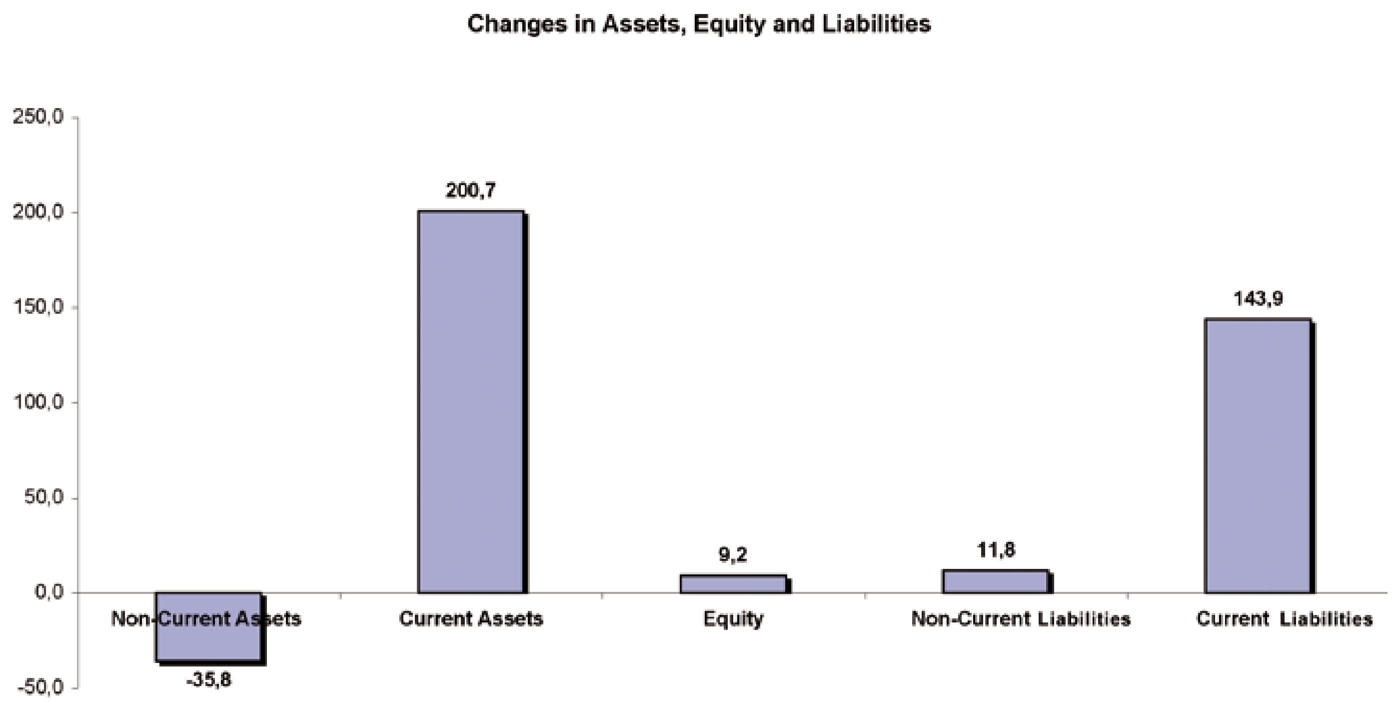
Trade payables went up by € 54.1 million (18.7%) to € 343.4 million due to timing reasons.

Sundry other liabilities increased by € 46.5 million to € 662.0 million (7.6%). The main factors here were higher advance payments received (up by € 34.7 million or 8.1%) and higher payables to related companies (up by € 32.2 million or 52.3%), the latter also due to timing reasons.

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 June 30, 2006:

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

	€ million	€ million
Non-Current Assets		
Intangible assets	-15.0	
Property, plant and equipment	-25.9	
Investments	-1.7	
Other assets	6.4	
Deferred tax assets	0.4	-35.8
Current Assets		
Inventories	28.4	
Receivables	67.6	
Other assets	29.9	
Cash and cash equivalents	73.0	
Prepayments	1.8	200.7
Changes in Assets		**164.9**
Equity		9.2
Non-Current Liabilities		
Provisions	7.9	
Financial liabilities	-3.4	
Other liabilities	-9.9	
Deferred tax liabilities	17.2	11.8
Current Liabilities		
Provisions	-2.3	
Financial liabilities	35.7	
Trade payables	54.1	
Other liabilities	56.4	143.9
Changes in Equity and Liabilities		**164.9**



Consolidated Income Statement

€ million	Notes	Jan. 1 to June 30, 2006	Jan. 1 to June 30, 2005	Q 2 2006	Q 2 2005
Revenues		1,148.5	1,025.7	583.7	516.0
Cost of sales	(6.)	-975.5	-908.3	-489.2	-462.9
Gross profit		**173.0**	117.4	**94.5**	53.1
Research and development expenses	(7.)	-30.2	-14.5	-19.9	-9.7
Selling expenses	(8.)	-36.2	-33.1	-16.3	-16.1
General administrative expenses	(9.)	-19.8	-24.5	-10.2	-10.6
Other operating income and expenses		1.9	5.6	1.1	4.3
Result before financial result		**88.7**	50.9	**49.2**	21.0
Financial result	(11.)	-12.3	-39.6	-5.5	-17.9
Share of profit/loss of joint ventures accounted for using the equity method		0.4	0.5	-0.4	0.5
Result from ordinary activities		**76.8**	11.8	**43.3**	3.6
Income taxes	(12.)	-31.8	-5.1	-17.7	-1.9
Net profit		**45.0**	6.7	**25.6**	1.7
Earnings per share (in Euro)	(13.)	0.82	0.12	0.47	0.03

Consolidated Balance Sheet

Assets

€ million	Notes	June 30, 2006	Dec. 31, 2005
Non-Current Assets			
Intangible assets	(16.)	926.7	941.7
Property, plant and equipment	(17.)	520.1	546.0
Investments		45.9	47.6
Other assets	(20.)	7.9	1.5
Deferred tax assets		0.4	
		1,501.0	1,536.8
Current Assets			
Inventories	(19.)	546.6	518.2
Receivables	(20.)	486.0	418.4
Other assets	(20.)	88.7	58.8
Cash and cash equivalents		88.9	15.9
Prepayments		7.0	5.2
		1,217.2	1,016.5
Total Assets		**2,718.2**	2,553.3

Equity and Liabilities

€ million	Notes	June 30, 2006	Dec. 31, 2005
Equity	(24.)		
Subscribed capital		55.0	55.0
Capital reserves		453.8	453.8
Revenue reserves *)		37.6	32.8
Own shares		-18.0	
Accumulated other equity		9.1	-13.3
		537.5	528.3
Non-Current Liabilities			
Pension provisions		373.3	362.5
Other provisions	(26.)	28.4	31.3
Financial liabilities	(27.)	226.4	229.8
Other liabilities	(28.)	134.1	144.0
Deferred tax liabilities	(29.)	268.0	250.8
		1,030.2	1,018.4
Current Liabilities			
Pension provisions		15.1	15.3
Other provisions	(26.)	205.1	207.2
Financial liabilities	(27.)	59.0	23.3
Trade payables		343.4	289.3
Other liabilities	(28.)	527.9	471.5
		1,150.5	1,006.6
Total Equity and Liabilities		**2,718.2**	2,553.3

*) December 31, 2005: Retained earnings

Consolidated Statement of Changes in Equity

€ million	Subscribed capital	Capital reserves	Revenue reserves *)	Own shares	Accumulated other equity: Translation differences	Accumulated other equity: Matching Stock Program	Accumulated other equity: Derivative financial instruments	Accumulated other equity: Subtotal	Total
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)							-23.3	-23.3	**-23.3**
Translation differences					1.7			1.7	**1.7**
= Income and expense not recognized in the income statement					**1.7**		**-23.3**	**-21.6**	**-21.6**
Net profit for the period			6.7						**6.7**
= Total income and expense for the period			**6.7**		**1.7**		**-23.3**	**-21.6**	**-14.9**
Capital increase out of company funds	37.8	-37.8							
Capital increase new issue	15.0	300.0							**315.0**
Transaction costs (after taxes)		-11.4							**-11.4**
Balance as at June 30, 2005	**55.0**	**454.5**	**6.6**		**0.7**		**-11.1**	**-10.4**	**505.7**
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)							22.8	22.8	**22.8**
Translation differences					-1.0			-1.0	**-1.0**
= Income and expense not recognized in the income statement					**-1.0**		**22.8**	**21.8**	**21.8**
Net profit for the period			45.0						**45.0**
= Total income and expense for the period			**45.0**		**-1.0**		**22.8**	**21.8**	**66.8**
Dividend paid			-40.2						**-40.2**
Purchase of own shares				-18.0					**-18.0**
Matching Stock Program (MSP)						0.6		0.6	**0.6**
Balance as at June 30, 2006	**55.0**	**453.8**	**37.6**	**-18.0**		**1.3**	**7.8**	**9.1**	**537.5**

*) Same period last year: Retained earnings

Consolidated Cash Flow Statement

€ million	Jan.1 to June 30, 2006	Jan.1 to June 30, 2005
Net profit	**45.0**	6.7
+ Depreciation and amortization	61.5	66.8
+/- Profit / loss of associated companies	1.8	-0.5
+/- Profit / loss on disposal of assets	-0.1	0.4
+/- Increase / decrease in pension provisions	10.6	11.4
+/- Increase / decrease in other provisions	-5.0	-11.6
+/- Change in non-cash taxes	1.5	-5.7
+/- Matching Stock Program	0.6	7.8
+/- Increase / decrease in inventories	-28.4	-24.3
+/- Increase / decrease in receivables (excl. derivatives)	-92.3	17.6
+/- Increase / decrease in liabilities (excl. derivatives)	125.2	164.2
Cash flow from operating activities	**120.4**	232.8
- Investments in intangible assets and property, plant and equipment	-30.1	-28.5
- Investments in financial assets		-0.1
+ Proceeds from asset disposals	7.9	0.3
Cash flow from investing activities	**-22.2**	-28.3
Free cash flow	**98.2**	204.5
+/- Increase / decrease in financial liabilities	32.3	-427.1
+ Change in capital (purchase of own shares)	-18.0	
+ Capital increase after deduction of transaction costs		300.8
- Dividend paid	-40.2	
Cash flow from financing activities	**-25.9**	-126.3
Exchange rate movements in equity	-1.0	1.7
Exchange rate movements in fixed assets	1.7	-2.7
Change in composition of group reporting entity		8.0
	0.7	7.0
Change in cash and cash equivalents	**73.0**	85.2
Cash and cash equivalents as at January 1	15.9	28.5
Cash and cash equivalents as at June 30	**88.9**	113.7

Notes to the Consolidated Financial Statements

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 June 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 Group 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 June 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 Group 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 Accounting 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 June 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).

5. Consolidated Companies

The group reporting entity is unchanged at June 30, 2006, and comprises six German and three foreign subsidiaries. Three subsidiaries are not consolidated on the grounds of immateriality. MTU München Unterstützungskasse GmbH, Munich, is not consolidated because its obligations are recognized in the Group financial statements.

II. Notes to the Consolidated Income Statement

6. Cost of Sales

€ million	**Jan. 1 to June 30, 2006**	Jan. 1 to June 30, 2005	**Q 2 2006**	Q 2 2005
Cost of materials	-759.6	-632.8	-367.3	-323.6
Personnel expense	-184.6	-191.8	-93.9	-98.3
Depreciation and amortization	-56.7	-63.7	-28.2	-31.8
Other cost of sales	25.4	-20.0	0.2	-9.2
	-975.5	-908.3	**-489.2**	-462.9

7. Research and Development Expenses

€ million	**Jan. 1 to June 30, 2006**	Jan. 1 to June 30, 2005	**Q 2 2006**	Q 2 2005
Cost of materials	-10.4	-5.4	-11.6	-4.6
Personnel expense	-24.9	-24.4	-11.0	-12.6
Depreciation and amortization	-3.0	-1.2	-1.4	-0.8
	-38.3	-31.0	**-24.0**	-18.0
Utilization of the R&D provision	8.1	16.5	4.1	8.3
	-30.2	-14.5	**-19.9**	-9.7

8. Selling Expenses

€ million	**Jan. 1 to June 30, 2006**	Jan. 1 to June 30, 2005	**Q 2 2006**	Q 2 2005
Cost of materials	-4.8	-4.5	-2.1	-2.1
Personnel expense	-22.3	-23.5	-11.4	-12.4
Depreciation and amortization	-1.1	-1.1	-0.5	-0.5
Other selling expenses	-8.0	-4.0	-2.3	-1.1
	-36.2	-33.1	**-16.3**	-16.1

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 June 30, 2006**	Jan. 1 to June 30, 2005	**Q 2 2006**	Q 2 2005
Cost of materials	-1.6	-1.4	-0.8	-0.7
Personnel expense	-13.5	-16.2	-7.1	-6.0
Depreciation and amortization	-0.7	-0.8	-0.3	-0.4
Other administrative expenses	-4.0	-6.1	-2.0	-3.5
	-19.8	-24.5	**-10.2**	-10.6

11. Financial result

Composition in € million	Jan. 1 to June 30, 2006	Jan. 1 to June 30, 2005	Q 2 2006	Q 2 2005
Income from investments				
Income from associated companies	0.1	0.2	0.1	0.2
Interest income/expenses				
Income				
Exchange rate gains on currency holdings	15.0	24.8	8.1	13.2
Exchange rate gains on finance leases	1.7		1.7	
Exchange rate gains on interest rate swaps	6.1	4.4	4.6	1.6
Interest and similar income	17.5	15.0	16.8	10.7
Exchange rate gains on financing transactions		2.6		
Other financial income	0.1	0.2	-0.5	0.1
	40.4	47.0	**30.7**	25.6
Expenses				
Exchange rate losses on currency holdings	-16.6	-13.2	-9.6	-6.3
Interest expense attributable to pension provisions	-9.2	-9.1	-4.6	-4.5
Interest and similar expenses	-25.3	-33.6	-21.2	-21.2
Interest expense on finance leases	-1.4	-1.4	-0.7	-0.7
Interest expense attributable to the development provision	-0.2	-0.9	-0.1	-0.5
Exchange rate losses on finance leases		-2.7		-1.6
Exchange rate losses on interest rate swaps		-12.8		-6.5
Interest expense attributable to other personnel-related provisions	-0.1	-0.1	-0.1	-0.1
Exchange rate losses on financing transactions		-13.0		-2.3
	-52.8	-86.8	**-36.3**	-43.7
	-12.3	-39.6	**-5.5**	-17.9

12. Income Taxes

€ million	Jan. 1 to June 30, 2006	Jan. 1 to June 30, 2005	Q 2 2006	Q 2 2005
Current tax expense	-30.3	-10.6	-20.3	-4.8
Deferred tax expense	-1.5	5.5	2.6	2.9
Income taxes due to income statement	**-31.8**	-5.1	**-17.7**	-1.9

13. Earnings per Share

	Jan. 1 to June 30, 2006	Jan. 1 to June 30, 2005	Q 2 2006	Q 2 2005
Net profit in € million	**45.0**	6.7	**25.6**	1.7
Number of shares (´ 000)	**54,848,213**	55,000,000	**55,000,000**	55,000,000
Earnings per share in Euro	**0.82**	0.12	**0.47**	0.03

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 June 30, 2006 was 54,848,213.

Calculation of the average weighted number of outstanding shares:

Month	Balance at beginning of month	Purchase	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
Purchase/ Weighted average		**-740,593**	**54,848,213**

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

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 six months amounted to € 1.8 million. Amortization for the period under report amounted to € 16.9 million (January - June 2005: € 15.6 million).

17. Property, Plant and Equipment

During the first six months of 2006, € 28.3 million were invested in property, plant and equipment. Depreciation during the same period totalled € 44.6 million (January - June 2005: € 51.2 million).

19. Inventories

€ million	June 30, 2006	Dec. 31, 2005
Raw materials and supplies	221.8	233.3
Work in process	316.7	277.4
Advance payments	8.1	7.5
	546.6	518.2

20. Receivables and Other Assets

Receivables	June 30, 2006			Dec. 31, 2005		
	Current	Non-current		Current	Non-current	
€ million	Due within one year	Due in more than one year	Total	Due within one year	Due in more than one year	Total
Trade receivables	250.5		250.5	269.9		269.9
Accounts receivable attributable to production and maintenance orders (POC)	235.5		235.5	148.5		148.5
	486.0		**486.0**	418.4		418.4

Other Assets	June 30, 2006			Dec. 31, 2005		
	Current	Non-current		Current	Non-current	
€ million	Due within one year	Due in more than one year	Total	Due within one year	Due in more than one year	Total
Accounts receivable from related companies						
Associated companies	46.7		46.7	26.3		26.3
Joint ventures	8.0		8.0	0.4		0.4
Tax refund claims						
Income taxes	6.0		6.0	5.4		5.4
Other taxes	9.2		9.2	11.6		11.6
Receivable from employees	5.9		5.9	1.0		1.0
Receivable from suppliers	3.5		3.5	11.8		11.8
Market value of derivatives						
Forward foreign exchange transactions	7.5	5.7	13.2			
Other Assets	1.9	2.2	4.1	2.3	1.5	3.8
	88.7	**7.9**	**96.6**	58.8	1.5	60.3

24. Equity

Capital reserves

Changes in equity during the period from January 1, 2006 to June 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, Board of Management was authorized to purchase, via the stock exchange, up to a total of 10% of the

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 a program to buy back shares via the stock exchange, up to 2% of the company's share capital. In conjunction with this program, a total of 740,593 shares (i.e. 1.3% of the company's share capital) had been purchased up to June 30, 2006 at an average stock exchange price of € 24.34. 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 commitments, pending losses on onerous maintenance, repair and overhaul (MRO) contracts, warranties and tax liabilities.

27. Financial Liabilities

	Current		Non-current					
	Due within one year		Due in more than one year and less than five years		Due in more than five years		Total	Total
€ million	June 30, 2006	Dec. 31, 2005	June 30, 2006	Dec. 31, 2005	June 30, 2006	Dec. 31, 2005	June 30, 2006	Dec. 31, 2005
Bonds								
High Yield Bond					165.0	165.0	165.0	165.0
Interest liabilities on High Yield Bond	3.4	3.4					3.4	3.4
Liabilities due to banks								
Revolving Credit Facility	50.3	17.0					50.3	17.0
Liabilities to related companies								
Subsidiaries	2.5						2.5	
Other companies	0.1	0.3					0.1	0.3
Other financial liabilities								
Finance lease liabilities	2.7	2.6	20.3	22.2	27.3	28.4	50.3	53.2
Loan from the province of British Columbia to MTU Maintenance Canada			13.8	14.2			13.8	14.2
	59.0	23.3	**34.1**	36.4	**192.3**	193.4	**285.4**	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, € 50.3 million was drawn down as a bank overdraft and € 26.5 million was used for bank guarantees of behalf of third parties at June 30, 2006.

28. Other Liabilities

	Current		Non-current					
	Due within one year		Due in more than one year and less than five years		Due in more than five years		Total	Total
€ million	June 30, 2006	Dec. 31, 2005	June 30, 2006	Dec. 31, 2005	June 30, 2006	Dec. 31, 2005	June 30, 2006	Dec. 31, 2005
Advance payments from customers	352.0	317.3	113.7	113.7			465.7	431.0
Liabilities to related companies								
Non-consolidated subsidiaries	5.0	4.9					5.0	4.9
Joint ventures		5.0						5.0
Other companies	88.8	51.7					88.8	51.7
Taxes payable	15.5	4.9					15.5	4.9
Social security	1.6	10.8					1.6	10.8
Employees	46.9	43.1	8.3	7.1			55.2	50.2
Market value of derivatives / Interest rate swaps	0.6	19.5	1.6	13.4			2.2	32.9
Sundry Other liabilities	17.5	14.3	7.9	7.2	2.6	2.6	28.0	24.1
	527.9	471.5	**131.5**	141.4	**2.6**	2.6	**662.0**	615.5

29. Deferred Tax Liabilities

Deferred Tax Liabilities June 30, 2006 € million	Due in more than one year	Total June 30, 2006
Deferred tax liabilities	268.0	268.0
	268.0	**268.0**

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 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 six months of 2006 and for the second 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 June 30, 2006	Q 2 2006	Jan. 1 to June 30, 2006	Q 2 2006	Jan. 1 to June 30, 2006	Q 2 2006	Jan. 1 to June 30, 2006	Q 2 2006
Revenues with third parties	**684.4**	**338.6**	**464.1**	**245.1**			**1,148.5**	**583.7**
- Civil	480.0	236.5	464.1	245.1			944.1	481.6
- Military	204.4	102.1					204.4	102.1
Revenues with other segments	**5.4**	**2.9**	**3.9**	**1.8**	**-9.3**	**-4.7**	**0.0**	**0.0**
- Civil	5.4	2.9	3.9	1.8	-9.3	-4.7	0.0	0.0
- Military								0.0
Total revenues	**689.8**	**341.5**	**468.0**	**246.9**	**-9.3**	**-4.7**	**1,148.5**	**583.7**
- Civil	485.4	239.4	468.0	246.9	-9.3	-4.7	944.1	481.6
- Military	204.4	102.1					204.4	102.1
Cost of sales	**-581.3**	**-279.9**	**-403.5**	**-214.0**	9.3	4.7	**-975.5**	**-489.2**
Gross profit	**108.5**	**61.6**	**64.5**	**32.9**	0.0	0.0	**173.0**	**94.5**
Result before financial result (EBIT)	**53.5**	**29.8**	**36.5**	**20.5**	-1.3	-1.1	**88.7**	**49.2**
Depreciation and amortization	**45.6**	**22.2**	**15.9**	**8.2**			**61.5**	**30.4**
Earnings before interest, tax, depreciation and amortization (EBITDA)	**99.1**	**52.0**	**52.4**	**28.7**	-1.3	-1.1	**150.2**	**79.6**
Adjusted earnings before interest, tax, depreciation and amortization (EBITDA adjusted)	**91.0**	**47.9**	**52.4**	**28.7**	-1.3	-1.1	**142.1**	**75.5**
Financial result	**-7.3**	**-3.2**	**-1.4**	**-0.6**	-3.6	-1.7	**-12.3**	**-5.5**
Share of profit/loss of joint ventures accounted for using the equity method			**0.4**	**-0.4**			**0.4**	**-0.4**
Internal allocations	-4.6	-2.3	4.6	2.3			0.0	0.0
Earnings before tax (EBT)	**41.6**	**24.3**	**40.1**	**21.8**	-4.9	-2.8	**76.8**	**43.3**
Pre-tax return on sales %	**6.0**	**7.1**	**8.6**	**8.8**			**6.7**	**7.4**

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 June 30, 2005	Q 2 2005	Jan. 1 to June 30, 2005	Q 2 2005	Jan. 1 to June 30, 2005	Q 2 2005	Jan. 1 to June 30, 2005	Q 2 2005
Revenues with third parties	**677.4**	**339.0**	**348.3**	**177.0**			**1,025.7**	**516.0**
- Civil	474.6	236.8	348.3	177.0			822.9	413.8
- Military	202.8	102.2					202.8	102.2
Revenues with other segments	**5.4**	**1.8**	**2.9**	**1.6**	**-8.3**	**-3.4**	**0.0**	**0.0**
- Civil	5.4	1.8	2.9	1.6	-8.3	-3.4	0.0	0.0
- Military							0.0	0.0
Total revenues	**682.8**	**340.8**	**351.2**	**178.6**	**-8.3**	**-3.4**	**1,025.7**	**516.0**
- Civil *)	480.0	238.6	351.2	178.6	-8.3	-3.4	822,9	413.8
- Military	202.8	102.2					202,8	102.2
Cost of sales	**-597.9**	**-305.1**	**-319.6**	**-161.5**	9.2	3.7	**-908.3**	**-462.9**
Gross profit	**84.9**	**35.7**	**31.6**	**17.1**	0.9	0.3	**117.4**	**53.1**
Result before financial result (EBIT)	**39.2**	**16.0**	**13.5**	**7.4**	-1.8	-2.4	**50.9**	**21.0**
Depreciation and amortization	**50.7**	**25.4**	**16.1**	**8.1**			**66.8**	**33.5**
Earnings before interest, tax, depreciation and amortization (EBITDA)	**89.9**	**41.4**	**29.6**	**15.5**	-1.8	-2.4	**117.7**	**54.5**
Adjusted earnings before interest, tax, depreciation and amortization (EBITDA adjusted)	**74.5**	**34.2**	**29.6**	**15.5**	-1.8	-2.4	**102.3**	**47.3**
Financial result	**-32.6**	**-14.2**	**-0.5**	**-0.2**	-6.5	-3.5	**-39.6**	**-17.9**
Share of profit/loss of joint ventures accounted for using the equity method			**0.5**	**0.5**			**0.5**	**0.5**
Internal allocations	-2.1	-1.0	2.1	1.0			0.0	0.0
Earnings before tax (EBT)	**4.5**	**0.8**	**15.6**	**8.7**	-8.3	-5.9	**11.8**	**3.6**
Pre-tax return on sales %	**0.7**	**0.2**	**4.4**	**4.9**			**1.2**	**0.7**

*) The adjusted revenues amounted € 461.7 million, because ATENA Engineering GmbH, Munich was no longer consolidated.

Financial Calendar

Financial Calendar

Conference call on results for the first six months of 2006	**July 26, 2006**
2006 Investor and Analyst Conference	**Sept. 28, 2006**
Conference call on results for the third quarter 2006	**Oct. 25, 2006**

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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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