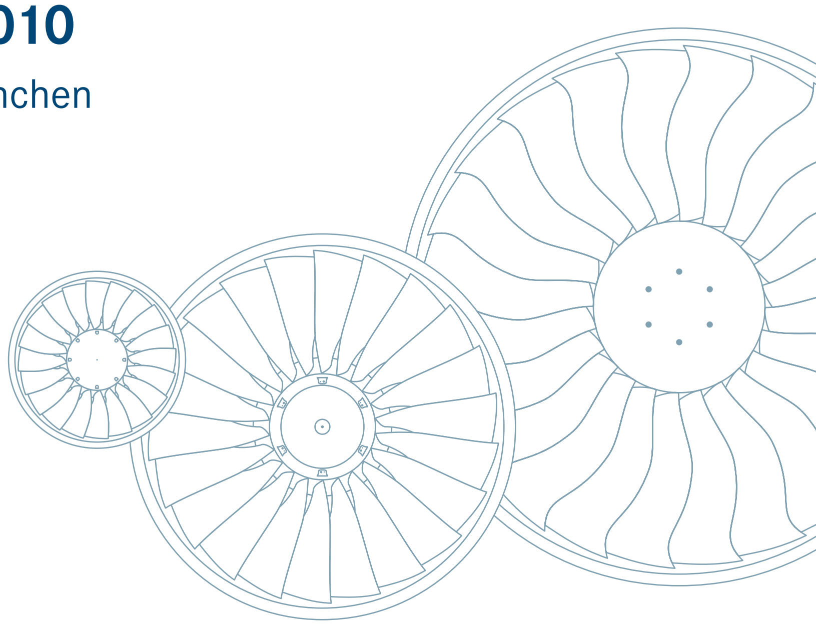
Half-Yearly Financial Report January 1 to June 30, 2010

MTU Aero Engines Holding AG, München



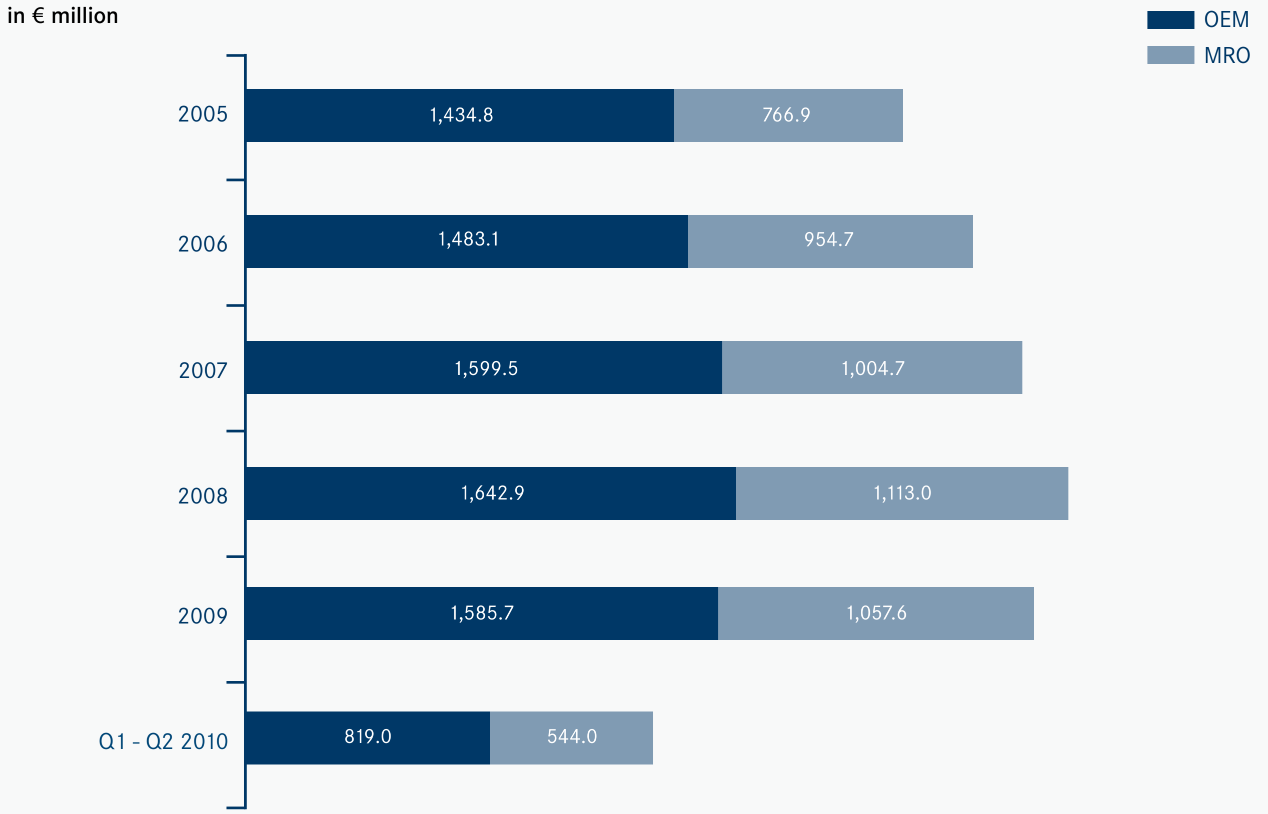
Contents

Key Facts and Figures for the Group

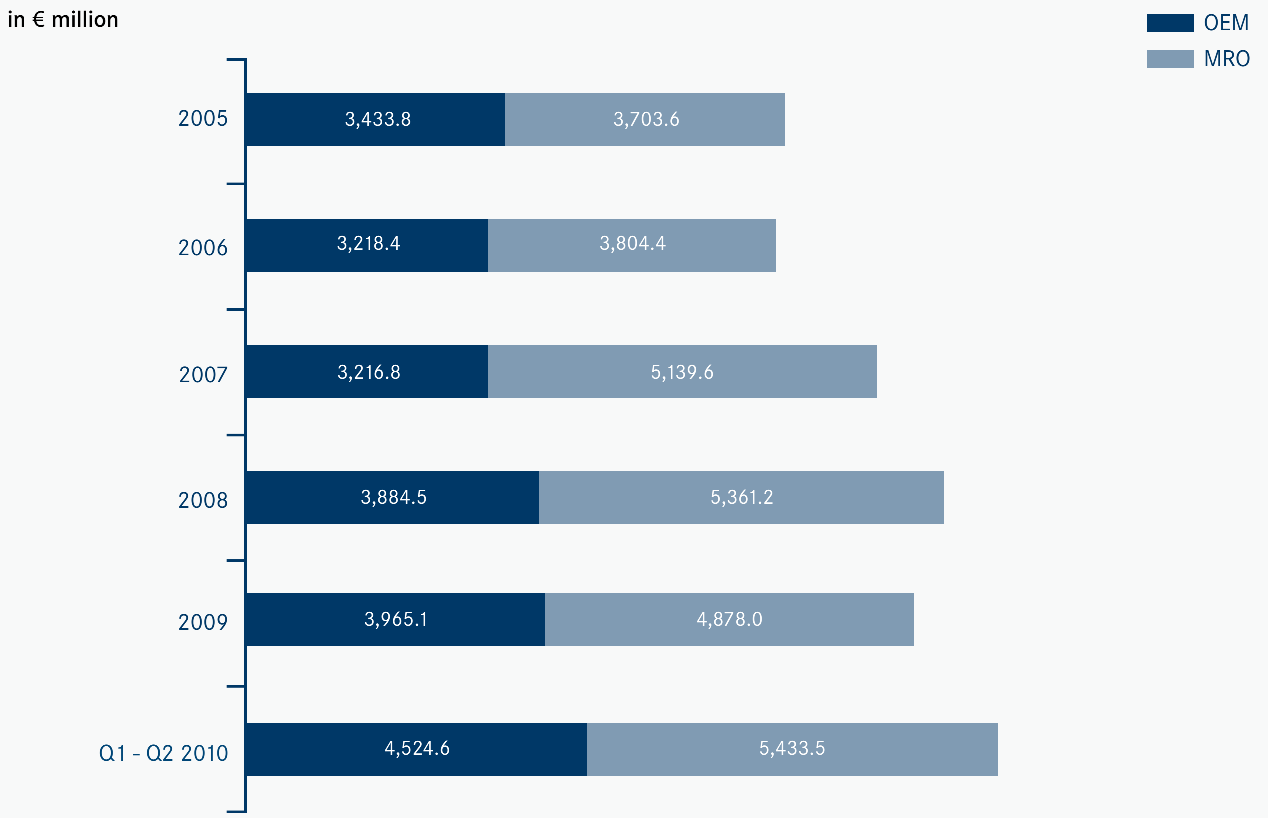
in € million (unless otherwise specified)	2010	2009	Change against previous year in € million	in %
Income Statement				
Revenues	1,348.8	1,376.0	-27.2	-2.0
Gross profit	245.1	216.7	28.4	13.1
Earnings before interest and taxes (EBIT)	122.2	114.2	8.0	7.0
Adjusted earnings before interest and taxes (EBIT adjusted)	144.1	137.1	7.0	5.1
Earnings before taxes (EBT)	86.9	93.6	-6.7	-7.2
Earnings after taxes (EAT)	60.6	55.7	4.9	8.8
Basic earnings per share (in €)	1.24	1.14	0.10	8.8
Diluted earnings per share (in €)	1.21	1.12	0.09	8.0
Growth rates in %				
Revenues	-2.0	9.5		
Gross profit	13.1	-1.5		
Adjusted earnings before interest and taxes (EBIT adjusted)	5.1	-12.6		
Earnings before taxes (EBT)	-7.2	-22.3		
Earnings after taxes (EAT)	8.8	-30.7		
Basic earnings per share (in €)	8.8	-29.2		
Diluted earnings per share (in €)	8.0	-28.2		
Revenue margins in %				
Earnings before interest and taxes (EBIT)	9.1	8.3		
Adjusted earnings before interest and taxes (EBIT adjusted)	10.7	10.0		
Earnings before taxes (EBT)	6.4	6.8		
Earnings after taxes (EAT)	4.5	4.0		
Balance Sheet (previous year: December 31)				
Intangible assets	1,239.1	1,248.2	-9.1	-0.7
Property, plant and equipment	551.8	556.7	-4.9	-0.9
Financial assets	76.5	26.5	50.0	> 100
Working capital	114.4	147.6	-33.2	-22.5
Cash and cash equivalents	153.3	120.8	32.5	26.9
Pension provisions	418.3	411.6	6.7	1.6
Other provisions	438.0	421.1	16.9	4.0
Financial liabilities	346.4	279.8	66.6	23.8
Deferred taxes, current tax liabilities	254.2	279.4	-25.2	-9.0
Equity	695.3	730.7	-35.4	-4.8
Net debt	128.5	142.4	-13.9	-9.8
Order backlog and value of MRO contracts (order volume) (previous year: December 31)	**9,958.1**	**8,843.1**	**1,115.0**	**12.6**
Commercial and Military Engine business (OEM) *)	4,524.6	3,965.1	559.5	14.1
Commercial Maintenance business (MRO) *)	5,433.5	4,878.0	555.5	11.4
Cash flow				
Cash flow from operating activities	169.0	119.8	49.2	41.1
Cash flow from investing activities	-71.7	-53.1	-18.6	-35.0
Free cash flow	125.1	66.7	58.4	87.6
Free cash flow margin (in %)	9.3	4.8		
Cash flow from financing activities	-70.8	-24.4	-46.4	< -100
Change in cash and cash equivalents	32.5	39.6	-7.1	-17.9
Number of employees at quarter end	**7,739**	**7,555**	**184**	**2.4**
Commercial and Military Engine business (OEM)	4,867	4,879	-12	-0.2
Commercial Maintenance business (MRO)	2,872	2,676	196	7.3

*) before consolidation

Revenues by segment (before consolidation)

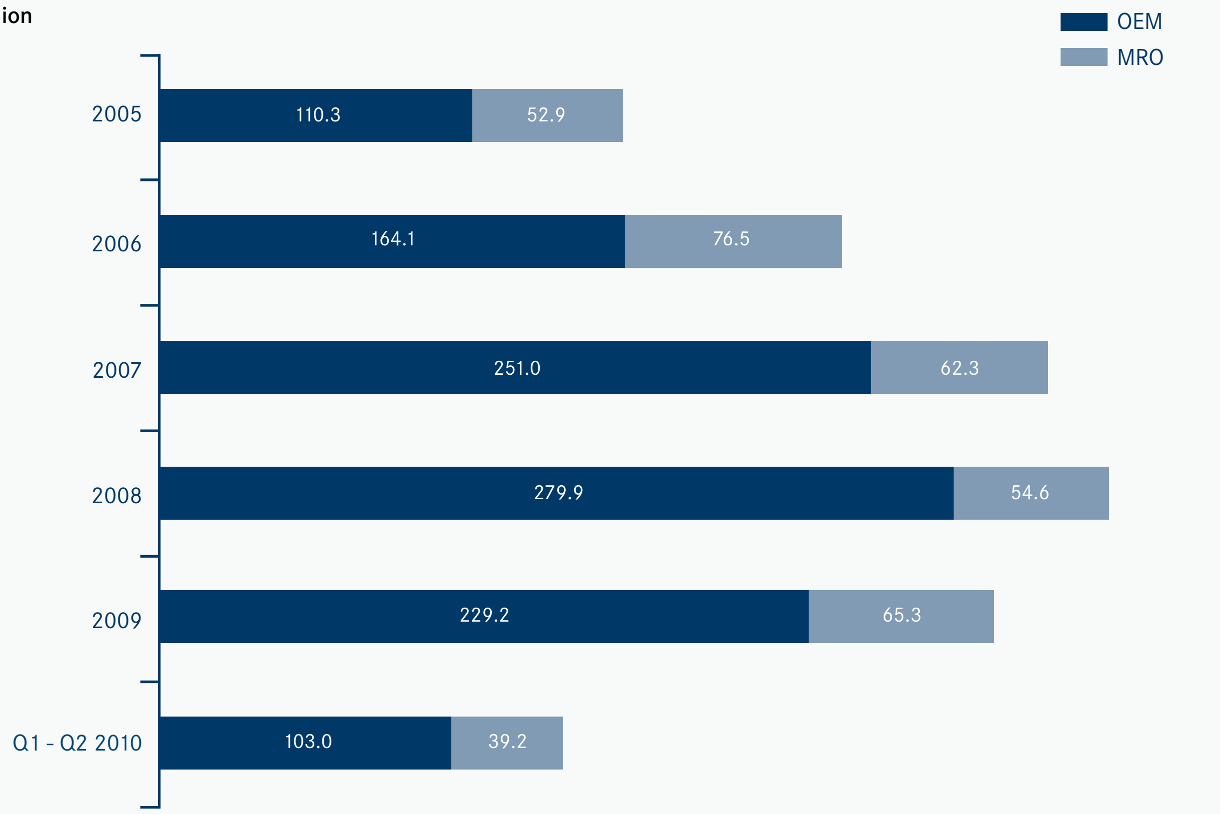


Order backlog and value of MRO contracts by segment (before consolidation)

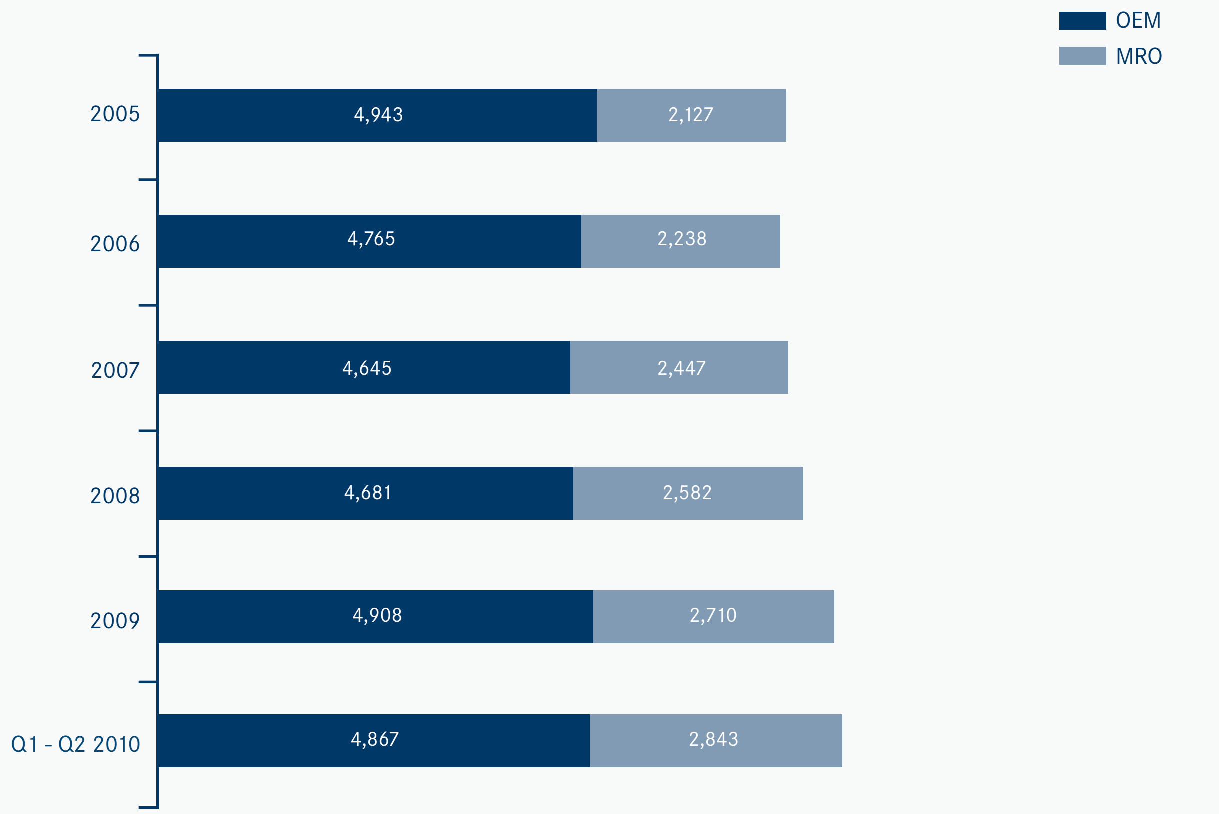


EBIT adjusted by segment (before consolidation)

in € million



Average number of employees including trainees by segment



General Economic Environment

Air traffic has witnessed impressive growth rates since the end of 2009. The volcanic outbreak in April 2010 only had the effect of delaying the upswing slightly. In the meantime air traffic volumes are higher than before the crisis, both in passenger number and freight volume terms.

According to IATA, passenger numbers increased worldwide by 11.7 % in May 2010 and 7.2 % during the first five months of the year. This overall positive development varied from region to region: North America and Europe only grew moderately, at rates of 10.9 % and 8.3 % respectively. Other regions, however, recovered more quickly: Asia (+13.2 %), Africa (+16.9 %), Latin America (+23.6 %) and the Middle East (+17.5 %). The upswing was fuelled by the growing number of business travellers, a post-recession increased demand for private travel and the replenishing of stocks used in world trade. IATA forecasts an overall growth rate of 7.1 % in passenger travel worldwide for 2010.

International freight traffic grew by over 30 % in nearly all regions in May. With a growth rate of 21.9 %, Europe lagged behind the worldwide trend. The recovery was primarily driven by cyclical waves in demand coming from the manufacturing sector and renewed economic vitality, particularly in Asia. According to IATA, the volume of international freight traffic should grow by 18.5 % in 2010.

Capacities (i.e. the number of “seat kilometers” or “ton kilometers”) grew at slower rates than actual traffic volumes, rising for passenger flights and freight volumes by 4.8 % and 12.3 % respectively. These key indicators are important for assessing demand for MRO and spare parts business. IATA estimates that capacities will grow by 5.4 % in 2010, with the main contribution to growth coming from freight tons rather than seat kilometers.

IATA expects airline revenues to rise by 13 % to US dollar 545 billion in 2010, with earnings in the region of US dollar 2.5 billion. Back in March 2010, the IATA had forecast that revenues would grow by only 9 % to USD 522 billion, generating losses of some US dollar 2.8 billion. The rapid recovery is attributable to increased demand, higher ticket prices and better capacity utilization of aircraft.

The oil price stabilized at just under US dollar 80 per barrel during the first half of the year. Forecasts for 2011 are for a slightly higher price.

The order backlogs and production rates of Airbus and Boeing remained stable during the first six months of 2010. According to the Ascend online database, the order-book of the two manufacturers stood at 6,700 commercial aircraft at June 15, 2010. The two companies plan to build around 960 aircraft in 2010. This would be about the same as the level in 2009 when 978 commercial aircraft were delivered. Airbus and Boeing have even announced a slight increase in production rates for the A320, 737NG, 747 and 777 models over the next two years.

The situation remains extremely tense in the area of business jets: production fell in 2009 by 30 % compared to the previous year, with a further decrease of 15 % during the first half of 2010. The small aircraft models continue to be the most greatly affected. Any upswing in this area will depend on there being a substantial worldwide economic recovery. The critical factor for the industry remains the limited availability of capital. A turnaround in this respect is only expected in 2011.

1 The enterprise MTU

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

1.1 Business activities and markets

MTU supports manufacturers and operators of commercial and military aircraft engines and aero-derivative industrial gas turbines throughout the entire lifecycle of these products, offering services ranging from development and manufacturing to distribution and maintenance.

The company is a technological leader in low-pressure turbines, high-pressure compressors, repair techniques and manufacturing processes. MTU is an influential partner in all major technology programs at national and international levels, and cooperates with the top names in the industry – General Electric, Pratt & Whitney und Rolls-Royce.

MTU is the world’s largest independent provider of MRO services for commercial aero engines. In the military sector, it has been the leading company in the national market and the German armed force’s industrial partner for many decades.

MTU’s two operating segments are the OEM business (Original Equipment Manufacturing) and the MRO business (Maintenance, Repair and Overhaul).

OEM business

The OEM business covers new commercial engine business, the supply of spare parts for commercial aircraft and the whole of the company’s military business (new engines, spare parts and maintenance).

MTU is a risk- and revenue-sharing partner in major commercial engine programs. This means that the company carries full responsibility for the components and modules it designs and manufactures – and also the financial risk. MTU receives a percentage of sales revenues in proportion to its stake in the respective program.

MTU’s products for the commercial aero engine market cover all thrust and power categories and the most important components and subsystems. The company designs and manufactures modules and carries out final assembly work on complete engines. The focus of MTU’s work on engine modules lies on low-pressure turbines and high-pressure compressors. MTU also develops and manufactures industrial gas turbines (IGTs). The commercial aero engines currently of greatest importance, alongside the long-serving CF6 and PW2000, are the GP7000 for the Airbus A380, the V2500 engine which powers the Airbus A320 family, and the business jet engines PW300 and PW500. Significant future-oriented programs are the PW1000G geared turbofan family, destined for the Mitsubishi Regional Jet, the Bombardier CSeries and the Irkut MS-21, and the GEnx engine for the Boeing 787 and 747-8.

For the military engine market, MTU supplies basic technologies, develops and manufactures engine modules and components, manufactures spare parts, is responsible for engine final assembly and carries out maintenance work. Other services include providing technical and logistical support for MTU products and training military personnel and civilians employed by the armed forces. The company’s customers also include the air forces of many different nations. As lead industrial partner to the German armed forces, MTU provides service support for virtually every type of aero engine in service with the airborne units. It is also the German partner in all major military engine programs at European level. Examples include the EJ200 Eurofighter engine, the RB199 for the Tornado, the TP400-D6 for the A400M military transporter, and the MTR390 engine, as well as the more powerful MTR390 Enhanced Version which powers the Tiger combat helicopter. In the U.S. military market – the largest in the world – MTU is a risk- and revenue-sharing partner in America’s F414, F404 and F110 aircraft engine and GE38 helicopter engine programs.

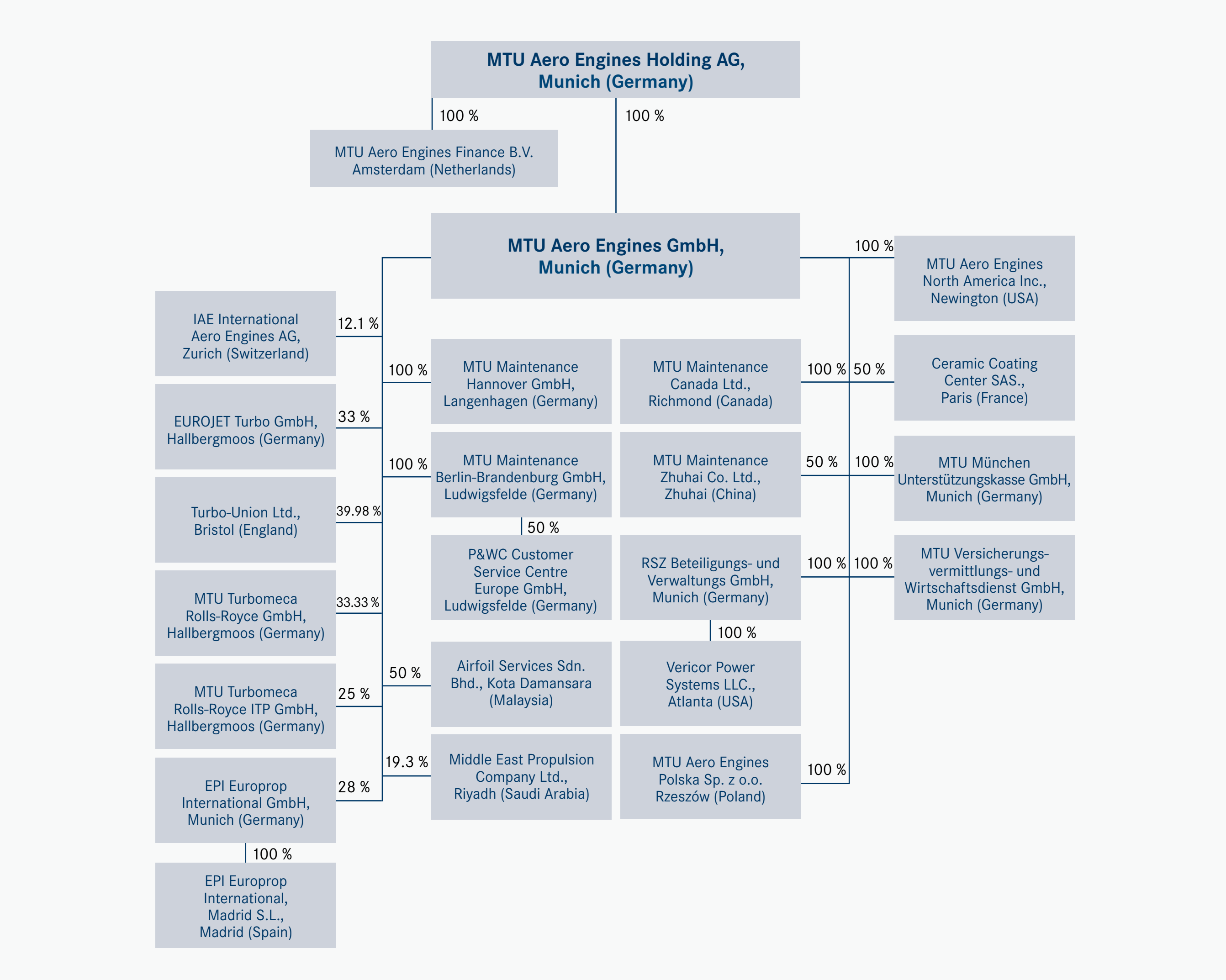
MRO business

The MRO business covers all of MTU’s commercial maintenance activities; these are organized under the umbrella of MTU Maintenance. The MTU Maintenance companies operate facilities in all the major markets and are collectively the world’s largest independent provider of commercial maintenance services. They repair and overhaul aircraft engines and industrial gas turbines, offering an extensive range of services and one-stop solutions. The most significant programs are the V2500 for the Airbus A320 family, the CF6 deployed in widebody jets such as the A330 and the Boeing 747, the CF34 business and regional jet engine, and the LM series of gas turbines. Customers include airlines and stationary gas turbine operators all over the world.

1.2 Group structure, locations and organization

MTU Aero Engines Holding AG, Munich, is the parent company of the MTU group. Its functions are largely those of a holding company, with the main focus on corporate strategy, risk management and corporate finance. The holding company is also responsible for maintaining contact with the business environment, the capital markets and, most importantly, shareholders. MTU Aero Engines Holding AG, Munich, together with the subsidiaries, joint ventures and other investee entities has a worldwide presence in all important markets and regions. Details of shareholdings in group companies can be found in the notes to the consolidated financial statements (section 2, Consolidated companies) in the Annual Report 2009.

Structure of the MTU Group



The MTU group's headquarters and its main manufacturing site are located in Munich. The global network of subsidiaries, maintenance activities and the group's research and development activities are controlled from there. The Munich plant develops, manufactures, tests and markets commercial and military engine components and modules, develops new manufacturing processes and repair techniques, and assembles and repairs military engines.

All the company's commercial MRO activities are pooled under MTU Maintenance. MTU Maintenance Hannover, based in Langenhagen, is the largest maintenance plant in the MTU network. It supports mid-sized and large commercial engines and provides services such as customer training and a 24-hour service. Small engines and industrial gas turbines are supported by MTU Maintenance Berlin-Brandenburg, located at Ludwigsfelde near Berlin, which also assembles the TP400-D6 production engines for the A400M military transporter.

Further information concerning the activities of the group's foreign subsidiaries is provided in the Annual Report 2009 (pages 32 and 33).

Explanatory comments on the organization and on the company's situation

The legal corporate structure of MTU Aero Engines Holding AG, Munich, did not change during the first six months of 2010. MTU Aero Engines Holding AG, Munich, does not have any operating activities of its own. It serves as a management holding, managing the affairs of the MTU Group across functions. The parent company's revenues of € 5.1 million all relate to income generated from performing holding company functions. Administrative and organizational processes also remained unchanged. No changes were planned before the Half-yearly Financial Report goes to press.

From an organizational point of view, MTU Aero Engines Holding AG, Munich, is divided into four decision-making units, corresponding to the portfolios of the Board of Management members.

- Egon Behle is Chairman of the Management Board and is responsible for corporate departments. This includes responsibility for the Commercial and Military Engine programs, Corporate Development and Corporate Communication, as well as Legal and Intellectual Property Management, Corporate Audit and Enterprise Security.

- Dr. Rainer Martens is board member responsible for Technology. This covers the areas Development, Technology, Production and Military Maintenance. Other areas falling under his remit are Production Development, Materials Management, Purchases and Logistics and Quality. The managing director of MTU Aero Engines Polska Sp. z o.o., Rzeszów, Poland also reports to him directly.

- Dr. Stefan Weingartner is responsible for the company's commercial maintenance operations. The two maintenance sites of MTU (Vericor Power Systems and the Business Development MRO department) report to him directly.

- Reiner Winkler is, as the company's CFO, responsible for Finance, Accounting, Taxes, Controlling, Information Technology, Investor Relations and Human Resources. He also serves as the company's Industrial Relations Director.

For information relating to legal risks faced by the MTU Group, reference is made to the Group Management Report published in the Annual Report 2009 (section 6, Risk Report). The situation remains as described in that document: there are currently no significant legal risks.

Adjusted for the foreign exchange rates impact there have been no significant changes in prices and conditions on the procurement and sales markets during the first six months of the financial year 2010.

MTU's business model is focused on the long term. The life-cycle of an engine – from the research phase through to spare parts business – generally covers more than 40 years. During the financial year 2008, MTU acquired a range of participations in new engine programs based on risk-and-revenue-sharing arrangements (RRSP). These programs have been continuously developed since 2009. For information on the new engine programs, reference is made to section 1.4.3 Technologies for engine products of the future, of the Group Management Report in the Annual Report 2009.

2 Research and Development

Technological changes within the aviation sector take place at an extremely rapid pace and require a continuous source of innovation. Research and development expenditure will remain at a high level during the financial years 2010 and 2011. Expenditure on research and development during the first six months of the year totalled € 107.8 million, mostly relating to new engine programs. The research and development ratio – measured as R&D expenditure divided by revenues – increased by 1.2 percentage points to 8.0 % (January - June 2009: 6.8 %).

Research and development expenses

	Jan. 1 to June 30, 2010 in € million	Jan. 1 to June 30, 2009 in € million	Change against previous year in € million	in %
Commercial Engine business (OEM)	58.9	49.1	9.8	20.0
Military Engine business (OEM)	43.0	38.0	5.0	13.2
	101.9	**87.1**	**14.8**	**17.0**
Commercial Maintenance business (MRO)	**5.9**	**6.8**	**-0.9**	-13.2
Research and development (before amounts capitalized)	**107.8**	**93.9**	**13.9**	**14.8**
R&D ratio (as % of revenues)	8.0	6.8	1.2	

The amounts invested are sub-divided into company-funded and externally funded R&D expenditure. Company-funded expenditure is borne by the group whereas externally funded expenditure is paid for by customers. Company-funded expenditure is reported in the table below and in section 8 of the Selected Explanatory Notes to the Interim Consolidated Financial Statements as R&D expense. Externally funded R&D activities are accounted for as construction contract receivables or payables in accordance with IAS 11 due to the fact that the work is commissioned specifically by national and international consortia. R&D expenses of € 107.8 million (January - June 2009: € 93.9 million) included € 70.1 million (January – June 2009: € 53.1 million) relating to company-funded R&D expenditure. Of this amount, € 64.2 million (January - June 2009: € 46.3 million) related to Commercial and Military Engines business (OEM). A total of € 7.4 million (January - June 2009: € 3.5 million) relating to the GE38 and GEnx engine programs was recognized as capitalized developments costs.

The expense for Commercial Maintenance business during the six-month period was € 5.9 million (January - June 2009: € 6.8 million).

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

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

	Jan. 1 to June 30, 2010 in € million	Jan. 1 to June 30, 2009 in € million	Change against previous year in € million	in %
Commercial Engine business (OEM)	50.0	41.9	8.1	19.3
Military Engine business (OEM)	14.2	4.4	9.8	> 100
	64.2	**46.3**	**17.9**	**38.7**
Commercial Maintenance business (MRO)	5.9	6.8	-0.9	-13.2
Own financed R&D expenditure	**70.1**	**53.1**	**17.0**	**32.0**
Thereof:				
Capital expenditure on capitalisable assets				
Commercial and Military Engine business (OEM)	-7.4	-3.5	-3.9	< -100
Commercial Maintenance business (MRO)	-2.0	-2.0		
Total capitalized	**-9.4**	**-5.5**	**-3.9**	**-70.9**
Research and development expenses per income statement	**60.7**	**47.6**	**13.1**	**27.5**

3 Financial Situation

3.1 Key figures at a glance

Key figures at a glance January - June (Q1 - Q2)	Jan. 1 to June 30, 2010 in € million	Jan. 1 to June 30, 2009 in € million	Change against previous year in € million	in %
Revenues	**1,348.8**	**1,376.0**	**-27.2**	**-2.0**
Cost of sales	-1,103.7	-1,159.3	55.6	4.8
Gross profit	**245.1**	**216.7**	**28.4**	**13.1**
Other expenses allocated to functions	-122.9	-102.5	-20.4	-19.9
Earnings before interest and taxes (EBIT)	**122.2**	**114.2**	**8.0**	**7.0**
Write-downs on assets resulting from PPA	21.9	22.9	-1.0	-4.4
Adjusted earnings before interest and taxes (EBIT adjusted)	**144.1**	**137.1**	**7.0**	**5.1**
Financial result	-35.3	-20.6	-14.7	-71.4
Earnings before taxes (EBT)	**86.9**	**93.6**	**-6.7**	**-7.2**
Income taxes	-26.3	-37.9	11.6	30.6
Earnings after taxes (EAT)	**60.6**	**55.7**	**4.9**	**8.8**

Consolidated Statement of Comprehensive Income January - June (Q1 - Q2)	Jan. 1 to June 30, 2010 in € million	Jan. 1 to June 30, 2009 in € million	Change against previous year in € million	in %
Earnings after taxes (EAT)	**60.6**	**55.7**	**4.9**	**8.8**
Income and expenses recognized directly in equity	-50.8	5.2	-56.0	< -100
Comprehensive income for the period	**9.8**	**60.9**	**-51.1**	**-83.9**

Key figures at a glance April - June (Q2)	Q2 2010 in € million	Q2 2009 in € million	Change against previous year in € million	in %
Revenues	**708.6**	**682.9**	**25.7**	**3.8**
Cost of sales	-578.6	-585.0	6.4	1.1
Gross profit	**130.0**	**97.9**	**32.1**	**32.8**
Other expenses allocated to functions	-65.6	-47.4	-18.2	-38.4
Earnings before interest and taxes (EBIT)	**64.4**	**50.5**	**13.9**	**27.5**
Write-downs on assets resulting from PPA	10.9	11.4	-0.5	-4.4
Adjusted earnings before interest and taxes (EBIT adjusted)	**75.3**	**61.9**	**13.4**	**21.6**
Financial result	-26.0	0.1	-26.1	< -100
Earnings before taxes (EBT)	**38.4**	**50.6**	**-12.2**	**-24.1**
Income taxes	-10.4	-25.9	15.5	59.8
Earnings after taxes (EAT)	**28.0**	**24.7**	**3.3**	**13.4**

Consolidated Statement of Comprehensive Income April - June (Q2)	Q2 2010 in € million	Q2 2009 in € million	Change against previous year in € million	in %
Earnings after taxes (EAT)	**28.0**	**24.7**	**3.3**	**13.4**
Income and expenses recognized directly in equity	-38.1	22.4	-60.5	< -100
Comprehensive income for the period	**-10.1**	**47.1**	**-57.2**	**< -100**

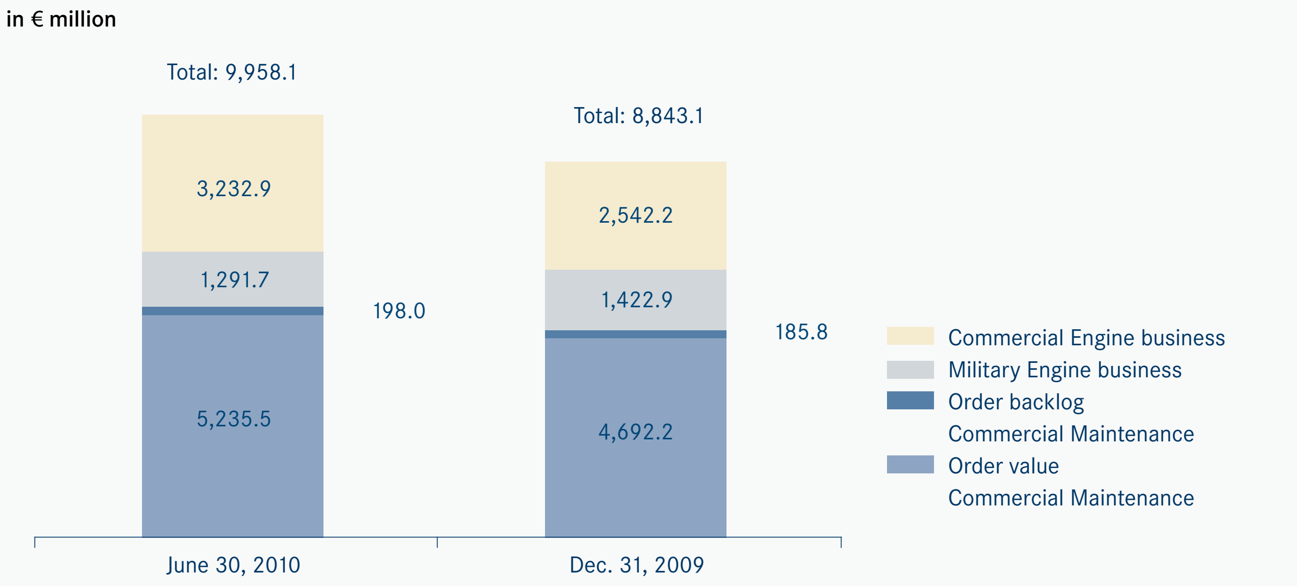
3.2 Order backlog and value of MRO contracts (order volume)

MTU's order backlog consists of firm orders placed directly by customers which commit the group to delivering products or providing services. Orders for maintenance work to be performed under the contractual terms of long-term service agreements are not included in the order backlog for the commercial MRO business. In order to obtain a picture of the economic value of the total contracted order volume and the corresponding degree of capacity utilization, the figures for the contracted value of service agreements in the commercial MRO business are disclosed separately in addition to the backlog for Commercial and Military Engine business (OEM) and the Commercial Maintenance business (MRO).

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

	June 30, 2010 in € million	Dec. 31, 2009 in € million	Change against previous year in € million	in %
Commercial Engine business	3,232.9	2,542.2	690.7	27.2
Military Engine business	1,291.7	1,422.9	-131.2	-9.2
Commercial and Military Engine business (OEM)	**4,524.6**	**3,965.1**	**559.5**	**14.1**
Order backlog Commercial Maintenance	198.0	185.8	12.2	6.6
Order value Commercial Maintenance	5,235.5	4,692.2	543.3	11.6
Commercial Maintenance business (MRO)	**5,433.5**	**4,878.0**	**555.5**	**11.4**
Total	**9,958.1**	**8,843.1**	**1,115.0**	**12.6**

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



The group's order backlog including the value of MRO contracts (order volume) at June 30, 2010 totalled € 9,958.1 million (unconsolidated basis) and was therefore € 1,115.0 million (12.6 %) higher than at December 31, 2009.

The order backlog for Commercial Engine business increased by € 690.7 million compared to December 31, 2009, while the Military Engine business order book decreased by € 131.2 million during the same period. By contrast, the backlog including value of MRO contracts at June 30, 2010 was € 555.5 million higher than at December 31, 2009.

The order backlog at June 30, 2010 corresponds to a workload of in excess of three years. Excluding the value of MRO contracts, the backlog corresponds to a workload of approximately one and a half years.

3.3 Operating results, financial situation and net assets

Group operating results for the period from January 1 to June 30, 2010

Revenues

Revenues for the period from January 1 to June 30, 2010 fell by € 27.2 million (2.0 %) to € 1,348.8 million. Adjusted for the US dollar impact (i.e. using the same exchange rate as in the previous year), group revenues for the six-month period would have decreased by € 30.3 million (2.2 %). While revenues from Commercial and Military Engine business (OEM) increased by € 16.9 million (2.1 %) to € 819.0 million, revenues from Commercial Maintenance business (MRO) decreased by € 45.0 million (7.6 %) to € 544.0 million.

Commercial Engine business revenues were virtually unchanged compared to the corresponding period last year. Revenues from Military Engine business were € 17.4 million higher than one year earlier, mainly as a result of contract production for the EJ200 engine program.

Cost of sales and gross profit

Cost of sales for the first six months of 2010 decreased by € 55.6 million (4.8 %) to € 1,103.7 million, with cost of sales down by € 5.2 million (0.8 %) to € 644.6 million for Commercial and Military Engine business and down by € 49.9 million (9.5 %) to € 475.9 million for Commercial Maintenance business. As a result, the gross profit for the six-month period increased by € 28.4 million (13.1 %) to € 245.1 million.

Research and development expenditure

Research and development expenditure before capitalization of development costs totalled € 70.1 million, corresponding to an increase of € 17.0 million (32.0 %) against the first six months of the previous year. Research and development expenditure related mainly to the GE 38 engine program with General Electric (for the heavy-lift CH53-K transport helicopter manufactured by Sikorsky), the GEnx engine program for the Boeing 787 and 747-8, the PW1524G engine program for Bombardier's C-Series and the PW1217G engine program used to power Mitsubishi Heavy Industries' new regional jet (MRJ).

Amortization and depreciation

Depreciation and amortization included in expense lines by function in the first six months of 2010 – including write-downs on assets resulting from the purchase price allocation (PPA) – totalled € 63.1 million (January – June 2009: € 61.3 million).

Adjusted earnings before interest and taxes (EBIT adjusted)

The effects of the purchase price allocation resulting from the acquisition of the company (including any impairment losses subsequently recorded) are added back to earnings before interest and taxes (EBIT). This gives rise to adjusted earnings before interest and taxes (EBIT adjusted).

The EBIT adjusted for the six-month period increased by € 7.0 million (5.1 %) to € 144.1 million (January - June 2009: € 137.1 million), mainly due to the € 28.4 million improvement in gross profit. The margin at an adjusted EBIT level was 10.7 % (January - June 2009: 10.0 %).

Financial result

The financial result for the first six months of the year was net expense of € 35.3 million (January - June 2009: net expense of € 20.6 million). The deterioration was mainly due to the negative impact of the fair value measurement of derivatives on the one hand and interest expense for liabilities and contingent liabilities on the other, reported within "Financial result on other items".

Earnings before taxes (EBT)

Despite the increase in earnings before interest and taxes (EBIT) for the six-month period, the deterioration in financial result meant that earnings before taxes (EBT) fell by € 6.7 million (7.2 %) to € 86.9 million (January - June 2009: € 93.6 million).

Consolidated statement of comprehensive income

In the consolidated statement of comprehensive income, earnings after taxes (EAT) of € 60.6 million (January - June 2009: € 55.7 million) are reconciled to the comprehensive income for the period of € 9.8 million (January - June 2009: € 60.9 million). Income and expenses recognized directly in equity during the six-month period under report (net of deferred taxes) comprise a negative impact of € 66.2 million (January - June 2009: positive impact of € 9.7 million) from the fair value measurement of derivative financial instruments and a positive impact of € 15.4 million (January – June 2009: negative impact of € 4.5 million) relating to the currency translation of the financial statements of foreign subsidiaries.

Financial position

The principles and objectives of financial management, as described in the Annual Report 2009 (page 80 onwards), remain unchanged.

The main currency used to finance the MTU Group is the Euro. This relates principally to loans, a convertible bond issue, the availability of credit facilities (RCF 2009) and the issue of four promissory notes.

At June 30, 2010, the MTU Group has access to an overdraft facility of € 100.0 million with two banks. Of these credit facilities, € 30.1 million (December 31, 2009: € 27.7 million) were being utilized at June 30, 2010 for guarantees.

MTU's corporate credit rating was measured by Fitch at "BBB-" (investment grade) in that credit agency's announcement on April 19, 2010. The rating issued by Moody´s ("Ba1" with positive outlook) remained unchanged.

Free cash flow

MTU reports free cash flow – defined as the cash flow from operating activities less cash outflow for investments in intangible assets, property, plant and equipment and financial assets – as a key performance indicator. Free cash flow does not include investments in financial assets classified to the category "Non-derivative available-for-sale financial assets (Afs)". This indicator enables investors to assess MTU's ability to generate cash flows from operating activities. With the exception of available-for-sale financial assets (Afs), free cash flow is available to cover fixed and additional free cash outflows not included in the measurement of the indicator (such as for dividend payments or the servicing of liabilities).

Free cash flow, which remains one of the key performance indicators for MTU, increased by € 58.4 million to € 125.1 million for six-month period under report. MTU acquired non-derivative available-for-sale financial assets (Afs) amounting to € 92.8 million during the first six months of the year, of which € 65.0 million (January – June 2009: € 0.0 million) were resold prior to June 30, 2010. These financial assets (Afs) are not included in the calculation of free cash flow since they can be sold at any time and are held as a liquidity reserve.

Financial position

	Jan. 1 to June 30, 2010 in € million	Jan. 1 to June 30, 2009 in € million	Change against previous year in € million	in %
Cash flow from operating activities	169.0	119.8	49.2	41.1
- Cash flow from investing activities	-71.7	-53.1	-18.6	-35.0
+ Cash flow from investments/divestitures in financial assets	27.8		27.8	
Free cash flow	**125.1**	**66.7**	**58.4**	**87.6**
- Cash flow from investments/divestitures in financial assets	-27.8		-27.8	
Cash flow from financing activities	-70.8	-24.4	-46.4	< -100
Exchange rate changes	6.0	-2.7	8.7	> 100
Change in cash and cash equivalents	**32.5**	**39.6**	**-7.1**	**-17.9**
Cash and cash equivalents at				
January 1	120.8	69.9	50.9	72.8
June 30	153.3	109.5	43.8	40.0

Cash flow from operating activities

The cash flow from operating activities for the first six months of 2010 increased by € 49.2 million to € 169.0 million (January - June 2009: € 119.8 million), mainly reflecting improved earnings and lower tax payments.

Cash flow from investing activities

The cash outflow for investing activities for the six-month period was € 71.7 million compared with € 53.1 million in the previous year. Capital expenditure on property, plant and equipment decreased to € 34.9 million (January – June 2009: € 51.6 million). The cash outflow for intangible assets amounted to € 9.5 million (January - June 2009: € 8.0 million) and related mainly to capitalized development costs for the GE38 and GEnx engine programs and for maintenance techniques. Further information of the cash flow from investments in financial assets is provided in the section on free cash flow. Proceeds from the sale of property, plant and equipment during the first six months of 2010 totalled € 3.1 million (January - June 2009: € 6.5 million).

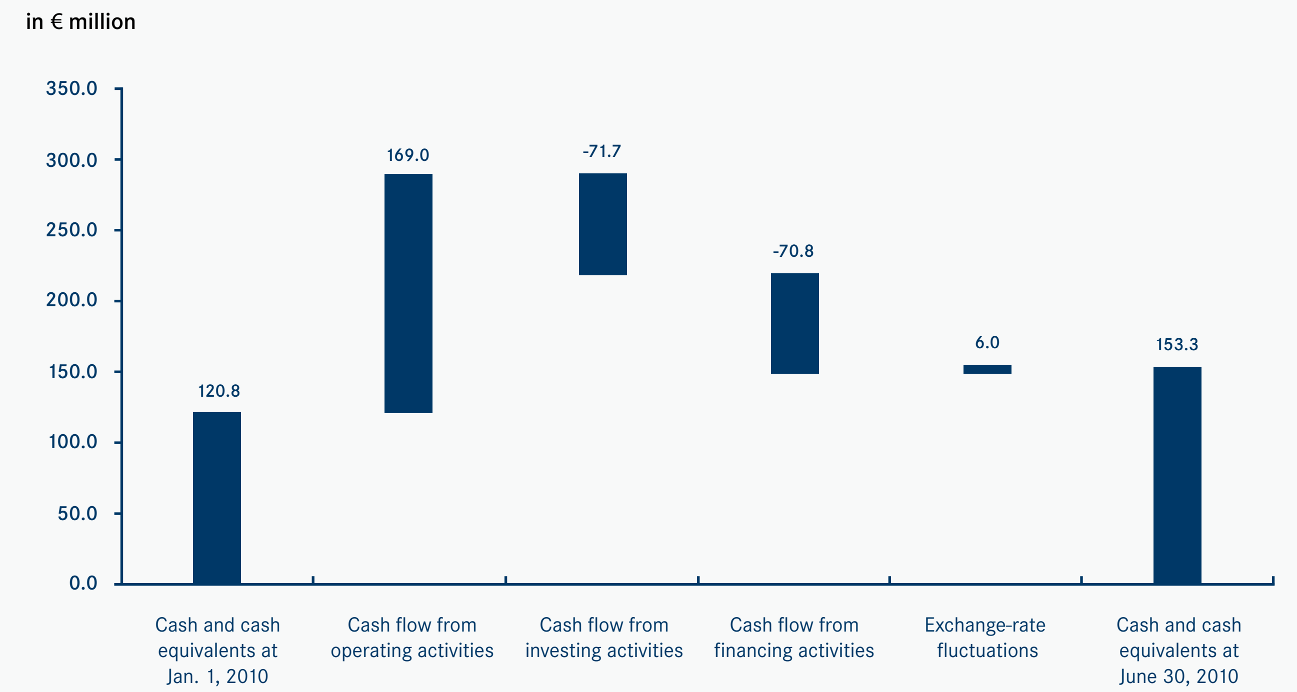
Cash flow from financing activities

The cash outflow from financing activities during the period from January to June 2010 was € 70.8 million compared with a cash outflow of € 24.4 million one year earlier. In addition to the dividend payment made during the period under report (at a similar level to the previous year), an amount of € 30.0 million was used to buy back promissory notes issued in 2009.

Cash and cash equivalents

The various cash flows resulted in an increase in cash and cash equivalents of € 32.5 million (January - June 2009: increase of € 39.6 million). The increase in cash and cash equivalents was primarily attributable to the improved cash flow from operating activities. Further information is provided in the section on free cash flow.

Analysis of cash inflows and outflows



Cash and cash equivalents comprise the following at June 30, 2010:

Cash and cash equivalents

	June 30, 2010 in € million	Dec. 31, 2009 in € million	Change against previous year in € million	in %
Bank balances, cash at hand	142.4	85.4	57.0	66.7
Overnight and fixed term deposits	10.9	35.4	-24.5	-69.2
Total cash and cash equivalents	**153.3**	**120.8**	**32.5**	**26.9**

Net financial debt

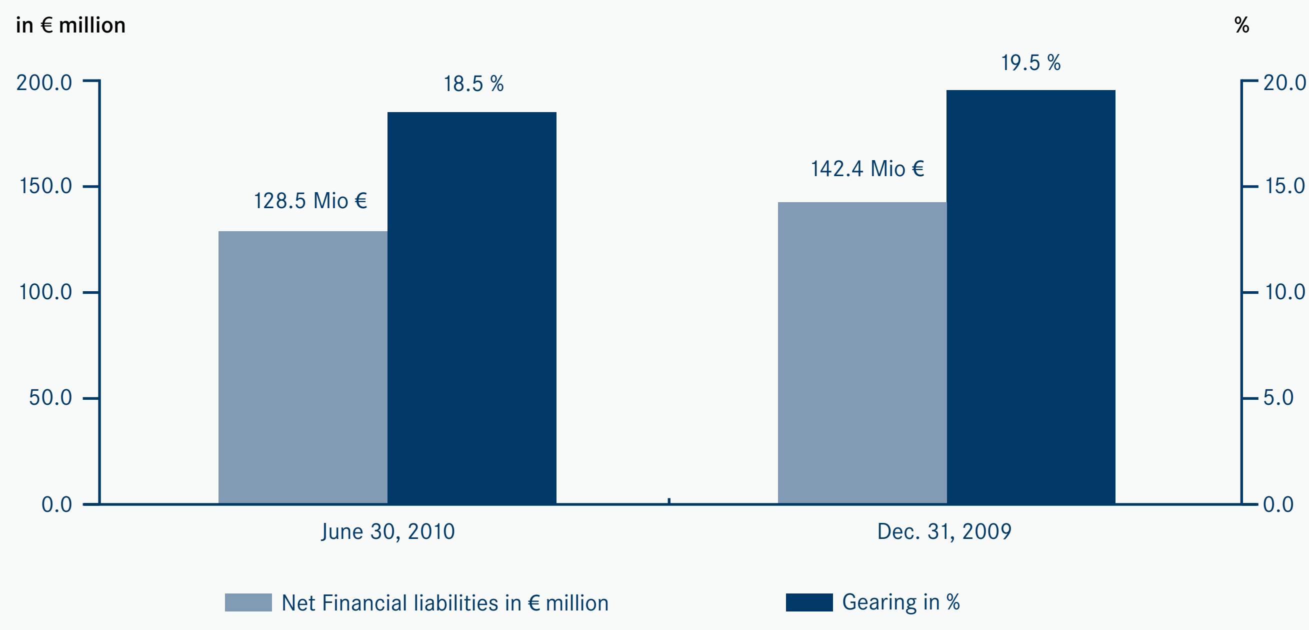
Net financial debt is used as a key performance indicator by leading capital market analysts. It is seen as an important indicator for the sector. MTU defines net financial debt as gross financial liabilities less available cash funds. Cash funds comprise cash and cash equivalents, derivative financial assets and available-for-sale financial assets. Compared to December 31, 2009, net financial debt decreased by €13.9 million (9.8 %) to € 128.5 million. Although the fair value measurement of derivative financial liabilities and assets deteriorated by € 108.7 million, the combined effect of the increase in cash and cash equivalents and the reduction in promissory notes and in financial assets not measured through profit or loss contributed to an overall improvement in net financial debt.

Net financial liabilities

	June 30, 2010 in € million	Dec. 31, 2009 in € million	Change against previous year in € million	in %
Convertible bond	148.5	148.9	-0.4	-0.3
Financial liabilities to banks				
Promissory notes	34.8	65.4	-30.6	-46.8
Other bank credits	12.5	14.6	-2.1	-14.4
Financial liabilities to related parties *)	2.0		2.0	
Finance lease liabilities	25.9	25.8	0.1	0.4
Loan from the Province of British Columbia to MTU Maintenance Canada	15.1	12.9	2.2	17.1
Derivative financial liabilities	107.6	12.2	95.4	> 100
Gross financial liabilities	**346.4**	**279.8**	**66.6**	**23.8**
Less cash funds:				
Cash and cash equivalents	153.3	120.8	32.5	26.9
Derivative financial assets	3.3	16.6	-13.3	-80.1
Financial assets not measured at fair value through profit or loss	61.3		61.3	
Net financial liabilities	**128.5**	**142.4**	**-13.9**	**-9.8**
Gearing (in %)	**18.5**	**19.5**	**-1.0**	

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

Net financial liabilities and gearing



Net assets position

Changes in balance sheet items

Group total assets at June 30, 2010 increased by approximately 6 % compared to December 31, 2009.

Non-current assets decreased by € 16.2 million to € 1,828.7 million (December 31, 2009: € 1,844,9 million). Current assets went up by € 199.5 million to € 1,503.7 million, mainly reflecting a € 9.7 million increase in inventories (up to € 658.4 million) and a € 115.4 million increase in trade and contract production receivables (up in aggregate to € 605.0 million).

Cash and cash equivalents increased during the first six months of 2010 by € 32.5 million to € 153.3 million.

Overview of assets, equity and liability

	June 30, 2010 in € million	Dec. 31, 2009 in € million	June 30, 2009 in € million	Jan. 1, 2009 in € million
Non-current assets	1,828.7	1,844.9	1,813.9	1,821.6
Current assets	1,503.7	1,304.2	1,369.7	1,374.5
Total assets	**3,332.4**	**3,149.1**	**3,183.6**	**3,196.1**
Equity	695.3	730.7	637.8	617.4
Non-current liabilities	1,102.1	1,088.7	1,098.3	1,052.3
Current liabilities	1,535.0	1,329.7	1,447.5	1,526.4
Total equity and liabilities	**3,332.4**	**3,149.1**	**3,183.6**	**3,196.1**

Group equity decreased by € 35.4 million to stand at € 695.3 at June 30, 2010 (December 2009: € 730.7 million). Equity was increased by earnings after taxes (EAT) amounting to € 60.6 million (January – June 2009: € 55.7 million) and a net positive currency translation impact of € 15.4 million (January – June 2009: net negative currency translation impact of € 4.5 million). Equity was decreased by net fair value losses on derivative financial instruments recognized directly in equity amounting to € 66.2 million (January – June 2009: net fair value gains of € 9.7 million) and the payment of the dividend for the financial year 2009 amounting to € 45.5 million (January – June 2009: € 45.4 million).

The equity ratio fell by 2.3 percentage points to 20.9 %.

Pension provisions increased by € 6.7 million in line with schedule. The increase in other non-current provisions was mainly attributable to changes in contingent liabilities relating to business combinations. Within other current provisions, provision for bonuses (for the financial year 2009) decreased compared to December 31, 2009 following payments made during the second quarter 2010.

Income tax liabilities take account of advance payments made during the period.

Financial liabilities increased overall by € 66.6 million compared to December 31, 2009, mainly as a result of fair value measurement changes amounting to € 95.4 million on derivative financial instruments (see section 28 of the Selected Explanatory Notes).

Trade payables stood at € 312.3 million at June 30, 2010 and were therefore € 8.6 million lower than at the end of the previous financial year.

Contract production liabilities increased compared to December 31, 2010 by € 127.1 million to € 734.1 million. This also includes advance payments received from customers to the extent that such payments exceed contract costs.

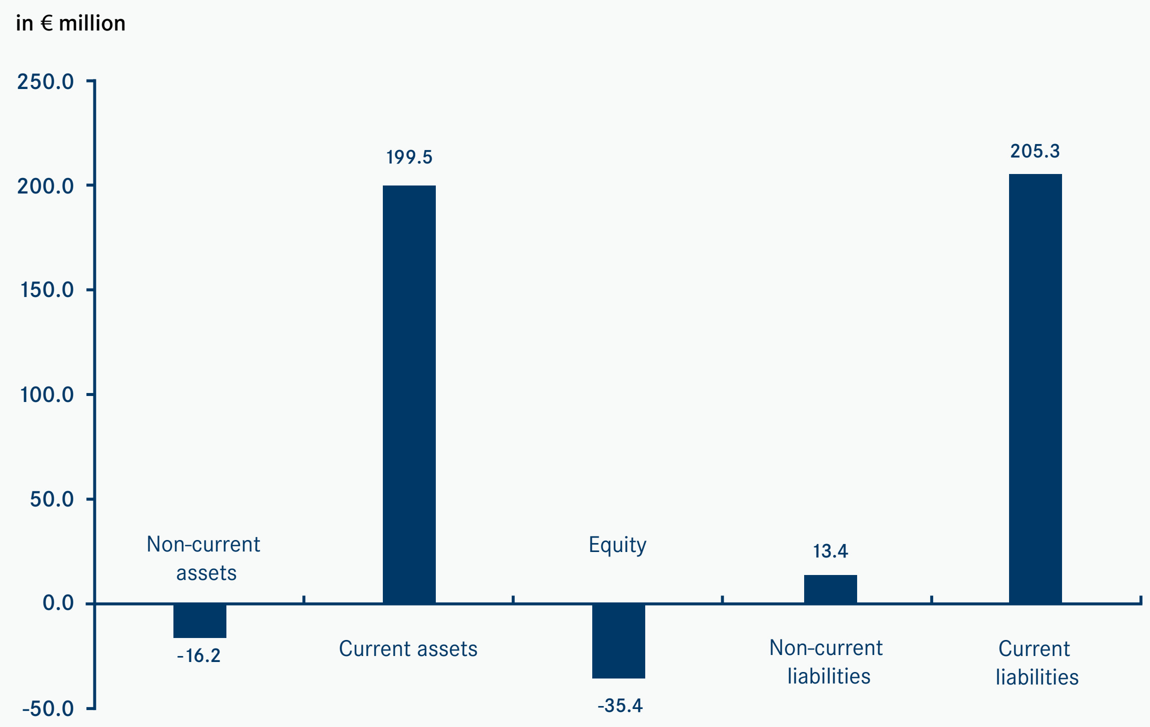
Other liabilities increased by € 35.2 million to € 133.8 million due mainly to a € 22.8 million increase in obligations to employees and a € 10.2 million increase in liabilities for taxes.

The following table shows the changes in assets and liabilities during the period from December 31, 2009 to June 30, 2010, analyzed by current and non-current items:

Change in Assets, Equity and Liabilities

(Statement of changes between June 30, 2010 and December 31, 2009)	in € million	in € million
Non-current assets		-16.2
Intangible assets	-9.1	
Property, plant and equipment	-4.9	
Financial assets	-3.4	
Financial assets accounted for using the equity method	-0.6	
Other assets	1.2	
Deferred tax assets	0.6	
Current assets		199.5
Inventories	9.7	
Trade receivables	88.9	
Contract production receivables	26.5	
Income tax assets	-1.2	
Financial assets	54.0	
Other assets	-9.5	
Cash and cash equivalents	32.5	
Prepayments	-1.4	
Change in assets		183.3
Equity		-35.4
Non-current liabilities		13.4
Provisions	32.4	
Financial liabilities	15.2	
Other liabilities	15.3	
Deferred tax liabilities	-49.5	
Current liabilities		205.3
Provisions	-8.8	
Income tax claims	24.3	
Financial liabilities	51.4	
Trade payables	-8.6	
Contract production liabilities	127.1	
Other liabilities	19.9	
Change in equity and liabilities		183.3

Change in Assets, Equity and Liabilities



3.4 Operating segments

The Commercial and Military Engine business (OEM) operating segment covers the development, manufacture and assembly of commercial and military engines and components. This operating segment also performs repair and maintenance work on military engines. The Commercial Maintenance business (MRO) operating segment performs maintenance and repair work on aircraft engines and industrial gas turbines. Further information is provided in the section dealing with segment information.

Key figures for Operating segments

	2010 in € million	2009 in € million	Change against previous year in € million	in %
Revenues				
Commercial Engine business	569.7	570.2	-0.5	-0.1
Military Engine business	249.3	231.9	17.4	7.5
Total Commercial and Military Engine business (OEM)	**819.0**	**802.1**	**16.9**	**2.1**
Commercial Maintenance business (MRO)	544.0	589.0	-45.0	-7.6
Other Group entities/Consolidation	-14.2	-15.1	0.9	6.0
Group	**1,348.8**	**1,376.0**	**-27.2**	**-2.0**
Order backlog and value of MRO contracts*) (previous year: December 31, 2009)				
Commercial and Military Engine business (OEM)	4,524.6	3,965.1	559.5	14.1
Commercial Maintenance business (MRO)	5,433.5	4,878.0	555.5	11.4
Group	**9,958.1**	**8,843.1**	**1,115.0**	**12.6**
Capital expenditure on intangible assets, property plant and equipment and financial assets **)				
Commercial and Military Engine business (OEM)	34.2	47.0	-12.8	-27.2
Commercial Maintenance business (MRO)	12.8	12.6	0.2	1.6
Group	**47.0**	**59.6**	**-12.6**	**-21.1**
Adjusted earnings before interest and taxes (EBIT adjusted)				
Commercial and Military Engine business (OEM)	103.0	98.4	4.6	4.7
Commercial Maintenance business (MRO)	39.2	39.9	-0.7	-1.8
Other Group entities/Consolidation	1.9	-1.2	3.1	> 100
Group	**144.1**	**137.1**	**7.0**	**5.1**
Adjusted EBIT - margin (in %) *)**				
Commercial and Military Engine business (OEM)	12.6	12.3	0.3	
Commercial Maintenance business (MRO)	7.2	6.8	0.4	
Group	**10.7**	**10.0**	**0.7**	
Number of employees (quarterly average)				
Commercial and Military Engine business (OEM)	4,867	4,918	-51	-1.0
Commercial Maintenance business (MRO)	2,843	2,653	190	7.2
Group	**7,710**	**7,571**	**139**	**1.8**

*) includes contractually committed order volume (see explanatory comments in section 3.2 of the Group Interim Management Report) before consolidation
**) excluding available-for-sale financial assets
***) Change in percentage points

Commercial and Military Engine business (OEM business)

Earnings performance for the period from January 1 to June 30, 2010

Revenues

The Commercial and Military Engine business (OEM) segment generated revenues of € 819.0 million during the first six months of 2010, € 16.9 million (2.1 %) up on the previous year. Within those figures, revenues from Commercial Engine business decreased marginally by € 0.5 million (0.1 %) to € 569.7 million, while revenues from Military Engine business, at € 249.3 million, were € 17.4 million (7.5 %) up on the previous year (January – June 2009: € 231.9 million). Adjusted for the US dollar impact, revenues would have increased by € 15.3 million (1.9 %) compared to the previous year.

Cost of sales and gross profit

Segment cost of sales includes material and personnel expenses, scheduled depreciation and amortization, the change in inventories of work in progress and expenses charged to MTU by consortium leaders in return for marketing new engines. At € 644.6 million, segment cost of sales for the six-month period was € 5.2 million lower (January – June 2009: € 649.8 million). With revenues also up, the gross profit for the six-month period improved by € 22.1 million (14.5 %) to € 174.4 million. The gross margin for the six-month period stood at 21.3 % compared with 19.0 % one year earlier.

Adjusted earnings before interest and taxes (EBIT adjusted)

Although the improvement in the gross profit was partially offset by higher research and development expenses, adjusted earnings before interest and taxes (EBIT adjusted) for the six-month period increased by € 4.6 million (4.7 %) to € 103.0 million. The adjusted EBIT margin improved to 12.6 %.

Earnings performance for the second quarter 2010

Revenues

Second-quarter revenues generated by the Commercial and Military Engine business (OEM) segment totalled € 417.6 million, which was € 14.3 million (3.5 %) up on the previous year. Within those figures, revenues from Commercial Engine business increased by € 18.8 million (6.6 %) to € 304.4 million, while revenues from Military Engine business, at € 113.2 million, were € 4.5 million (3.8 %) down on the previous year (April – June 2009: € 117.7 million). Adjusted for the US dollar impact, revenues would have decreased by € 3.9 million (1.0 %) compared to the previous year.

Cost of sales and gross profit

Cost of sales of the OEM segment in the second quarter 2010, at € 329.8 million, was € 7.7 million (2.3 %) lower than in the previous year (April – June 2009: € 337.5 million). Helped by the increase in revenues, the second-quarter gross profit improved by € 22.0 million (33.4 %) to € 87.8 million. The gross margin stood at 21.0 % compared with 16.3 % one year earlier.

Adjusted earnings before interest and taxes (EBIT adjusted)

After research and development expenses, second-quarter adjusted earnings before interest and taxes (EBIT adjusted) increased by € 6.6 million (15.1 %) to € 50.2 million. The adjusted EBIT margin rose to 12.0 %.

Commercial Maintenance business (MRO business)

Earnings performance for the period from January 1 to June 30, 2010

Revenues

Revenues generated by the MRO segment in the period from January 1 to June 30, 2010 amounted to € 544.0 million, which was € 45.0 million (7.6 %) lower than in the corresponding period in 2009. Adjusted for the US dollar impact, revenues amounted to € 542.5 million. Using this figure, the decrease in revenues against the previous year would have been € 46.5 million (7.9 %).

Cost of sales and gross profit

Cost of sales for the six-month period decreased by € 49.9 million (9.5 %) to € 475.9 million, falling greater than the decrease in revenues. Despite the decrease in revenues, the gross profit improved by € 4.9 million (7.8 %) to € 68.1 million, with the gross profit percentage improving from 10.7 % to 12.5 %.

Adjusted earnings before interest and taxes (EBIT adjusted)

Despite the higher gross profit, the segment's adjusted earnings before interest and taxes (EBIT adjusted) for the six-month period fell slightly by € 0.7 million (1.8 %) to € 39.2 million. The adjusted EBIT margin for the Commercial Engine Maintenance segment for the six-month period was 7.2 % (January – June 2009: 6.8 %).

Earnings performance for the second quarter 2010

Revenues

Second-quarter revenues generated by the MRO segment amounted to € 299.0 million, which was € 12.4 million (4.3 %) higher than in the corresponding quarter in 2009. Adjusted for the US dollar impact, revenues amounted to € 282.1 million. Using this figure, the decrease in revenues against the previous year would have been € 4.5 million (1.6 %).

Cost of sales and gross profit

Cost of sales for the second quarter increased by € 4.5 million (1.8 %) to € 258.1 million. As a result of the increase in revenues, the gross profit improved by € 7.9 million (23.9 %) to € 40.9 million, with the gross profit percentage improving from 11.5 % to 13.7 %.

Adjusted earnings before interest and taxes (EBIT adjusted)

As a result of the increased gross profit, the segment's second-quarter adjusted earnings before interest and taxes (EBIT adjusted) improved by € 4.4 million (21.4 %) to € 25.0 million. The adjusted EBIT margin for the Commercial Engine Maintenance segment for the second quarter was 8.4 % (April – June 2009: 7.2 %).

3.5 Capital expenditure

Capital expenditure during the first six months of the year totalled € 74.8 million (January-June 2010: € 59.6 million). This includes € 34.2 million spent by the OEM segment (January - June 2009: € 47.0 million) and € 12.8 million spent by the MRO segment (January – June 2009: € 12.6 million).

Capital expenditure by segment *)

	Jan. 1 to June 30, 2010 in € million	Jan. 1 to June 30, 2009 in € million	Change against previous year in € million	Change against previous year in %
OEM segment				
Intangible assets	7.5	5.8	1.7	29.3
Property, plant and equipment	24.1	41.2	-17.1	-41.5
Financial assets	2.6		2.6	
Total OEM segment	**34.2**	**47.0**	**-12.8**	**-27.2**
MRO segment				
Intangible assets	2.0	2.2	-0.2	-9.1
Property, plant and equipment	10.8	10.4	0.4	3.8
Total MRO segment	**12.8**	**12.6**	**0.2**	**1.6**
Total Other Group Entities **)	**27.8**		**27.8**	
Total	**74.8**	**59.6**	**15.2**	**25.5**

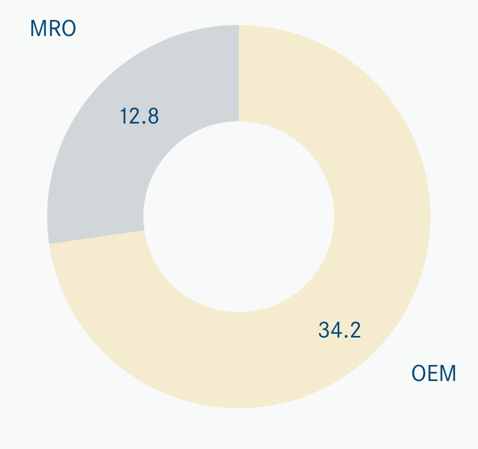
*) excluding proceeds arising on the disposal of property, plant and equipment
**) investments/divestitures of financial assets

The net amount reported for Other Entities relates to investments/divestitures in financial assets (Afs) totalling € 27.8 million (January – June 2009: € 0.0 million). Further information is provided in section 3.3 Operating results, financial situation and net assets.

Capital expenditure on intangible assets, property, plant and equipment and financial assets (without Other Group Entities) were as follows:

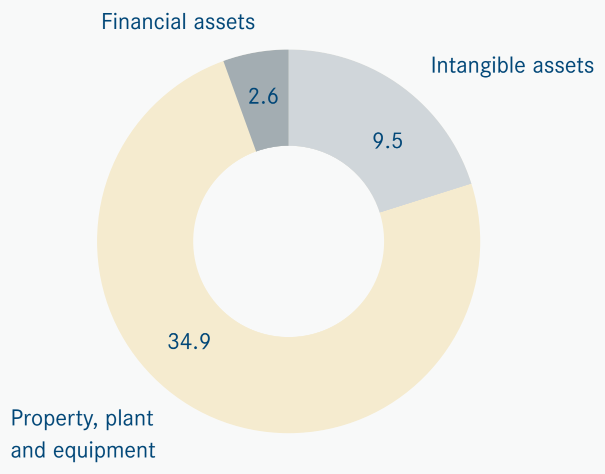
Capital expenditure by segment Jan. 1 to June 30, 2010

in € million



Capital expenditure by type of assets Jan. 1 to June 30, 2010

in € million



Analysis of capital expenditure for OEM business

Capital expenditure on intangible assets in the first six months of 2010 totalling € 7.5 million (January – June 2009: € 5.8 million) includes capitalized development work of € 7.4 million (January – June 2009: € 3.5 million) relating to the GE38 und GEnx engine programs.

Capital expenditure on property, plant and equipment during the six-month period amounting to € 24.1 million (January – June 2009: € 41.2 million) related mainly to additions of plant, machinery and other operational and office equipment.

Proceeds from the sale of items of property, plant and equipment totalled € 1.4 million (January – June 2009: € 4.3 million).

Analysis of capital expenditure for MRO business

Capital expenditure for MRO business during the period from January 1 to June 30, 2010 included € 10.8 million spent on property, plant and equipment (January - June 2009: € 10.4 million). Investments in intangible assets totalling € 2.0 million (January - June 2009: € 2.2 million) related mainly to specialized procedures to repair and maintain engines more economically.

Proceeds from the sale of items of property, plant and equipment totalled € 1.7 million (January – June 2009: € 2.2 million).

Analysis of capital expenditure for Other Entities

The increase in capital expenditure for Other Entities during the first half of 2010 related to net presentation of investments/divestitures of financial assets (Afs) totalling € 27.8 million (January – June 2009: € 0.0 million). Further information is provided in section 3.3, Operating results, financial situation and net assets.

3.6 Employees

At June 30, 2010 the MTU Group had a workforce of 7,739 employees, including 281 trainees (December 31, 2009: 7,665 employees), an increase of 74 employees since the end of 2009. The workforce of the OEM segment was reduced by 18 employees despite the build-up of staff at the newly founded MTU Aero Engines Polska, Poland, while the workforce MRO segment was increased by 92 employees.

At the end of June 2010, 6.841 employees (88.4 %) worked for group companies in Germany and 898 employees (11.6 %) for group companies outside Germany.

The personnel expense for the six-month period totalled € 282.6 million (January - June 2009: € 260.3 million).

A new tariff agreement was agreed in Germany in the first quarter of 2010, entailing a one-off payment of € 320 in 2010 and a 2.7 % increase in tariff remuneration per employee with effect from April 2011.

4 Outlook and Risk Report

With regard to the Group's opportunities and risk situation, the outlook for net assets, financial and earnings as well a description of the Group's risk management systems, reference is made to the MTU Annual Report 2009 (pages 109 to 125) and to the disclaimer at the end of this Half-Yearly Financial Report.

MTU has not identified any further major risks during the first six months of the financial year 2010 which were not disclosed in the Annual Report 2009 or in this Interim Group Management Report (in particular in the sections "General economic environment" and "Subsequent events"). Further risks – of which we are not currently aware or which we do not at present assess as major — could also impair business activities in the future. MTU does not, however, expect any risks to arise which – either on their own or in combination with other risks – could jeopardize the going concern status of the Group.

In the light of positive expectations for the general and sector economic environment, MTU forecasts the following target performance indicators/figures for the full year.

Outlook 2010

	Forecast 2010 in € million	Actual 2009 in € million
Revenues	**2,750**	2,610.8
Adjusted earnings before interest and tax (EBIT adjusted)	**310**	292.3
Earnings after tax (EAT)	**stable**	141.0
Free Cashflow	**120**	120.2

5 Report on Significant Transactions With Related Parties (Entities and Individuals)

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

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

6 Subsequent Events

Events after the end of the reporting period (June 30, 2010)

There have been no essential events after the end of the interim reporting period (June 30, 2010) and prior to the date of authorization for issue of the Half-Yearly Financial Report on July 21, 2010.

Consolidated Income Statement

January - June (Q1 - Q2)

	(Note)	Jan. 1 to June 30, 2010 in € million	in %	Jan. 1 to June 30, 2009 in € million	in %	Change against previous year in € million	in %
Revenues	(6)	1,348.8	100.0	1,376.0	100.0	-27.2	-2.0
Cost of sales	(7)	-1,103.7	-81.8	-1,159.3	-84.3	55.6	4.8
Gross profit		**245.1**	**18.2**	**216.7**	**15.7**	**28.4**	**13.1**
Research and development expenses	(8)	-60.7	-4.5	-47.6	-3.4	-13.1	-27.5
Selling expenses	(9)	-39.5	-2.9	-34.6	-2.5	-4.9	-14.2
General administrative expenses	(10)	-24.4	-1.8	-21.8	-1.6	-2.6	-11.9
Other operating income and expenses		1.7	0.1	1.5	0.1	0.2	13.3
Earnings before interest and taxes (EBIT)		**122.2**	**9.1**	**114.2**	**8.3**	**8.0**	**7.0**
Interest income		3.8	0.3	0.4		3.4	> 100
Interest expenses		-9.4	-0.7	-6.6	-0.5	-2.8	-42.4
Interest result	(12)	-5.6	-0.4	-6.2	-0.5	0.6	9.7
Result from equity accounted investments	(13)	-0.6	-0.1	-0.1		-0.5	< -100
Financial result on other items	(14)	-29.1	-2.2	-14.3	-1.0	-14.8	< -100
Financial result		**-35.3**	**-2.7**	**-20.6**	**-1.5**	**-14.7**	**-71.4**
Earnings before taxes (EBT)		**86.9**	**6.4**	**93.6**	**6.8**	**-6.7**	**-7.2**
Income taxes	(15)	-26.3	-1.9	-37.9	-2.8	11.6	30.6
Earnings after taxes (EAT)		**60.6**	**4.5**	**55.7**	**4.0**	**4.9**	**8.8**
Earnings per share in €							
Undiluted (EPS)	(16)	1.24		1.14		0.10	
Diluted (DEPS)	(16)	1.21		1.12		0.09	

Consolidated Statement of Comprehensive Income

January - June (Q1 - Q2)

	(Note)	Jan. 1 to June 30, 2010 in € million	in %	Jan. 1 to June 30, 2009 in € million	in %	Change against previous year in € million	in %
Earnings after taxes (EAT)		**60.6**	**4.5**	**55.7**	**4.0**	**4.9**	**8.8**
Translation differences		15.4	1.1	-4.5	-0.3	19.9	> 100
Changes in the fair value measurement of derivative financial instruments		-98.2	-7.3	14.3	1.0	-112.5	< -100
Deferred taxes recognized directly in equity		32.0	2.4	-4.6	-0.3	36.6	> 100
Income and expenses recognized directly in equity		**-50.8**	**-3.8**	**5.2**	**0.4**	**-56.0**	**< -100**
Comprehensive income for the period	(17)	**9.8**	**0.7**	**60.9**	**4.4**	**-51.1**	**-83.9**

Consolidated Income Statement

April - June (Q2)

	(Note)	Q 2 2010 in € million	Q 2 2010 in %	Q 2 2009 in € million	Q 2 2009 in %	Change against previous year in € million	Change against previous year in %
Revenues	(6)	708.6	100.0	682.9	100.0	25.7	3.8
Cost of sales	(7)	-578.6	-81.7	-585.0	-85.7	6.4	1.1
Gross profit		**130.0**	**18.3**	**97.9**	**14.3**	**32.1**	**32.8**
Research and development expenses	(8)	-32.9	-4.6	-18.9	-2.8	-14.0	-74.1
Selling expenses	(9)	-22.4	-3.2	-17.6	-2.6	-4.8	-27.3
General administrative expenses	(10)	-11.6	-1.6	-9.2	-1.3	-2.4	-26.1
Other operating income and expenses		1.3	0.2	-1.7	-0.2	3.0	> 100
Earnings before interest and taxes (EBIT)		**64.4**	**9.1**	**50.5**	**7.4**	**13.9**	**27.5**
Interest income		1.0	0.2	0.1		0.9	> 100
Interest expenses		-5.4	-0.8	-3.1	-0.4	-2.3	-74.2
Interest result	(12)	-4.4	-0.6	-3.0	-0.4	-1.4	-46.7
Result from equity accounted investments	(13)	-0.6	-0.1	-0.5	-0.1	-0.1	-20.0
Financial result on other items	(14)	-21.0	-3.0	3.6	0.5	-24.6	< -100
Financial result		**-26.0**	**-3.7**	**0.1**		**-26.1**	**< -100**
Earnings before taxes (EBT)		**38.4**	**5.4**	**50.6**	**7.4**	**-12.2**	**-24.1**
Income taxes	(15)	-10.4	-1.4	-25.9	-3.8	15.5	59.8
Earnings after taxes (EAT)		**28.0**	**4.0**	**24.7**	**3.6**	**3.3**	**13.4**
Earnings per share in €							
Undiluted (EPS)	(16)	0.57		0.50		0.07	
Diluted (DEPS)	(16)	0.56		0.50		0.06	

Consolidated Statement of Comprehensive Income

April - June (Q2)

	(Note)	Q 2 2010 in € million	Q 2 2010 in %	Q 2 2009 in € million	Q 2 2009 in %	Change against previous year in € million	Change against previous year in %
Earnings after taxes (EAT)		**28.0**	**4.0**	**24.7**	**3.6**	**3.3**	**13.4**
Translation differences		6.3	0.9	-2.8	-0.4	9.1	> 100
Changes in the fair value measurement of derivative financial instruments		-65.8	-9.3	37.3	5.5	-103.1	< -100
Deferred taxes recognized directly in equity		21.4	3.0	-12.1	-1.8	33.5	> 100
Income and expenses recognized directly in equity		**-38.1**	**-5.4**	**22.4**	**3.3**	**-60.5**	**< -100**
Comprehensive income for the period	(17)	**-10.1**	**-1.4**	**47.1**	**6.9**	**-57.2**	**< -100**

Consolidated Statement of Financial Position

Assets

	(Note)	June 30, 2010 in € million	Dec. 31, 2009 in € million	June 30, 2009*) in € million	Jan. 1, 2009 in € million
Non-current assets					
Intangible assets	(18)	1,239.1	1,248.2	1,257.7	1,274.9
Property, plant and equipment	(19)	551.8	556.7	532.5	525.1
Financial assets	(20)	11.5	14.9	11.5	12.6
Financial assets accounted for using the equity method	(20)	1.5	2.1	3.5	3.6
Other assets	(24)	7.3	6.1	5.8	4.0
Deferred tax claims		17.5	16.9	2.9	1.4
Total non-current assets		**1,828.7**	**1,844.9**	**1,813.9**	**1,821.6**
Current assets					
Inventories	(21)	658.4	648.7	657.2	661.4
Trade receivables	(22)	480.1	391.2	379.3	460.4
Contract production receivables	(23)	124.9	98.4	188.3	138.9
Deferred tax assets			1.2		1.0
Financial assets	(20)	63.5	9.5	4.7	4.0
Other assets	(24)	17.7	27.2	24.9	35.6
Cash and cash equivalents	(25)	153.3	120.8	109.5	69.9
Prepayments		5.8	7.2	5.8	3.3
Total current assets		**1,503.7**	**1,304.2**	**1,369.7**	**1,374.5**
Total assets		**3,332.4**	**3,149.1**	**3,183.6**	**3,196.1**

*) Disclosure for informational purposes only

Equity and Liabilities

	(Note)	June 30, 2010 in € million	Dec. 31, 2009 in € million	June 30, 2009*) in € million	Jan. 1, 2009 in € million
Equity	(26)				
Subscribed capital		52.0	52.0	52.0	52.0
Capital reserves		348.1	353.6	352.7	354.5
Revenue reserves		436.0	420.9	335.6	325.3
Treasury shares		-87.6	-93.4	-93.4	-100.1
Other comprehensive income		-53.2	-2.4	-9.1	-14.3
Total equity and liabilities		**695.3**	**730.7**	**637.8**	**617.4**
Non-current liabilities					
Pension provisions		396.6	389.9	380.3	371.7
Other provisions	(27)	184.8	159.1	224.0	224.0
Financial liabilities	(28)	254.0	238.8	248.0	200.4
Other liabilities	(30)	49.3	34.0	30.6	28.6
Deferred tax liabilities		217.4	266.9	215.4	227.6
Total non-current liabilities		**1,102.1**	**1,088.7**	**1,098.3**	**1,052.3**
Current liabilities					
Pension provisions		21.7	21.7	18.5	18.5
Income tax liabilities		36.8	12.5	47.3	23.0
Other provisions	(27)	253.2	262.0	223.1	255.4
Financial liabilities	(28)	92.4	41.0	77.4	136.0
Trade payables		312.3	320.9	430.4	495.7
Contract production liabilities	(29)	734.1	607.0	566.9	520.6
Other liabilities	(30)	84.5	64.6	83.9	77.2
Total current liabilities		**1,535.0**	**1,329.7**	**1,447.5**	**1,526.4**
Total equity and liabilities		**3,332.4**	**3,149.1**	**3,183.6**	**3,196.1**

*) Disclosure for informational purposes only

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity

in € million	Sub-scribed capital	Capital reserves	Revenue reserves	Treasury shares	Other comprehen-sive income	Group equity
Balance at January 1, 2009	**52.0**	**354.5**	**325.3**	**-100.1**	**-14.3**	**617.4**
Changes in the fair value measurement of derivative financial instruments (after tax)					9.7	**9.7**
Translation differences					-4.5	**-4.5**
= Income and expenses recognized directly in equity					**5.2**	**5.2**
Earnings after taxes (EAT)			55.7			**55.7**
= Comprehensive income for the period			**55.7**		**5.2**	**60.9**
Dividend payment			-45.4			**-45.4**
Employee Stock Program (MAP)		-3.4		6.7		**3.3**
Matching Stock Program (MSP)		1.6				**1.6**
Balance at June 30, 2009	**52.0**	**352.7**	**335.6**	**-93.4**	**-9.1**	**637.8**
Balance at January 1, 2010	**52.0**	**353.6**	**420.9**	**-93.4**	**-2.4**	**730.7**
Changes in the fair value measurement of derivative financial instruments (after tax)					-66.2	**-66.2**
Translation differences					15.4	**15.4**
= Income and expenses recognized directly in equity					**-50.8**	**-50.8**
Earnings after taxes (EAT)			60.6			**60.6**
= Comprehensive income for the period			**60.6**		**-50.8**	**9.8**
Dividend payment			-45.5			**-45.5**
Employee Stock Program (MAP)		-0.2		2.7		**2.5**
Matching Stock Program (MSP)		-5.3		3.0		**-2.3**
Bond conversion				0.1		**0.1**
Balance at June 30, 2010	**52.0**	**348.1**	**436.0**	**-87.6**	**-53.2**	**695.3**

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

Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows	Jan. 1 to June 30, 2010 in € million	Jan. 1 to June 30, 2009 in € million
Earnings after taxes (EAT)	60.6	55.7
Amortization of and impairment losses (and reversals thereof) on intangible assets and property, plant and equipment	63.1	61.3
Gains/losses of companies accounted for using the equity method	0.6	0.1
Gains/losses on the disposal of property, plant and equipment and intangible assets	0.2	-0.2
Change in pension provisions	6.7	8.6
Change in other provisions	16.9	-32.3
Other non-cash items	8.4	-12.1
Movements in working capital		
Changes in inventories	-9.7	4.2
Changes in trade receivables	-88.9	81.1
Changes in contract production receivables and liabilities	100.6	-3.1
Changes in other assets	4.7	7.3
Changes in trade payables	-8.6	-65.3
Changes in other liabilities	35.1	8.2
Change in financial assets	-28.2	
Net interest result	5.6	6.2
Interest paid	-10.3	-6.7
Interest received	3.5	0.4
Income taxes	26.3	37.9
Income taxes paid and received	-17.6	-31.5
Cash flow from operating activities	**169.0**	**119.8**
Disbursements for investments in:		
Intangible assets	-9.5	-8.0
Property, plant and equipment	-34.9	-51.6
Financial assets	-95.4	
Proceeds from disposals and disinvestiture of:		
Property, plant and equipment	3.1	6.5
Financial assets	65.0	
Cash flow from investing activities	**-71.7**	**-53.1**
Dividends paid	-45.5	-45.4
Increase (+)/decrease (-) in promissory notes	-30.0	64.6
Increase (+)/decrease (-) in other financial liabilities	2.2	-46.9
Sale of shares for Employee Stock Program (MAP)	2.5	3.3
Cash flow from financing activities	**-70.8**	**-24.4**
Effect of changes in exchanges rates on cash funds	6.0	-2.7
Other changes in funds	**6.0**	**-2.7**
Change in cash and cash equivalents	**32.5**	**39.6**
Cash and cash equivalents at January 1	**120.8**	**69.9**
Cash and cash equivalents at June 30	**153.3**	**109.5**

Selected Explanatory Notes

Group Segment Information

Segment information

The activities of the MTU Group's operating segments are described in section 1 of the Interim Group Management Report and section 4 of the Selected Explanatory Notes to the Half-Yearly Financial Report. Reference is also made to the Annual Report of MTU Aero Engines Holding AG for the year ended December 31, 2009.

Segment information for the period from January 1 to June 30, 2010 and from April 1 to June 30, 2010 was as follows:

Segment Information 2010

	Commercial and Military Engine business (OEM)		Commercial Maintenance business (MRO)		Other Group Entities		Consolidation/ reconciliation		Group	
in € million	Jan. 1 to June 30, 2010	Q 2 2010	Jan. 1 to June 30, 2010	Q 2 2010	Jan. 1 to June 30, 2010	Q 2 2010	Jan. 1 to June 30, 2010	Q 2 2010	Jan. 1 to June 30, 2010	Q 2 2010
External revenues	807.7	411.4	541.1	297.2					1,348.8	708.6
Inter-segment revenues	11.3	6.2	2.9	1.8	5.1	2.2	-19.3	-10.2		
Total revenues	**819.0**	**417.6**	**544.0**	**299.0**	**5.1**	**2.2**	**-19.3**	**-10.2**	**1,348.8**	**708.6**
Gross profit	**174.4**	**87.8**	**68.1**	**40.9**	**5.1**	**2.2**	**-2.5**	**-0.9**	**245.1**	**130.0**
Earnings before interest and taxes (EBIT)	**83.2**	**40.3**	**37.1**	**24.0**	**0.5**	**-0.2**	**1.4**	**0.3**	**122.2**	**64.4**
Amortization/depreciation resulting from purchase price allocation	19.8	9.9	2.1	1.0					21.9	10.9
Adjusted earnings before interest and taxes (EBIT adjusted)	**103.0**	**50.2**	**39.2**	**25.0**	**0.5**	**-0.2**	**1.4**	**0.3**	**144.1**	**75.3**
Result from equity accounted investments			-0.6	-0.6					-0.6	-0.6
Assets (June 30, 2010)	**2,926.9**		**867.7**		**797.3**		**-1,259.5**		**3,332.4**	
Liabilities (June 30, 2010)	**2,157.3**		**409.9**		**267.2**		**-197.3**		**2,637.1**	
Capital expenditure in:										
Intangible assets	7.5	4.3	2.0						9.5	4.3
Property, plant and equipment	24.1	12.9	10.8	7.3					34.9	20.2
Total capital expenditure on intangible assets and property, plant and equipment	**31.6**	**17.2**	**12.8**	**7.3**					**44.4**	**24.5**
Key segment data:										
EBIT in %	10.2	9.7	6.8	8.0	9.8	-9.1			9.1	9.1
EBIT adjusted in %	12.6	12.0	7.2	8.4	9.8	-9.1			10.7	10.6

Segment information for the period from January 1 to June 30, 2009 and from April 1 to June 30, 2009 was as follows:

Segment Information 2009

in € million	Commercial and Military Engine business (OEM)		Commercial Maintenance business (MRO)		Other Group Entities		Consolidation/ reconciliation		Group	
	Jan. 1 to June 30, 2009	Q 2 2009	Jan. 1 to June 30, 2009	Q 2 2009	Jan. 1 to June 30, 2009	Q 2 2009	Jan. 1 to June 30, 2009	Q 2 2009	Jan. 1 to June 30, 2009	Q 2 2009
External revenues	791.0	398.2	585.0	284.7					1,376.0	682.9
Inter-segment revenues	11.1	5.1	4.0	1.9	4.2	2.3	-19.3	-9.3		
Total revenues	**802.1**	**403.3**	**589.0**	**286.6**	**4.2**	**2.3**	**-19.3**	**-9.3**	**1,376.0**	**682.9**
Gross profit	**152.3**	**65.8**	**63.2**	**33.0**	**4.2**	**2.3**	**-3.0**	**-3.2**	**216.7**	**97.9**
Earnings before interest and taxes (EBIT)	**77.9**	**33.4**	**37.5**	**19.4**	**-1.2**	**-0.8**		**-1.5**	**114.2**	**50.5**
Amortization/depreciation resulting from purchase price allocation	20.5	10.2	2.4	1.2					22.9	11.4
Adjusted earnings before interest and taxes (EBIT adjusted)	**98.4**	**43.6**	**39.9**	**20.6**	**-1.2**	**-0.8**		**-1.5**	**137.1**	**61.9**
Result from equity accounted investments			-0.1	-0.5					-0.1	-0.5
Assets (Dec. 31, 2009)	**2,788.2**		**808.6**		**816.2**		**-1,263.9**		**3,149.1**	
Liabilities (Dec. 31, 2009)	**1,977.7**		**399.6**		**241.9**		**-200.8**		**2,418.4**	
Capital expenditure in:										
Intangible assets	5.8	3.8	2.2	2.2					8.0	6.0
Property, plant and equipment	41.2	23.2	10.4	3.0					51.6	26.2
Total capital expenditure on intangible assets and property, plant and equipment	**47.0**	**27.0**	**12.6**	**5.2**					**59.6**	**32.2**
Key segment data:										
EBIT in %	9.7	8.3	6.4	6.8	-28.6	-34.8			8.3	7.4
EBIT adjusted in %	12.3	10.8	6.8	7.2	-28.6	-34.8			10.0	9.1

The following table reconciles group segment revenues to group revenues, segment result (EBIT) to group earnings before tax (EBT) and segment assets to group assets:

Reconciliation to MTU Consolidated Financial Statements

in € million	Jan. 1 to June 30, 2010	Jan. 1 to June 30, 2009
Total revenues		
Revenues of reportable segments	1,368.1	1,395.3
Consolidation	-19.3	-19.3
Group revenues	**1,348.8**	**1,376.0**
Adjusted earnings before interest and taxes (EBIT adjusted)		
Adjusted EBIT of reportable segments	142.7	137.1
Write-downs on assets resulting from purchase price allocation	-21.9	-22.9
Impairment losses		
Consolidation	1.4	
Earnings before interest and taxes (EBIT)	**122.2**	**114.2**
Interest income	3.8	0.4
Interest expense	-9.4	-6.6
Result from equity accounted investments	-0.6	-0.1
Other financial result	-29.1	-14.3
Earnings before taxes (EBT)	**86.9**	**93.6**

Reconciliation to MTU Consolidated Financial Statements

in € million	June 30, 2010	Dec. 31, 2009
Assets		
Assets of reportable segments	4,591.9	4,413.0
Consolidation	-1,259.5	-1,263.9
Group assets	**3,332.4**	**3,149.1**
Liabilities		
Liabilities of reportable segments	2,834.4	2,619.2
Consolidation	-197.3	-200.8
Group liabilities	**2,637.1**	**2,418.4**

Information on geographical regions

The following table shows figures for the group by geographical region:

Segment Information by Geographical Region 2010

in € million	Revenues by seat of customer Jan.1 to June 30, 2010	Capital expenditure on intangible assets and property, plant and equipment Jan.1 to June 30, 2010	Non-current assets June 30, 2010
Germany	260.4	39.1	1,705.8
Europe	148.7	3.5	53.9
North America	762.7	0.6	28.5
South America	61.8		
Africa	4.3		
Asia	100.2	1.2	40.5
Australia/Oceania	10.7		
	1,348.8	**44.4**	**1,828.7**

Segment Information by Geographical Region 2009

in € million	Revenues by seat of customer Jan.1 to June 30, 2009	Capital expenditure on intangible assets and property, plant and equipment Jan.1 to June 30, 2009	Non-current assets Dec 31, 2009
Germany	240.1	41.3	1,732.5
Europe	159.5	16.8	53.0
North America	762.0	1.2	25.1
South America	65.3		
Africa	0.9		
Asia	136.9	0.3	34.3
Australia/Oceania	11.3		
	1,376.0	**59.6**	**1,844.9**

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

1 General disclosures

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

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

MTU's Commercial and Military Engine business covers the development and production of modules, components and spare parts for engine programs, including final assembly. MTU's Military Engine business additionally includes maintenance services for these engines. The Commercial Maintenance business covers activities in the areas of maintenance and logistical support for commercial engines.

MTU Aero Engines Holding AG has its headquarters at Dachauer Str. 665, 80995 Munich, Germany, and is registered under HRB 157 206 in the Commercial Registry at the District Court of Munich.

The Condensed Interim Consolidated Financial Statements were authorized for publication by the Board of Management of MTU Aero Engines Holding AG on July 21, 2010.

2 Basis of preparation

In compliance with the provisions of § 37y no. 2 of the German Securities Trading Act (WpHG) in conjunction with § 37w no. 2 WpHG, MTU's Half-Yearly Financial Report comprises Condensed Interim Consolidated Financial Statements, an Interim Group Management Report and a Responsibility Statement from the company's legal representatives. The Condensed Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) relevant for interim financial reporting, as endorsed by the European Union (EU). The Interim Group Management Report has been drawn up in compliance with the applicable provisions of the WpHG.

3 Statement of compliance

The Condensed Interim Consolidated Financial Statements as at June 30, 2010 have been drawn up in compliance with IAS 34. As permitted by IAS 34, MTU has elected to provide condensed information in its Interim Consolidated Financial Statements compared with the Consolidated Financial Statements as at December 31, 2009. With the exception of the changes described in section 4 of the Selected Explanatory Notes, the same accounting policies have been applied as in the Consolidated Financial Statements for the financial year 2009.

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

From the perspective of management, the Half-Yearly Financial Report – which has been reviewed by an independent auditor – contains all customary accounting adjustments necessary for a fair presentation of the operating results, financial situation and net assets of the MTU Group. Reference is made to the notes to the Consolidated Financial Statements as at December 31, 2009 for further information regarding the basis of preparation and accounting policies used.

4 Adjustments to the Condensed Interim Consolidated Financial Statements

Following the endorsement of amendments from the Annual Improvement Projects 2007 – 2009 on March 24, 2010, a second sentence was added to IAS 1.69 (d). As a result, the conversion attached to the MTU convertible bond no longer automatically results in the presentation of the debt capital component as a current liability. Since the bond does not fall due for repayment until February 1, 2012, the debt capital component is now reported as a non-current liability. In accordance with IAS 1.139D the amendment is applicable for periods beginning on or after January 1, 2010. Due to the lack of any specific transitional rules in IAS 1, this change in accounting policy has been amended in accordance with IAS 8.19 (b) with retrospective effect, including adjustments to the previous year's comparative figures. In accordance with IAS 34.5 (f), this retrospective application of a change in accounting policy requires the presentation of a statement of financial position as at the beginning of the earliest comparative period (January 1, 2009).

IFRS 8 "Operating Segments", which is mandatory for annual periods beginning on or after January 1, 2009, was published in November 2006. IFRS 8 replaces IAS 14 "Segment Reporting" and – as part of the joint convergence project being conducted with the US Financial Accounting Standards Board (FASB) – brings the Standard into line with the rules contained in US GAAP Statement of Financial Accounting Standards No. 131. IFRS 8, which is only mandatory for companies listed on a stock exchange, requires operating segments to be identified on the basis of internally used criteria (the "management approach"). MTU adopted IFRS 8 with effect from the beginning of 2009. This results in changes in the way that segment information is reported compared to the comparable period in the previous year. Further details are provided in the section on group segment information.

The financial assets (Afs) acquired by the Group during the first half of 2010 are not included in the calculation of free cash flow since they can be sold at any time and are held as a liquidity reserve.

There were no changes in estimates or forecasts in the first half of 2010 which have a significant impact on the interim reporting period. No incidences of erroneous assessments made in earlier periods were identified during the interim reporting period which would require to be disclosed.

As a globally operating company, MTU is exposed to divergent economic development, particularly in conjunction with risk-and-revenue-sharing arrangements. Sector-related seasonal fluctuations over the course of the year are normal and can result in fluctuations in the amount of revenues and earnings reported.

5 Consolidated companies

There were no changes in the group reporting entity in the reporting period as a result of acquisitions or disinvestments, changes in shareholdings or similar corporate transactions/events. The number of subsidiaries and investments in associated companies and joint ventures included in the condensed interim consolidated financial statements has therefore not changed by comparison to December 31, 2009.

At June 30, 2010, the MTU Group comprised 23 companies including MTU Aero Engines Holding AG, Munich. (See list of major shareholdings provided in the notes to the consolidated financial statements in the Annual Report 2009, note 45.1.2).

Notes to the Consolidated Income Statement

6 Revenues

Revenues

in € million	Jan. 1 to June 30, 2010	Jan. 1 to June 30, 2009	Q 2 2010	Q 2 2009
Commercial Engine business	569.7	570.2	304.4	285.6
Military Engine business	249.3	231.9	113.2	117.7
Commercial and Military Engine business (OEM)	**819.0**	**802.1**	**417.6**	**403.3**
Commercial Maintenance (MRO)	**544.0**	**589.0**	**299.0**	**286.6**
Other Group Entities/consolidation	-14.2	-15.1	-8.0	-7.0
Total revenues	**1,348.8**	**1,376.0**	**708.6**	**682.9**

7 Cost of sales

Cost of sales

in € million	Jan. 1 to June 30, 2010	Jan. 1 to June 30, 2009	Q 2 2010	Q 2 2009
Cost of materials	-824.3	-886.3	-425.9	-433.7
Personnel expenses	-201.0	-191.2	-107.7	-110.8
Depreciation and amortization	-56.0	-55.2	-28.1	-27.7
Other cost of sales *)	-22.4	-26.6	-16.9	-12.8
Total Cost of sales	**-1,103.7**	**-1,159.3**	**-578.6**	**-585.0**

*) relates mainly to change in inventories of work in progress and exchange rate factors.

8 Research and development expenses

Research and development expenses

in € million	Jan. 1 to June 30, 2010	Jan. 1 to June 30, 2009	Q 2 2010	Q 2 2009
Cost of materials	-27.5	-18.6	-16.9	-5.7
Personnel expenses	-38.6	-31.3	-18.4	-15.6
Depreciation and amortization	-4.0	-3.2	-1.9	-1.4
Research and development expenses	**-70.1**	**-53.1**	**-37.2**	**-22.7**
Thereof capitalized:				
Development costs (OEM)	7.4	3.5	4.3	1.8
Development costs (MRO)	2.0	2.0		2.0
Capitalized development costs	**9.4**	**5.5**	**4.3**	**3.8**
Research and development expenditure recognized as expense	**-60.7**	**-47.6**	**-32.9**	**-18.9**

9 Selling expenses

Selling expenses in € million	Jan. 1 to June 30, 2010	Jan. 1 to June 30, 2009	Q 2 2010	Q 2 2009
Cost of materials	-5.6	-5.1	-3.3	-2.8
Personnel expenses	-25.3	-22.3	-13.1	-11.0
Depreciation and amortization	-1.3	-1.8	-0.8	-1.0
Other selling expenses	-7.3	-5.4	-5.2	-2.8
Total Selling expenses	**-39.5**	**-34.6**	**-22.4**	**-17.6**

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

10 General administrative expenses

General administrative expenses in € million	Jan. 1 to June 30, 2010	Jan. 1 to June 30, 2009	Q 2 2010	Q 2 2009
Cost of materials	-2.5	-3.2	-1.3	-1.4
Personnel expenses	-17.7	-15.5	-8.0	-7.4
Depreciation and amortization	-1.8	-1.1	-0.9	-0.5
Other administrative expenses	-2.4	-2.0	-1.4	0.1
Total General administrative expenses	**-24.4**	**-21.8**	**-11.6**	**-9.2**

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

12 Interest result

Interest result in € million	Jan. 1 to June 30, 2010	Jan. 1 to June 30, 2009	Q 2 2010	Q 2 2009
Interest income	**3.8**	**0.4**	**1.0**	**0.1**
Interest expenses				
Bank interest	-2.3	-1.5	-1.1	-0.7
Bonds	-3.9	-3.8	-1.9	-1.9
Interest expense for finance leases	-0.7	-0.9	-0.3	-0.4
Interest expense attributable to non-consolidated companies		-0.1		-0.1
Other interest expenses	-2.5	-0.3	-2.1	
Interest expenses	**-9.4**	**-6.6**	**-5.4**	**-3.1**
Net interest expense	**-5.6**	**-6.2**	**-4.4**	**-3.0**

Interest income for the first six months of 2010 rose by € 3.4 million to € 3.8 million, while interest expenses increased by € 2.8 million to € 9.4 million. As a result, the interest result improved by € 0.6 million to a net interest expense of € 5.6 million.

13 Result from equity accounted investments

Result from equity accounted investments

in € million	Jan. 1 to June 30, 2010	Jan. 1 to June 30, 2009	Q 2 2010	Q 2 2009
Result from equity accounted investments	-0.6	-0.1	-0.6	-0.5
Result from equity accounted investments	**-0.6**	**-0.1**	**-0.6**	**-0.5**

The result from equity accounted investments includes the change in value of the joint arrangement Pratt & Whitney Canada Customer Service Centre Europe GmbH, Ludwigsfelde.

14 Financial result on other items

Financial result on other items

in € million	Jan. 1 to June 30, 2010	Jan. 1 to June 30, 2009	Q 2 2010	Q 2 2009
Effects of changes of foreign exchange rates				
Exchange rate gains/losses on currency holdings	10.3	-7.5	4.4	-7.4
Exchange rate gains/losses on financing transactions	0.1		0.1	-0.1
Exchange rate gains/losses on finance leases	-0.7	-0.1	-0.4	0.5
Fair value gains/losses on derivatives				
Gains/losses on currency derivatives and interest rate derivatives	-17.0	3.4	-11.0	11.7
Gains/losses on commodity contracts	1.2	2.4	-2.4	4.8
Interest portion included in measurement of assets and liabilities				
Pension provision	-11.4	-12.5	-5.6	-6.2
Contingent liabilities	-6.6		-3.3	
Receivables, other provisions, plan assets, liabilities and advance payments received	-6.5	-0.1	-4.0	0.3
Result from other financial instruments	1.5	0.1	1.2	
Other financial result	**-29.1**	**-14.3**	**-21.0**	**3.6**

The deterioration in other financial result for the six-month period was mainly attributable to the negative effect of the fair value measurement of derivatives and the interest portion relating to the measurement of assets and liabilities. These expenses were partly offset by the positive effect of foreign currency translation.

15 Income taxes

Income tax expense comprised the following:

Income Taxes

in € million	Jan. 1 to June 30, 2010	Jan. 1 to June 30, 2009	Q 2 2010	Q 2 2009
Current income tax expense/income	-43.2	-56.3	-18.9	-37.8
Deferred tax income/expense	16.9	18.4	8.5	11.9
Total income taxes	**-26.3**	**-37.9**	**-10.4**	**-25.9**

16 Earnings per share

Potential ordinary shares that can be issued in conjunction with the convertible bond (issued on February 1, 2007) and the Matching Stock Program (MSP) set up on June 6, 2005 for the fourth and fifth tranches had a diluting effect on earnings per share for the period from January 1 to June 30, 2010. The Phantom Stocks relating to the third and fourth tranches which were taken into in the measurement of diluted earnings per share in the previous year did not have any diluting effect, since they were “not in the money”. For the purposes of determining diluted earnings per share, the maximum number of shares that could be exercised in conjunction with conversion rights is added to the weighted average number of ordinary shares in circulation. All shares issued during the period under report are included on a weighted basis. In parallel, group earnings are adjusted by the amount of post-tax interest expense relating to the convertible bond.

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

Undiluted and diluted earnings per share for the six-month periods ended June 30, 2010 and 2009 were as follows:

Undiluted and diluted earnings per share

		Jan. 1 to June 30, 2010				Jan. 1 to June 30, 2010
		Undiluted earnings per share	Financial instruments reconciliation			**Diluted earnings per share**
			Interest expense convertible bond/shares	Current and deferred taxes	Matching stock program/shares	
Earnings after taxes (EAT)	in € million	60.6	3.9	-1.3		63.2
Weighted average number of outstanding shares	shares	48,943,755	3,084,849		8,968	52,037,572
Earnings per share	**in €**	**1.24**				**1.21**

Undiluted and diluted earnings per share

		Jan. 1 to June 30, 2009				Jan. 1 to June 30, 2009
		Undiluted earnings per share	Financial instruments reconciliation			**Diluted earnings per share**
			Interest expense convertible bond/shares	Current and deferred taxes	Matching stock program/shares	
Earnings after taxes (EAT)	in € million	55.7	3.8	-1.2		58.3
Weighted average number of outstanding shares*)	shares	48,796,089	3,086,869			51,882,958
Earnings per share	**in €**	**1.14**				**1.12**

*) no dilutive effect from Matching Stock Program (MSP)

17 Consolidated Statement of Comprehensive Income

In the consolidated statement of comprehensive income, earnings after taxes (EAT) of € 60.6 million (January - June 2009: € 55.7 million) are reconciled to the comprehensive income for the period of € 9.8 million (January - June 2009: € 60.9 million). The deterioration in comprehensive income for the period is attributable to net fair value losses (after taxes) on derivative financial instruments amounting to € 66.2 million (January - June 2009: net fair value gains of € 9.7 million). The currency translation of the financial statements of foreign subsidies had a net positive impact on comprehensive income for the period of € 15.4 million (January - June 2009: net negative impact of € 4.5 million).

Notes to the Consolidated Statement of Financial Position

18 Intangible assets

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

During the first six months of 2010, intangible assets totalling € 9.5 million (January - June 2009: € 8.0 million) were capitalized, including € 9.4 million of capitalized development costs (January - June 2009: € 5.5 million).

The amortization expense for the six-month period amounted to € 25.3 million (January - June 2009: € 24.3 million).

19 Property, plant and equipment

Capital expenditure for property, plant and equipment during the first six months of the year was € 34.9 million (January - June 2009: € 51.6 million). Additions to property, plant and equipment related mainly to technical equipment, plant and machinery as well as to other operational and office equipment. The depreciation expense for the six-month period amounted to € 37.8 million (January - June 2009: € 37.0 million).

20 Financial assets

Financial assets increased overall by € 50.0 million during the first six months of 2010 to € 76.5 million (December 31, 2009: € 26.5 million), mainly reflecting the acquisition of financial assets and collateral transferred to banks to cover fair value losses on derivatives. Further information is provided in section 4, Adjustments to the Condensed Interim Consolidated Financial Statements.

21 Inventories

Inventories comprise the following:

Inventories

in € million	June 30, 2010	Dec. 31, 2009
Raw materials and supplies	287.8	308.8
Work in progress	344.1	306.0
Advance payments	26.5	33.9
Total Inventories	**658.4**	**648.7**

22 Trade receivables

Trade receivables comprise the following:

Trade Receivables

in € million	June 30, 2010	Dec. 31, 2009
Third parties	436.8	344.6
Associated companies	40.5	41.4
Joint ventures	2.8	5.2
Total Trade receivables	**480.1**	**391.2**

23 Contract production receivables

Contract production receivables comprise the following:

Contract production receivables

in € million	June 30, 2010	Dec. 31, 2009
Contract production receivables	397.3	339.0
of which related to:		
Advance payments from customers	-272.4	-240.6
Net contract production receivables	**124.9**	**98.4**

24 Other assets

Other assets comprise the following:

Other Assets

	Total		Non-current		Current	
in € million	June 30, 2010	Dec. 31, 2009	June 30, 2010	Dec. 31, 2009	June 30, 2010	Dec. 31, 2009
Other taxes	8.2	14.8			8.2	14.8
Receivables from employees	8.6	1.0			8.6	1.0
Receivables from suppliers	0.3	3.3			0.3	3.3
Sundry other assets	7.9	14.2	7.3	6.1	0.6	8.1
Total Other assets	**25.0**	**33.3**	**7.3**	**6.1**	**17.7**	**27.2**

Other taxes relate primarily to value added tax receivables.

25 Cash and cash equivalents

Cash and cash equivalents comprise the following:

Cash and cash equivalents

in € million	June 30, 2010	Dec. 31, 2009
Bank balances, cash at hand	142.4	85.4
Overnight and fixed term deposits	10.9	35.4
Total Cash and cash equivalents	**153.3**	**120.8**

26 Equity

Changes in equity are presented in the Consolidated Statement of Changes in Equity.

26.1 Subscribed capital

The Company's share capital is unchanged at € 52.0 million (December 31, 2009: € 52.0 million) and is divided into 52.0 million non-par-value shares (December 31, 2009: 52.0 million shares).

26.2 Capital reserves

Capital reserves include premiums arising on the issue of shares, the equity component (and proportionate transaction costs) of the convertible bond, the fair values recorded for the Matching Stock Program (MSP) and the expense incurred from transferring treasury shares to employees in conjunction with the Employee Stock Program (MAP).

Matching Stock Program (MSP)

In order to strengthen its ability to achieve business targets, the Group created the Matching Stock Program (MSP) as a long-term remuneration instrument – with both incentive and risk character – to involve management in the ownership of the company. The MSP entitles qualifying individuals to subscribe to so-called "Phantom Stocks". Participants in MSP must be in a non-terminated service or employment relationship with MTU Aero Engines Holding AG, Munich, or one of its German subsidiaries at the date of subscription to such shares. The fair value of the Phantom Stocks is recognized on a time-apportioned basis as personnel expense and, at the same time, within equity (capital reserves) until the exercise date (vesting date). Equity increased by € 0.3 million (January - June 2009: € 1.6 million) as a result of gains arising of the fair value measurement of the MSP and decreased by € 5.6 million (January - June 2009: € 0.0 million) as a result of the exercise of the fourth tranche in June 2010. The gain arising on exercise (i.e. the amount by which the exercise price exceeded the agreed base price) was €14.72 per share of Phantom Stock. The gain arising on the exercise of the fourth MSP tranche resulted in the issue of 67,270 shares and the use of treasury shares with a total value of € 3.0 million. Overall, equity decreased by € 2.3 million (January - June 2009: € 0.0 million) as a result of the exercise of stock in conjunction with the MSP.

Employee Stock Program (MAP)

The Board of Management of MTU Aero Engines Holding AG (MTU) set up a new Employee Stock Program ("MAP") for group employees during the second quarter 2010 which is to run for two years until June 2012. All tariff and non-tariff group employees working, paid and employed in Germany are entitled to join the scheme. The purchase price for registered shares of MTU Aero Engines Holding AG is based on the lowest price quoted on April 16, 2010 (acquisition date) and was thus € 42.58 per share. Under the terms of the MAP Employee Stock Program, MTU grants a so-called "match" to each MAP participant at the end of a two year vesting period. In other words, at the end of the program term, each MAP participant receives a taxable money amount equivalent to 50 % of the amount invested in MTU shares at the beginning of the program.

The amount received for the match constitutes remuneration which is subject to income tax and social security. Instead of taking the net payment, the MAP participant can also opt to convert the net match amount into MTU shares. In this case, the purchase price is based on the share price of MTU stock as determined by the final auction of the XETRA trading system on the first stock market day after expiry of the vesting period.

Employees acquired 58,464 MTU shares at a price of € 42.58 per share in conjunction with the MAP 2010. Proceeds from the sale of shares to employees therefore amounted to € 2.5 million. The shares issued to employees were measured using the FIFO (first-in-first-out) method. The total cost of the shares was € 2.7 million, with an average cost of € 45.22 per share. Capital reserves were therefore reduced by the difference of € 0.2 million. Employees acquired 150,982 MTU shares at a price of € 21.80 per share in conjunction with the MAP 2009. Proceeds from the sale of shares to employees therefore amounted to € 3.3 million. The shares issued to employees were measured using the FIFO (first-in-first-out) method. The total cost of the shares was € 6.7 million, with an average cost of € 44.62 per share. Capital reserves were therefore reduced by the difference of € 3.4 million.

26.3 Revenue reserves

Revenue reserves include the retained earnings of consolidated group companies as well as earnings after taxes (EAT) for the six-month period under report amounting to € 60.6 million (January - June 2009: € 55.7 million) less the dividend payment for the financial year 2009 amounting to € 45.5 million (January - June 2009: € 45.4 million). Revenue reserves increased by € 15.1 million during the first six months of 2010 (January - June 2009: € 10.3 million) as a result of positive earnings after taxes (EAT) for the period.

26.4 Treasury shares

The following table shows the number of treasury shares bought back and issued to employees under employee participation programs as well as the number of treasury shares and the issued share capital at the end of the reporting period.

Analysis of changes in shares and subscribed capital

Number of shares	Number of shares bought back	Shares issued to employees	Number of treasury shares held	Change in subscribed capital
Subscribed capital				**55,000,000**
Changes:				
Financial year 2006	-1,650,883		-1,650,883	
Financial year 2007				
Share buyback	-2,732,139		-2,732,139	
Matching Stock Program (MSP)/June 2007		112,612	112,612	
Financial year 2008 (Jan. 1, 2008 - March 18, 2008)	-986,641		-986,641	
	-5,369,663	112,612	-5,257,051	
Capital reduction by cancellation of shares (on March 18, 2008)			3,000,000	-3,000,000
Status after capital reduction (March 18, 2008)	**-5,369,663**	**112,612**	**-2,257,051**	**52,000,000**
Financial year 2008 (March 19, 2008 - December 31, 2008)				
Share buyback (May 2 - December 31, 2008)	-1,164,963		-1,164,963	
Employee Stock Program (MAP)/June 2008		192,959	192,959	
Financial year 2009 (January 1, 2009 - December 31, 2009)				
Employee Stock Program (MAP)/June 2009		150,863	150,863	
Financial year 2010 (January 1, 2010 - June 30, 2010)				
Employee Stock Program (MAP)/retrospective adjustment from June 2009 *)		632	632	
Employee Stock Program (MAP) 2008/Match June 2010		1,397	1,397	
Employee Stock Program (MAP)/June 2010		58,464	58,464	
Matching Stock Program (MSP)/June 2010		67,270	67,270	
Bond conversion/June 2010		2,020	2,020	
Share buyback/employee shares Treasury shares and subscribed capital (at June 30, 2010)	**-6,534,626**	**586,217**	**-2,948,409**	**52,000,000**

*) relates to retrospective agreement with employees

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

As a result of the treasury shares bought back by June 30, 2010, the issue of shares to group employees in conjunction with the exercise of the first and fourth tranches of the Matching Stock Program (MSP) in the financial years 2007 and 2010 and the Employee Stock Program (MAP) in the financial years 2008, 2009 and 2010 as well as the share capital reduction carried out on March 18, 2008 by cancellation of shares, the weighted average number of shares in circulation during the first six months of 2010 was 48,943,755 shares (January – June 2009: 48,796,089 shares). At June 30, 2010, a total of 49,051,591 MTU Aero Engines Holding AG shares was in issue (June 30, 2009: 48,921,808 shares).

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

Reconcilation to weighted, average number of shares in circulation

	2010			2009		
Number of shares	Balance at beginning of month	Buyback/ Exercise MSP/ Cancellation/ MAP/Bond conversion	Balance at end of month	Balance at beginning of month	Buyback/ Exercise MSP/ Cancellation/ MAP	Balance at end of month
Balance at January 1	**48,921,808**	**-3,078,192**		**48,770,945**	**-3,229,055**	
January	48,921,808		48,921,808	48,770,945		48,770,945
February	48,921,808		48,921,808	48,770,945		48,770,945
March	48,921,808	632	48,922,440	48,770,945		48,770,945
April	48,922,440		48,922,440	48,770,945		48,770,945
May	48,922,440		48,922,440	48,770,945		48,770,945
June (bond conversion)	48,922,440	2,020	48,924,460	48,770,945		48,770,945
June (exercise for MSP/MAP)	48,924,460	127,131	49,051,591	48,770,945	150,863	48,921,808
Share buyback/exercise of MSP*) MAP*)/bond conversion		**-2,948,409**			**-3,078,192**	
Treasury shares (June 30)		**-2,948,409**			**-3,078,192**	
Weighted average at June 30			**48,943,755**			**48,796,089**

*) including 112,612 shares (June 2007) and 67,270 shares (June 2010) issued to employees in conjunction with the Matching Stock Program (MSP) and 192,959 shares (June 2008), 150,863 shares (June 2009) and 60,493 shares (March and June 2010) issued to group employees in conjunction with the Employee Stock Program (MAP)

26.5 Other comprehensive income

Other comprehensive income consists of all amounts recognized directly in equity resulting from the translation of the financial statements of foreign subsidiaries, the effects of recognizing changes in the fair value of financial instruments directly in equity (where the conditions for hedge accounting are met), net of related deferred income taxes recognized directly in equity (see Consolidated Statement of Changes in Equity for more detailed information).

27 Other provisions

Other provisions consist mainly of personnel-related obligations, pending losses on onerous contracts and warranties. Provisions for pending losses on onerous contracts relate to risks concerning the order backlog for Commercial Maintenance business.

At June 30, 2010 contingent liabilities relating to business combinations totalled € 179.3 million (December 31, 2009: € 153.6 million).

28 Financial liabilities

All derivative and non-derivative financial obligations of group entities at the end of each relevant reporting period are presented as financial liabilities. Financial liabilities comprise the following:

Financial liabilities

in € million	Total			Non-Current			Current		
	June 30, 2010	Dec. 31, 2009	Jan. 1, 2009	June 30, 2010	Dec. 31, 2009	Jan. 1, 2009	June 30, 2010	Dec. 31, 2009	Jan. 1, 2009
Bonds									
Convertible bond	146.7	145.0	141.5	146.7	145.0	141.5			
Interest liability on convertible bond	1.8	3.9	3.9				1.8	3.9	3.9
Liabilities to banks									
Revolving Credit Facility (RCF)			61.2						61.2
Promissory notes	34.8	65.4		34.7	64.6		0.1	0.8	
Other liabilities to banks	12.5	14.6	21.3			9.7	12.5	14.6	11.6
Liabilities to related companies*)	2.0						2.0		
Other financial liabilities									
Finance lease liabilities	25.9	25.8	34.0	24.6	24.6	25.7	1.3	1.2	8.3
Purchcase price adjustment Daimler AG			15.0						15.0
Loan from the province of British Columbia to MTU Maintenance Canada	15.1	12.9	11.1				15.1	12.9	11.1
Derivative financial liabilities	107.6	12.2	48.4	48.0	4.6	23.5	59.6	7.6	24.9
Total Financial liabilities	**346.4**	**279.8**	**336.4**	**254.0**	**238.8**	**200.4**	**92.4**	**41.0**	**136.0**

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

Revolving Credit Facility (RCF)

The currency used to finance the group is the Euro. This relates mainly to loans, a convertible bond issue and bank overdrafts (Revolving Credit Facility). On August 3, 2009, the existing revolving credit facility of € 250.0 million was replaced by a new credit facility with a term of 3 years. At June 30, 2010, the MTU Group therefore has access to an overdraft facility of € 100.0 million with two banks.

Of these new credit facilities totalling € 100.0 million, an amount of € 30.1 million (December 31, 2009: € 27.7 million) was being utilized at June 30, 2010 for guarantees. Interest on credit lines actually drawn down is charged on the basis of customary interest reference rates plus a margin. A commitment fee is paid on credit facilities which are not being utilized.

Promissory notes

On June 3, 2009, MTU placed four promissory notes with a total nominal volume of € 65.0 million. Notes with a nominal value of € 30.0 million were bought back on June 7, 2010, leaving notes outstanding at June 30, 2010 with a nominal value of € 35.0 million. The promissory notes, which help to diversify group financing further, are payable in full on the following maturity dates:

Promissory Notes

Maturity	Original note amount (nominal) in € million	Interest rate	Buy-back June 7, 2010 in € million	Remaining note amount (nominal) in € million
5.6.2012	1.5	fixed		1.5
5.6.2014	11.5	fixed		11.5
5.6.2012	27.0	variable*)	15.0	12.0
5.6.2014	25.0	variable*)	15.0	10.0
	65.0		**30.0**	**35.0**

*) 6-month Euribor plus margin

The cash inflow from the promissory notes issued in June 2009 was used to reduce bank liabilities under the Revolving Credit Facility (RCF old). The promissory notes were measured initially at their fair value (corresponding to the nominal amount) net of transaction costs amounting to € 0.4 million. At subsequent reporting dates, they are measured at amortized cost.

Convertible bond

MTU Aero Engines Finance B.V., Amsterdam, Netherlands, issued a convertible bond during the financial year 2007 with a total volume of € 180.0 million (divided into 1,800 partial bonds). In September and October 2008, MTU bought back partial convertible bonds (before maturity date) with a nominal volume of € 27.2 million. Further information is provided in the notes to the consolidated financial statements in the Annual Report 2009 (Note 34, Financial liabilities). The security has a par value of € 100,000 per bond and a term to maturity of five years. The bonds can be converted into registered common shares of the company corresponding to a proportionate amount (€ 1 per share) of the company's total share capital. The bonds are entitled to receive profits from the beginning of the financial year in which they are issued and the subscription rights of existing shareholders are excluded.

At a conversion price of € 49.50, the conversion ratio at issue date was 2,020.20. The coupon rate is fixed at 2.75 %, payable annually on February 1. The issuing company is Amsterdam-based MTU Aero Engines Finance B.V. which is wholly owned by MTU Aero Engines Holding AG, Munich.

The present value of the future contractually agreed cash flows under the Convertible Bonds Underwriting Agreement dated January 23, 2007 has been discounted using a market interest rate i.e. the rate the company would have had to pay if it had issued a non-convertible bond. The interest expense that will be recognized over the term of the convertible loan results from unwinding the obligation using the market interest (5.425 %) used to determine its present value.

One bondholder exercised his conversion right on June 23, 2010, at which stage partial convertible bonds with a nominal value of € 100,000 were exchanged – based on their amortized cost at the conversion date (€ 95,864.10) – for 2,020 shares.

Information regarding the retrospective change in presentation of the convertible bond as a non-current financial liability is provided in section 4 Adjustments to the Condensed Interim Consolidated Financial Statements.

29 Contract production liabilities

Contract production liabilities comprise the following:

Contract production liabilities

in € million	Current	
	June 30, 2010	Dec. 31, 2009
Advance payments received for contract production	1,006.5	847.6
of which relating to:		
Contract production receivables	-272.4	-240.6
Total Contract production liabilities	**734.1**	**607.0**

Advance payments received relate mainly to military engine program participations.

Any surplus of advance payments received over contract production receivables with a remaining term of more than 12 months are discounted to their present value.

30 Other liabilities

Other liabilities comprise the following items:

Other liabilities

in € million	Total		Non-current		Current	
	June 30, 2010	Dec. 31, 2009	June 30, 2010	Dec. 31, 2009	June 30, 2010	Dec. 31, 2009
Taxes	18.6	8.4			18.6	8.4
Social security	1.0	2.0			1.0	2.0
Employees	63.3	40.5	13.8	3.3	49.5	37.2
Accrued interest expense	23.7	21.4	23.7	21.4		
Maintenance work still to be performed on engines	10.6	8.1	10.6	8.1		
Sundry other liabilities	16.6	18.2	1.2	1.2	15.4	17.0
Total Other liabilities	**133.8**	**98.6**	**49.3**	**34.0**	**84.5**	**64.6**

Other taxes and social security liabilities

Other taxes amounting to € 18.6 million (December 31, 2009: € 8.4 million) relate to payroll (including employees' solidarity surcharge), church taxes and sales taxes. Social security liabilities relate mainly to contributions to employees‘ accident insurance associations amounting to € 0.4 million (December 31, 2009: € 1.5 million) and liabilities to health insurance agencies amounting to € 0.6 million (December 31, 2009: € 0.5 million).

Employees

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

Deferred interest

Non-current payments received on account from customers for contract production are discounted over the term of the advance payments using appropriate market interest rates and the deferred interest recognized as a liability within other liabilities until the engine is delivered. Deferred interest amounting to € 18.9 million (December 31, 2009: € 16.6 million) relates to advance payments for long-term military contract production as well as payments on account of € 4.8 million (December 31, 2009: € 4.8 million) relating to long-term Commercial Engine programs.

Maintenance obligations for engines

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

Sundry other liabilities
In addition, this line item includes numerous smaller individual obligations.

32 Related party transactions

Transactions with related entities

Proportionately consolidated entities
MTU does business with MTU Maintenance Zhuhai Co. Ltd., Zhuhai, China, as part of its ordinary operating activities, buying and selling various products and services on an arm's length basis. There were no trade receivables due from this entity at June 30, 2010, while trade payables totalled € 5.4 million. Income recognized during the first six months of the year totalled € 1.0 million, with expenses totalling € 4.6 million.

Entities accounted for at equity and at cost
MTU does business with entities that are accounted for at equity and at cost, as part of its ordinary operating activities, buying and selling various products and services on an arm's length basis. Entities accounted for at equity and at cost are disclosed in note 45.1.2 (Major Shareholdings) of the Annual Report for the year ended December 31, 2009. Trade receivables at June 30, 2010 amounted to € 43.3 million. Trade payables at that date amounted to € 45.3 million. Income recognized during the six-month period under report amounted to € 305.2 million with expenses totalling € 208.1 million.

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

33 Contingent liabilities and other financial commitments

Contingent liabilities and other financial obligations at June 30, 2010 amounted to € 168.8 million (December 31, 2009: € 144.5 million), an increase of € 24.3 million. Contingent liabilities and other financial obligations are not material to the MTU Group as a whole. As in previous periods, no amounts fell due for payment during the period under report. Similarly, no amounts are expected to be paid during the financial year 2010. Information regarding the composition and nature of contingent liabilities and other financial obligations is provided in the notes to the consolidated financial statements in the Annual Report 2009 (Note 43).

Purchase commitments for intangible assets and property, plant and equipment amounted to € 31.6 million at June 30, 2010.

34 Major events during the reporting period

The impact, nature and occurrence of major events arising during the reporting period are described in the selected explanatory notes and in the Interim Group Management Report.

35 Events after the end of the reporting period (June 30, 2010)

There have been no essential events after the end of the interim reporting period (June 30, 2010) and prior to the date of authorization for issue of the Half-Yearly Financial Report on July 21, 2010.

36 Disclaimer

This report contains forward-looking assertions which reflect the current view of the management of MTU with regard to future events. Those disclosures are characterized by terms such as “expect“, “is likely that“, “assume“, “intend“, “estimate“, “aim“, “set as target“, “forecast”, “outlook“ and similar phrases and generally include information relating to expectations or targets for revenues, (adjusted) EBIT or EBITDA or other performance measures. Forward-looking assertions are based on the latest forecasts, assessments and expectations. Such information should therefore be carefully considered. Assertions of this kind are subject to risk factors and uncertainties which are often difficult to assess and which are generally not within the control of MTU. Such factors may unfavorably affect revenues and expenses. If these or other risk factors and uncertainties do in fact materialize, or if the assumption on which assertions are based turn out to be incorrect, MTU's actual earnings may vary from those contained in, or implied by, these assertions. MTU cannot guarantee that expectations or targets will be met. MTU does not accept any responsibility for up-dating future-looking assertions by taking account of any new information or future events or other matters.

In addition to IFRS-based key figures, MTU also discloses some non-GAAP key performance indicators (e. g. EBIT, EBIT margin, EBITDA, EBITDA margin, (where applicable EBIT adjusted, EBIT margin adjusted), free cash flow and gross/net financial liabilities) which are not covered by financial reporting standards. These key performance indicators should be seen as supplementary information and not as a replacement for disclosures made in accordance with IFRS. Non-GAAP key performance indicators are not covered by IFRS or any other generally accepted set of financial reporting rules. Other entities may, under certain circumstances, use different definitions for these items.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the condensed interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit of the group, and the interim group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Munich, July 21, 2010

Egon Behle

Chairman of the Board of Management

Dr. Rainer Martens

Member of the Board of Management Technology

Dr. Stefan Weingartner

Member of the Board of Management Commercial Maintenance

Reiner Winkler

Member of the Board of Management Finance and Human Resources

Review Report

To the MTU Aero Engines Holding AG, Munich

We have reviewed the condensed interim consolidated financial statements of the MTU Aero Engines Holding AG, Munich, comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and selected explanatory notes, together with the interim group management report of the MTU Aero Engines Holding AG, Munich, for the period from January 1 to June 30, 2010, that are part of the semi-annual financial report pursuant to § [Article] 37w Abs. [paragraph] 2 WpHG [Wertpapierhandelsgesetz: German Securities Trading Act]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS (International Financial Reporting Standards) applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the company's Board of Management. Our responsibility is to issue a report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and of the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review such that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG [German Securities Trading Act] applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to believe that the condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG [German Securities Trading Act] applicable to interim group management reports.

Munich, July 23, 2010

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Plendl	Prosig
German Public Auditor	German Public Auditor

Financial Calendar

Teleconference on third quarter 2010 earnings	**October 26, 2010**
2010 conference with analysts and investors	**November 9, 2010**

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Translation

The German version takes precedence.

MTU Aero Engines Holding AG on the Internet

- Further information about MTU Aero Engines Holding AG can be obtained via the Internet at: www.mtu.de.
- Investor Relations information is available directly at **http://www.mtu.de/de/investorrelations/latest_news/index.html**
- Information about MTU Aero Engines Holding AG's can be obtained at: **www.mtu.de/de/products_services/new_business_commercial/index.html**

MTU Aero Engines

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