Half-Yearly Financial Report
January 1 to June 30, 2014

MTU Aero Engines AG, Munich

Contents

Key Facts and Figures for the Group

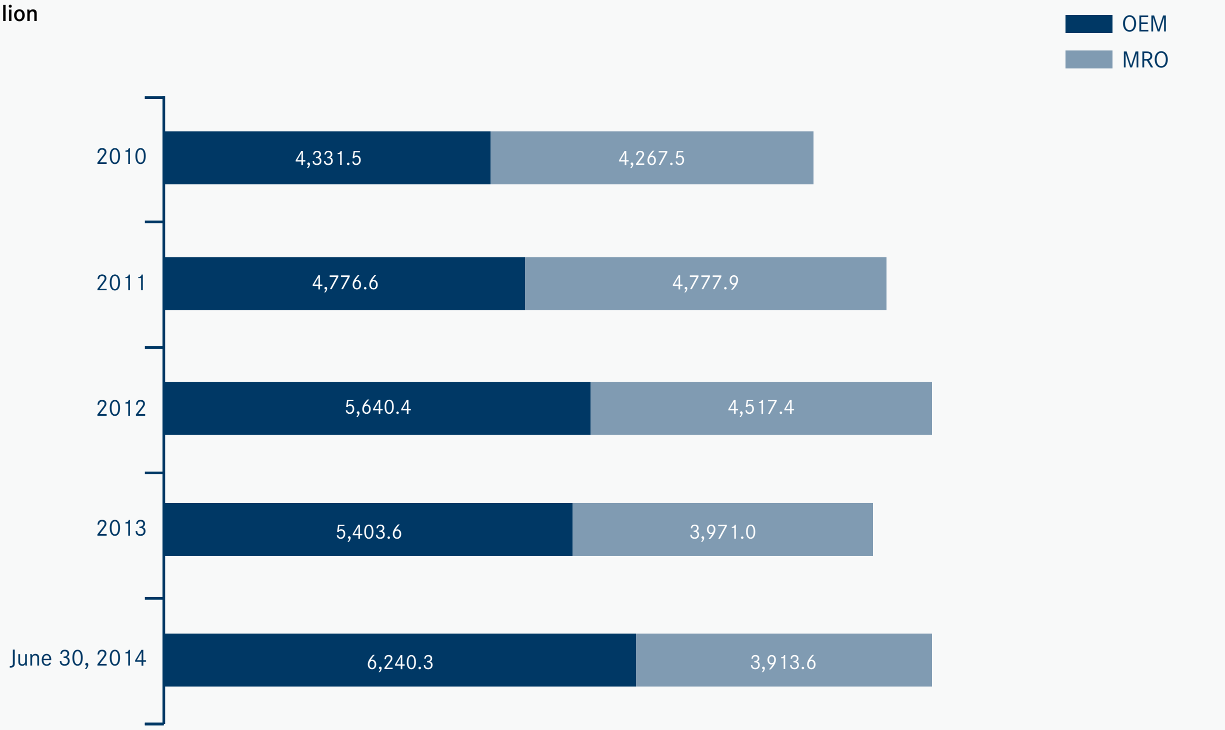
in € million (unless stated otherwise)	Jan. 1 - June 30, 2014	Jan. 1 - June 30, 2013	Change against previous year in € million	in %
Income Statement				
Revenues	1,815.8	1,774.9	40.9	2.3
Gross profit	250.1	253.2	-3.1	-1.2
Earnings before interest and tax (EBIT)	147.2	140.9	6.3	4.5
Adjusted earnings before interest and tax (EBIT adjusted)	170.7	169.7	1.0	0.6
Earnings before tax (EBT)	124.2	114.1	10.1	8.9
Earnings after tax (EAT)	86.8	73.0	13.8	18.9
Adjusted earnings after tax (EAT adjusted)	111.0	106.7	4.3	4.0
Undiluted earnings per share (in €)	1.71	1.44	0.27	18.8
Diluted earnings per share (in €)	1.71	1.44	0.27	18.8
Revenue margins in %				
Earnings before interest and tax (EBIT)	8.1	7.9		
Adjusted earnings before interest and tax (EBIT adjusted)	9.4	9.6		
Earnings before tax (EBT)	6.8	6.4		
Earnings after tax (EAT)	4.8	4.1		
Adjusted earnings after tax (EAT adjusted)	6.1	6.0		
Cash flow				
Cash flow from operating activities	81.0	71.3	9.7	13.6
Cash flow from investing activities	-95.8	-56.7	-39.1	-69.0
Free cash flow	17.9	25.2	-7.3	-29.0
Cash flow from financing activities	-58.4	31.8	-90.2	<-100
Change in cash and cash equivalents	-72.5	45.8	-118.3	<-100

in € million (unless stated otherwise)	June 30, 2014	Dec. 31, 2013	Change against previous year in € million	in %
Balance Sheet				
Intangible assets	1,835.8	1,820.5	15.3	0.8
Cash and cash equivalents	87.1	159.6	-72.5	-45.4
Pension provisions	672.2	623.1	49.1	7.9
Equity	1,207.0	1,219.4	-12.4	-1.0
Net debt	423.3	354.8	68.5	19.3
Order backlog before consolidation	**10,153.9**	**9,374.6**	**779.3**	**8.3**
Commercial and military engine business (OEM) before consolidation	6,240.3	5,403.6	836.7	15.5
Commercial maintenance business (MRO) before consolidation	3,913.6	3,971.0	-57.4	-1.4
Number of employees at quarter end	**8,292**	**8,343**	**-51**	**-0.6**
Commercial and military engine business (OEM)	5,229	5,225	4	0.1
Commercial maintenance business (MRO)	3,063	3,118	-55	-1.8

The following five-year comparisons are based on adjusted, unaudited figures for the years 2010 to 2013. The nature of the adjustments is explained in the explanatory notes to the Condensed Interim Consolidated Financial Statements (IFRS 11, Joint Arrangements).

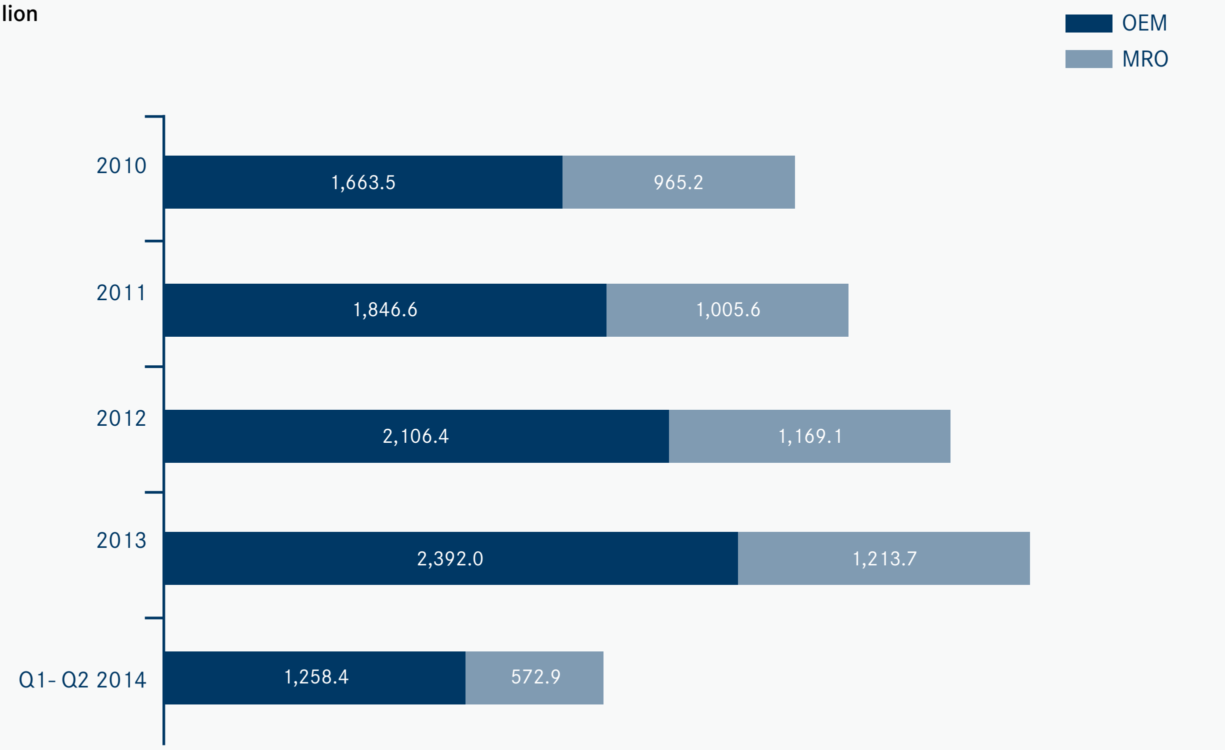
Order backlog by segment (before consolidation)

in € million

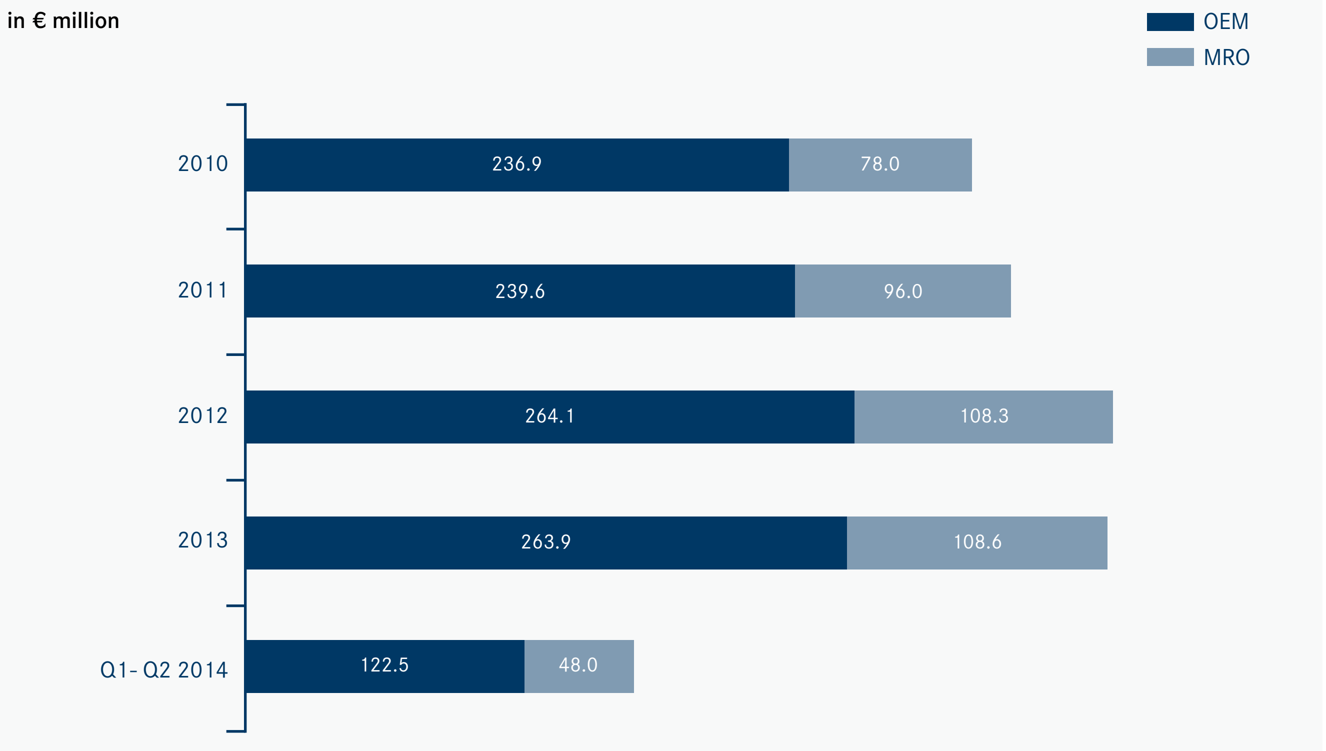


Revenues by segment (before consolidation)

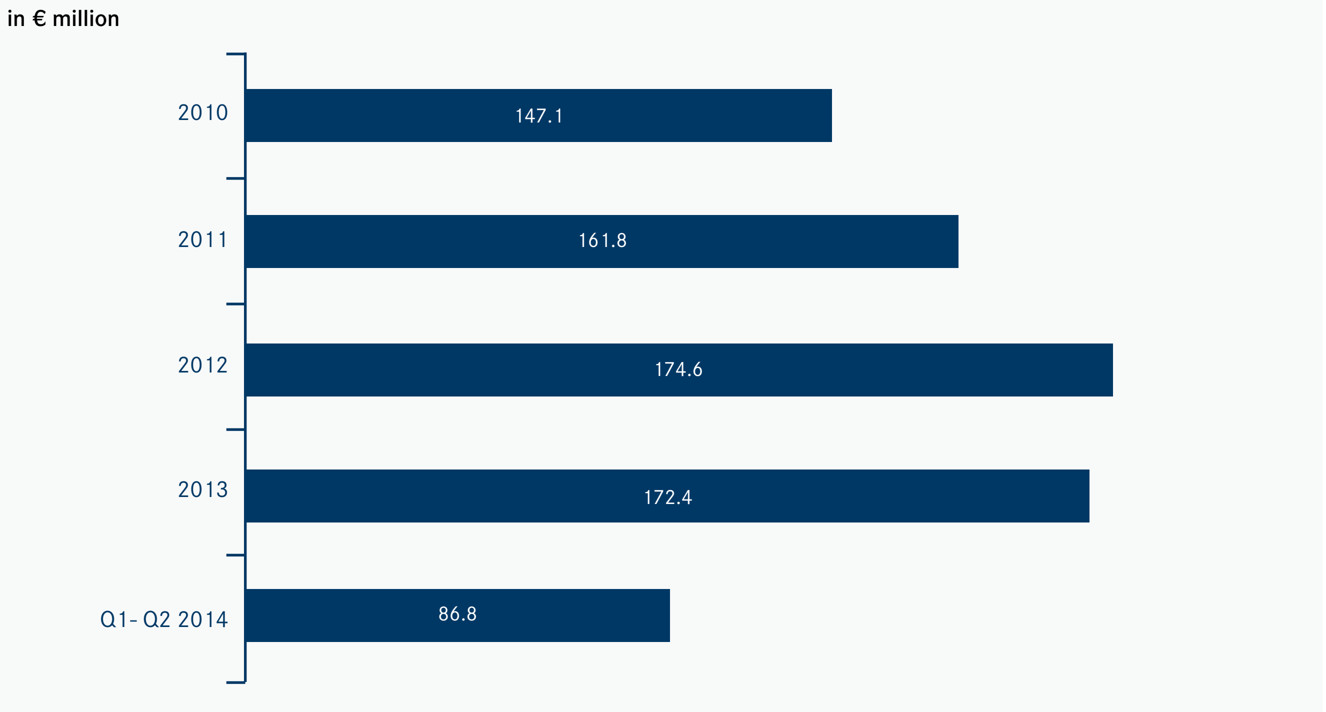
in € million



EBIT adjusted by segment (before consolidation)



Earnings after tax



1 The enterprise MTU

MTU Aero Engines 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 biggest international players in the industry.

Research and development

Technological changes within the aviation sector take place at an extremely rapid pace and require a continuous source of innovation. Development activities are currently dominated by work on engines intended for geared turbofan programs.

Commercial geared turbofan programs

Engine	MTU program share	Aircraft manufacturer	Aircraft type	Number of Seats	Entry into Service (EIS)
PW1100G	18%	Airbus	A320neo	150 - 200	2015
PW1200G	15%	Mitsubishi	MRJ	70 - 90	2017
PW1400G	18%	Irkut	MS21	150 - 200	2017
PW1500G	17%	Bombardier	CSeries	110 - 150	2015
PW1700G	15%	Embraer	E-Jet E175	80 - 90	2020
PW1900G	17%	Embraer	E-Jet E190/E195	100 - 140	2018/2019

Research and development expenditure will remain at a high level during the financial years 2014 and 2015. Expenditure on research and development during the first six months of 2014 totaled € 79.2 million (January - June 2013: € 95.7 million).

Research and development expenditure

	Jan. 1 - June 30, 2014 in € million	Jan. 1 - June 30, 2013 in € million	Change against previous year in € million	in %
Commercial engine business	61.5	68.4	-6.9	-10.1
Military engine business	15.6	25.1	-9.5	-37.8
Commercial and military engine business	**77.1**	**93.5**	**-16.4**	**-17.5**
Commercial maintenance business	2.1	2.2	-0.1	-4.5
Research and development expenditure prior to capitalization	**79.2**	**95.7**	**-16.5**	**-17.2**

R&D expenditure is subdivided into company-funded and externally funded 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 note 3 (Research and development expenses) of the selected explanatory notes as R&D expense.

R&D expenses of € 79.2 million (January - June 2013: € 95.7 million) included € 60.0 million (January - June 2013: € 68.8 million) relating to company-funded R&D expenditure. Of this amount, € 57.9 million (January - June 2013: € 66.6 million) related to commercial and military engines business (OEM). The six-month expense for commercial maintenance business was € 2.1 million (January - June 2013: € 2.2 million) and related primarily to new repair techniques.

Company-funded research and development expenditure (P&L)

	Jan. 1 - June 30, 2014 in € million	Jan. 1 - June 30, 2013 in € million	Change against previous year in € million	in %
Commercial engine business	53.7	57.7	-4.0	-6.9
Military engine business	4.2	8.9	-4.7	-52.8
Commercial maintenance business	2.1	2.2	-0.1	-4.5
Company-funded R&D expenditure	**60.0**	**68.8**	**-8.8**	**-12.8**
Capitalized development costs				
Commercial and military engine business	-21.6	-21.9	0.3	1.4
Commercial maintenance business		-0.4	0.4	100.0
Research and development costs recognized as expense	**38.4**	**46.5**	**-8.1**	**-17.4**
Capitalized development costs in %	**36.0**	**32.4**		

Capitalized development costs in the six-month period totaled € 21.6 million (January - June 2013: € 22.3 million), resulting in a capitalization ratio of 36.0 %. Development costs capitalized for the military and commercial engine lines of business related to the GE38, PW1100G, PW1500G, PW1700G, PW1900G and PW800 programs.

2 Report on economic position

2.1 Macroeconomic factors

The global economic upswing remains intact in 2014, albeit with a slight slowdown in the pace of growth in the first part of the year (source: EIU, July 2014).

Gross domestic product (GDP) in the eurozone grew – seasonally adjusted – by 0.5 % in the fourth quarter 2013 and by 0.9 % in the first quarter 2014. The rise in the first quarter 2014 was primarily attributable to the improved GDP in Germany, where the economy expanded at a significantly faster pace than in the same quarter of the previous year (source: Eurostat, June 4, 2014).

GDP in the USA fell by 2.9 % in the first quarter 2014. Whereas consumer spending continued to grow as strongly as in the previous year, the unusually cold winter resulted in a perceptible decrease in investment and export levels. Nevertheless, the underlying trend remains upward for the US economy, with GDP of 2.6 % being recorded for the fourth quarter of the previous financial year (source: US Bureau of Economic Analysis, June 25, 2014).

Chinese economic growth is being boosted by the economic recovery of its two largest export markets (the USA and the eurozone), helping economic output to grow by 7.4 % in the first three months of the year (source: EIU, July 2014).

The price of Brent Crude oil rose slightly in the second quarter 2014 to U.S. $ 110 a barrel, compared to an average price of U.S. $ 108 in the first quarter.

Changes in the value of the U.S. dollar are particularly important for MTU's international business. Since the beginning of the year, the U.S. dollar has slightly appreciated in value, finishing at U.S. $ 1.37 to the euro on June 30, 2014 (December 31, 2013: U.S. $ 1.38 to the euro). The average rate of the US dollar to the euro during the six-month period to June 30, 2014 (U.S. $ 1.37) was higher than in the corresponding period last year (U.S. $ 1.31). Reference is made to section 2.3 (Financial situation) for comments on the impact of changes in exchange rates.

2.2 Macroeconomic factors in the aviation industry

Aviation markets are generally doing well on the back of the economic upswing. Demand for air transport is picking up with the rise in trading and business volumes. Amongst the main aviation regions, the biggest increase in passenger numbers in the first quarter 2014 was recorded by the US airlines. By contrast, Chinese airlines came under cost pressure as a result of the loss in value of the renminbi. Freight business volumes in the Asia/Pacific region were down.

Global passenger numbers rose year-on-year by 6.2 % and air freight volumes by 4.4 % in the first five months of 2014.

The aviation sector is reacting to the long-term growth trend in air traffic and to the rise in passenger numbers by investing in new and replacement aircraft with efficient and fuel-saving engines.

Airbus and Boeing delivered 643 aircraft to customers during the first half of 2014, 7 % more than in the same period last year. Aircraft production rates are therefore within the forecast range announced by Airbus and Boeing.

The order backlog for aircraft in the plus 100-seat category went up from 11,325 aircraft at the end of the first quarter to 11,493 aircraft at the end of the second quarter 2014, roughly corresponding to a production period of eight years (source: IATA, Ascend Online, July 2014).

A total of 157 business jets was delivered during the first quarter 2014, continuing the upwards trend in this business segment (source: GAMA, May 2014).

2.3 Financial situation

2.3.1 Operating results

Reconciliation to adjusted key performance figures

Earnings before interest and tax can be reconciled to adjusted earnings before interest and tax and to adjusted earnings after interest and tax as follows:

Reconciliation to adjusted key performance figures

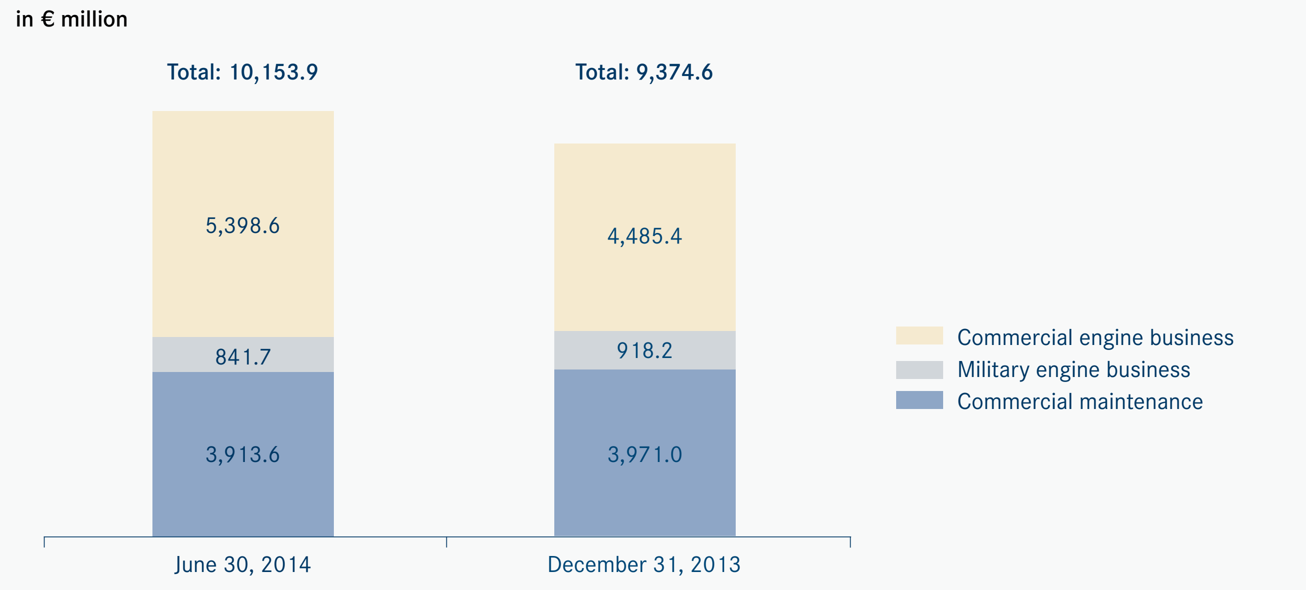
	Jan. 1 - June 30, 2014 in € million	Jan. 1 - June 30, 2013 in € million	Change against previous year in € million	in %
Earnings before interest and tax (EBIT)	**147.2**	**140.9**	**6.3**	**4.5**
Amortization and depreciation effects of purchase price allocation/V2500 stake increase	23.5	28.8	-5.3	-18.4
Adjusted earnings before interest and tax (EBIT adjusted)	**170.7**	**169.7**	**1.0**	**0.6**
Interest result	-4.7	-5.3	0.6	11.3
Accrued interest for pension provision	-10.7	-10.0	-0.7	-7.0
Adjusted earnings before tax (EBT adjusted)	**155.3**	**154.4**	**0.9**	**0.6**
Income taxes 30.0 % (from 2014)	-44.3	-47.7	3.4	7.1
Adjusted earnings after tax (EAT adjusted)	**111.0**	**106.7**	**4.3**	**4.0**

Since the after-tax results of investments accounted for using the equity method are taken into account in earnings before interest and tax, the calculation of income taxes does not include these amounts. An average tax rate has been applied for 2014, based on the expected pre-tax profits of the German and foreign companies making up the MTU Group. The group tax rate went down from 32.6 % to 30.0 %, reflecting decreases in tax rates relevant for the group outside Germany – in particular in Poland.

Order backlog

MTU's order backlog consists of firm customer orders that commit the group to delivering products or providing services, plus the contractual value of service agreements.

Order backlog before consolidation



The order backlog for the commercial engine business totaling € 5.4 billion is based on firm orders from customers and recorded at list price. The total order backlog at June 30, 2014 amounting to approximately € 10 billion corresponds, arithmetically, to a production workload of approximately three years.

Revenues

Revenues for the six-month period increased by € 40.9 million (2.3 %) to € 1,815.8 million. Within those figures, revenues from commercial and military engine business increased by € 81.6 million (6.9 %) to € 1,258.4 million. Revenues generated with commercial engine maintenance business fell by € 40.5 million (6.6 %) to € 572.9 million. Adjusted for the U.S. dollar impact (i.e. using the same exchange rate as in the previous year), group revenues for the six-month period would have increased by € 110.6 million (6.2 %).

Cost of sales and gross profit

Cost of sales for the first six months of 2014 increased by € 44.0 million (2.9 %) to € 1,565.7 million compared to the previous year. As a result, the six-month gross profit decreased by € 3.1 million (1.2 %) to € 250.1 million. The gross profit margin fell to 13.8 % (January - June 2013: 14.3 %).

Earnings before interest and tax (EBIT)

Earnings before interest and tax for the first six months of 2014 increased by € 6.3 million (4.5 %) to € 147.2 million (January - June 2013: € 140.9 million). Six-month adjusted earnings before interest and tax amounted to € 170.7 million (January - June 2013: € 169.7 million), resulting in an adjusted EBIT margin of 9.4 %.

Financial result

The financial result for the six-month reporting period was a net expense of € 23.0 million (January – June 2013: net expense of € 26.8 million). The improvement of € 3.8 million was attributable primarily to the lower negative net interest expense of € 4.7 million (January – June 2013: net interest expense of € 5.3 million), net fair value gains on derivatives totaling € 5.3 million (January – June 2013: net fair value losses of € 1.7 million), and – working in the opposite direction – an increase in the net interest expense arising in conjunction with the measurement of assets and liabilities from € 17.4 million to € 22.2 million.

Earnings before tax (EBT)

As a result of higher earnings before interest and tax and the improved financial result, earnings before tax for the six-month period increased by € 10.1 million (8.9 %) to € 124.2 million (January - June 2013: € 114.1 million).

Earnings after tax (EAT)

Earnings after tax rose to € 86.8 million (January - June 2013: € 73.0 million), in line with the increase in earnings before tax. Of this amount, a positive amount of € 86.9 million is attributable to owners of MTU Aero Engines AG and a negative amount of € 0.1 million to non-controlling interests (the latter relating to the shares held by Sumitomo Corporation, Tokyo, in MTU Maintenance Lease Services B.V., Amsterdam). Adjusted earnings after tax amounted to € 111.0 million (January - June 2013: € 106.7 million), an increase of € 4.3 million (4.0 %) compared to the corresponding period last year.

Consolidated Statement of Comprehensive Income

In the Consolidated Statement of Comprehensive Income, earnings after tax of € 86.8 million (January - June 2013: € 73.0 million) are reconciled to the comprehensive income for the period of € 45.5 million (January - June 2013: € 38.1 million).

Income and expenses recognized directly in comprehensive income during the first six months of 2014 (net of deferred taxes) comprise mainly net losses of € 16.0 million (January - June 2013: € 28.7 million) arising on the fair value measurement of cash flow hedging instruments. In addition, the currency translation of the financial statements of foreign operations had a net positive impact of € 0.4 million (January - June 2013: net negative impact of € 14.4 million) on comprehensive income for the period. Actuarial gains and losses on pension obligations and plan assets had a net negative impact on comprehensive income of € 25.7 million (January - June 2013: net positive impact of € 8.2 million).

Of the total comprehensive income for the period of € 45.5 million, a positive amount of € 45.6 million is attributable to owners of MTU Aero Engines AG and a negative amount of € 0.1 million to non-controlling interests.

2.3.2 Financial position

The principles and objectives of financial management are described in the Annual Report 2013 (page 65 onwards) and remain unchanged.

The Group's external financing comprises mainly the utilization of loans and credits from banks and the issue of promissory notes.

At June 30, 2014, the MTU Group has access to credit facilities of € 400.0 million with five banks. Of these credit facilities, € 12.2 million (December 31, 2013: € 15.2 million) were being utilized at June 30, 2014 for guarantees.

Free cash flow

MTU determines free cash flow by combining cash flows from operating activities and cash flows from investing activities and deducting the components that are not part of the operational management of the group's core business. Accordingly, as part of the calculation of free cash flow for the first half of 2014, adjustments were recorded – as in previous years – for payments in conjunction with liquidity management amounting to € 16.1 million (January - June 2013: cash inflow of € 23.0 million), for acquisition payments relating to participations in engine programs amounting to € 2.4 million (January - June 2013: € 20.3 million) and for payments relating to sales financing amounting to € 14.2 million (January - June 2013: € 13.3 million).

Free cash flow in the first six months of 2014 totaled € 17.9 million (January - June 2013: € 25.2 million).

Financial position

	Jan. 1 - June 30, 2014 in € million	Jan. 1 - June 30, 2013 in € million	Change against previous year in € million	in %
Cash flow from operating activities	81.0	71.3	9.7	13.6
Cash flow from investing activities	-95.8	-56.7	-39.1	-69.0
+ (-) non-operating exceptional items	32.7	10.6	22.1	>100
Free cash flow	**17.9**	**25.2**	**-7.3**	**-29.0**
+ (-) non-operating exceptional items	-32.7	-10.6	-22.1	<-100
Cash flow from financing activities	-58.4	31.8	-90.2	<-100
Translation differences	0.7	-0.6	1.3	**>100**
Change in cash and cash equivalents	**-72.5**	**45.8**	**-118.3**	<-100
Cash and cash equivalents at				
the beginning of the reporting period	159.6	155.2	4.4	2.8
the end of the reporting period	87.1	201.0	-113.9	-56.7

Cash flows from operating activities

Cash flows from operating activities for the six months of the financial year 2014 totaled € 81.0 million (January - June 2013: € 71.3 million).

Cash flow from investing activities

The cash outflow for investing activities for the six-month period was € 95.8 million compared with € 56.7 million in the previous year. Cash spend on investments in intangible assets totaled € 21.7 million (January - June 2013: € 36.0 million) and related primarily to development expenditure for the geared turbofan programs of the PW1000G family and for the PW800 program. Investments in property, plant and equipment during the first six months of 2014 increased by € 7.7 million to € 39.3 million compared to the same period last year (January - June 2013: € 31.6 million). Cash outflows for financial assets amounted to € 57.5 million (January - June 2013: € 39.5 million).

Proceeds from the sale of intangible assets and property, plant and equipment during the first six months of 2014 totaled € 0.7 million (January - June 2013: € 2.9 million), while proceeds from the sale of financial assets amounted to € 21.2 million (January - June 2013: € 47.5 million). Repayments of non-current loans receivable gave rise to a cash inflow of € 0.8 million (January - June 2013: € 0.0 million).

Cash flow from financing activities

The cash outflow from financing activities during the first half of 2014 was € 58.4 million (January - June 2013: cash inflow of € 31.8 million).

Cash and cash equivalents

Including the impact of exchange rate fluctuations, the various cash flows resulted in a decrease in cash and cash equivalents of € 72.5 million (January - June 2013: increase of € 45.8 million).

Cash and cash equivalents comprise the following at June 30, 2014:

Cash and cash equivalents

	June 30, 2014 in € million	Dec. 31, 2013 in € million	Change against previous year in € million	in %
Demand deposits and cash	74.0	48.7	25.3	52.0
Fixed-term and overnight deposits with an original maturity of three months or less	13.1	110.9	-97.8	-88.2
Cash and cash equivalents	**87.1**	**159.6**	**-72.5**	**-45.4**

Net financial debt

MTU defines net financial debt as the difference between gross financial dept and financial assets which, together, represent a key figure for the group's liquidity position. Net financial debt at June 30, 2014 amounted to € 423.3 million (December 31, 2013: € 354.8 million).

Net financial debt

	June 30, 2014 in € million	Dec. 31, 2013 in € million	Change against previous year in € million	in %
Bonds and notes	346.9	352.3	-5.4	-1.5
Financial debt in connection with IAE V2500 stake increase	267.8	270.7	-2.9	-1.1
Financial debt to banks				
Promissory notes		12.0	-12.0	-100.0
Note Purchase Agreement	30.1		30.1	
Financial debt to related parties	6.5	4.8	1.7	35.4
Finance lease liabilities	6.3	6.4	-0.1	-1.6
Other financial debt	3.2	3.7	-0.5	-13.5
Gross financial debt	**660.8**	**649.9**	**10.9**	**1.7**
less:				
Cash and cash equivalents				
Demand deposits and cash	74.0	48.7	25.3	52.0
Fixed-term and overnight deposits with an original maturity of 3 months or less	13.1	110.9	-97.8	-88.2
Financial assets *)	150.4	135.5	14.9	11.0
Gross financial assets	**237.5**	**295.1**	**-57.6**	**-19.5**
Net financial debt	**423.3**	**354.8**	**68.5**	**19.3**

*) Investments in and non-current loans receivable from related entities are not included.

MTU Aero Engines AG issued a registered note („Note Purchase Agreement") on March 28, 2014 with a total nominal amount of € 30.0 million, due March 27, 2021. The interest rate of the note is variable and corresponds to 6-month Euribor plus a percentage margin. The initial interest rate is 1.72 %. Interest is calculated and paid half-yearly (in March and September).

A detailed description of the bonds and financial liability in connection with the IAE-V2500 stake increase is provided on page 171 of the MTU Aero Engines AG's Annual Report 2013.

2.3.3 Net assets position

Changes in balance sheet amounts

The consolidated balance sheet total decreased by € 7.7 million from € 4,410.5 million as at December 31, 2013 to € 4,402.8 million as at June 30, 2014.

Non-current assets went up by € 26.7 million to € 2,666.8 million (December 31, 2013: € 2,640.1 million), while current assets went down by € 34.4 million to € 1,736.0 million.

A total of € 45.4 million (January – June 2013: € 49.4 million) of intangible assets was capitalized in the first six months of 2014. In addition to the program participation in the PW800 amounting to € 21.3 million, intangible asset additions also included capitalized development costs amounting to € 23.3 million (January – June 2013: € 23.2 million). These capitalized development costs, which also include the related borrowing costs, related mainly to the geared turbofan PW1000G program family as well as to the GE38 and PW800 engine programs.

During the first six months of 2014, inventories decreased by € 58.3 million to € 686.9 million. Trade and contract production receivables went up by € 55.0 million to € 800.5 million, current financial assets by € 16.1 million to € 96.1 million, and current prepayments by € 1.3 million to € 5.6 million. By contrast, other current financial assets and sundry other current assets decreased by € 18.7 million to € 16.2 million. Cash and cash equivalents went down by € 72.5 million to € 87.1 million.

Overall, Group equity decreased compared to December 31, 2013 by € 12.4 million to stand at € 1,207.0 million at June 30, 2014.

Equity increased during the period under report as a result of earnings after tax amounting to € 86.8 million (January - June 2013: € 73.0 million). Equity also increased by € 1.4 million (January - June 2013: € 0.6 million) in connection with the Share Matching Plan and by € 9.4 million (January - June 2013: € 8.3 million) following the sale of treasury shares in conjunction with the Employee Stock Program (MAP). In addition, the currency translation of the financial statements of foreign operations had a net positive impact of € 0.4 million (January - June 2013: net negative impact of € 14.4 million) on group equity. Equity decreased during the period under report as a result of the dividend paid for the financial year 2013 amounting to € 68.7 million (January - June 2013: € 68.5 million), actuarial losses on pension obligations and plan assets amounting to € 25.7 million (January - June 2013: actuarial gains of € 8.2 million) and fair value measurement losses on cash flow hedges amounting to € 16.0 million (January - June 2013: € 28.7 million).

The equity ratio of 27.4 % was at a similar level to that reported as at December 31, 2013 (27.6 %).

Pension provisions increased by € 49.1 million during the six-month period, mainly due to the change in the interest rate used.

Other provisions went down by € 17.8 million to € 167.7 million compared to the end of the previous financial year.

Income tax liabilities take account of obligations in excess of stipulated advance payments and decreased compared to December 31, 2013 by € 8.4 million to stand at € 29.7 million at June 30, 2014.

Financial debt increased overall by € 10.9 million to € 660.8 million during the six-month period to June 30, 2014, mainly as a result of the issue of a registered note with a total nominal amount of € 30.0 million with effect from March 28, 2014. This increase contrasts with reductions resulting from the repayment of the final promissory note (on June 5, 2014), accrued interest on the promissory notes as well as repayments of financial debt relating to the IAE-V2500 stake increase.

Trade payables stood at € 652.0 million at June 30, 2014 and were therefore € 2.9 million higher than at the end of the previous financial year.

Construction contract payables decreased compared to December 31, 2013 by € 30.3 million to € 517.5 million. Within that figure, advance payments from customers are reported as construction contract payables to the extent that they exceed the related construction contract receivables.

Other liabilities increased by € 36.9 million to € 330.6 million during the six-month period, mainly due to personnel-related liabilities for holiday and Christmas pay entitlements on the one hand and liabilities in connection with program participation in the PW1000G family and the PW800. The remainder of other liabilities covers a multitude of minor individual obligations.

Employees
At June 30, 2014 the group had a total of 8,292 employees (December 31, 2013: 8,343 employees).

3 Subsequent events

Events after the end of the reporting period (June 30, 2014)
MTU Aero Engines AG will participate in the GE9X engine to be manufactured by General Electric (GE) and take a four-percent workshare stake. MTU will be manufacturing and assuming design responsibility for the engine‘s turbine center frame. The new engine will be designed to exclusively power Boeing‘s 777X long-haul airliner which is expected to enter service around 2020.

There have been no other significant events after the end of the interim reporting period and prior to the date of authorization for issue of the Half-yearly Financial Report on July 17, 2014.

4 Report on forecasts, risks and opportunities

In order to take best advantage of market opportunities and to recognize and manage related risks, the Board of Management has set up an integrated opportunity and risk management system, which is integrated in the group’s value-oriented performance indicators and embedded in its organizational structure. The system is based on the internationally recognized COSO II Enterprise Risk Management (ERM) Framework. It also incorporates the group’s internal control system with respect to financial reporting processes pursuant to § 289 (5) and § 315 (2) no. 5 HGB. A detailed description of the main features of the system and the methods used is provided in the Annual Report 2013 (pages 88 to 99).

4.1 Forecasts

Macroeconomic factors
In April 2014 the Economist Intelligence Unit (EIU) predicted a growth rate of 2.9 % for 2014. This forecast was reduced to 2.6 % in July in view of economic developments in the USA.

The EIU forecasts that the economies of North America will grow by 2.2 % in 2014.

Growth rates within the eurozone are set to develop inconsistently, with the German economy picking up momentum and the French and Italian economies continuing their efforts to achieve sustainable growth. Overall, a moderate growth rate of 1.1 % is forecast for the eurozone in 2014.

The EIU predicts economic growth of 7.3 % for China. In March, the Chinese government set its growth target for 2014 at 7.5 % (source: EIU, July 2014).

Macroeconomic factors in the aviation industry
The industry association, IATA, forecasts that airlines will generate profits in the region of U.S. $ 18 billion on revenues of U.S. $ 750 billion in 2014, well up on the U.S. $ 10.6 billion of profit recorded by the sector in the previous year. IATA puts forward rising passenger numbers, stable oil prices and consolidation among the US airlines as the main factors for the forecast improvement. Overall, international air traffic volumes are expected to continue their upward trend in the medium and long term (source: IATA, June 2014).

The manufacturers, Airbus and Boeing, are planning to deliver approximately 1,350 new aircraft to the airlines in 2014, 6 % more than in the previous year.

Outlook for MTU
MTU expects revenues in the commercial engine and spare parts business to rise by approximately 10 %. Military business is set to drop by around 5 % compared to the previous year, while commercial maintenance business should finish at the previous year‘s level. Overall, revenues for the full year are expected to be in the region of € 3,650 million (2013: € 3,574.1 million). MTU forecasts an adjusted EBIT of approximately € 375 million. Adjusted earnings after tax, at € 245 million, are expected to be slightly higher than in the previous year, reflecting the increasing scale of international production activities. Free cash flow in 2014 will be influenced by substantial capital expenditure. MTU plans to compensate for these cash outflows through its operating activities and thereby reach a breakeven or even slightly positive free cash flow in 2014. This forecast does not, however, include investments to participate in the GE9X.

4.2 Risks

MTU‘s business operations and relationships with business partner and consortium entities give rise to risks which could have a material impact on the group‘s earnings performance. Thanks to its integrated risk management system, MTU is able to identify areas of risk at an early stage and pro-actively manage such risks through appropriate action.

The areas of risk to which MTU is exposed have not changed significantly compared to the description provided in the Annual Report 2013. Reference is made to pages 90 to 97 of the Annual Report 2013 for a detailed description of risks.

Overall conclusion regarding MTU’s risk situation

Overall, the risk profile of the MTU Group has not changed significantly compared to the assessment made as at December 31, 2013. The level of risks is limited and manageable and from today’s perspective, the MTU Group‘s continuing existence as a going concern is not endangered.

4.3 Opportunities

Thanks to its business model, with activities spread over the whole life-cycle of commercial and military engine programs, MTU considers that it is well positioned. Purposeful and forward-looking investments, greater stakes in risk and revenue sharing partnerships and maintenance business all open up new opportunities for MTU.

The success of the geared turbofan (GTF) engines in which MTU participates is a good example of the potential opportunities generated by MTU‘s technological expertise. The GTF has been selected as the exclusive engine of all major regional jets developed in recent years (the Embraer E2 E-Jets and the Mitsubishi Regional Jet) and for the Bombardier CSeries business jet, and is also an option for the Airbus A320neo and Irkut MS-21. Through its stakes in the GTF programs, MTU will therefore benefit from the growth of the short- and medium-haul air traffic market.

Within its military business, MTU sees opportunities for building on its longstanding relationship as a MRO partner serving the German air force. Moreover, potential exports of the EJ200 Eurofighter engine present opportunities to acquire new customers.

Further opportunities are seen in the successor model to the Boeing 777X, which was presented in November 2013 and which will be exclusively powered by GE9X engines. MTU intends to acquire a four percent participation in this engine. As a consequence, MTU will remain a player in the important market segment for long-haul aircraft. This participation will also contribute to a well-balanced product portfolio, with MTU continuing to be represented in all thrust classes for commercial engines.

Apart from these new developments, MTU considers that the opportunities profile described in the Annual Report 2013 is unchanged. For a comprehensive description of the group’s opportunities, reference is made to the Annual Report 2013, page 98 et seq. (Opportunities report) and page 96 (SWOT analysis).

5 Significant transactions with related parties (entities and individuals)

Information regarding significant transactions with related parties is provided in note 38 of the Condensed Interim Consolidated Financial Statements (Transactions with related parties (entities and individuals)).

Prior year figures in the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and Group Segment Information have been adjusted. A detailed description of the adjustments is provided in the explanatory notes to the Condensed Interim Consolidated Financial Statements (Adjustments to the Condensed Interim Consolidated Financial Statements).

Consolidated Income Statement (unaudited)

Consolidated Income Statement (unaudited)					
in € million	(Note)	Jan. 1 – June 30, 2014	Jan. 1 – June 30, 2013	Q2 2014	Q2 2013
Revenues	(1)	1,815.8	1,774.9	902.8	868.9
Cost of sales	(2)	-1,565.7	-1,521.7	-782.8	-749.9
Gross profit		**250.1**	**253.2**	**120.0**	**119.0**
Research and development expenses	(3)	-38.4	-46.5	-16.7	-17.8
Selling expenses	(4)	-44.2	-44.3	-22.9	-23.5
General administrative expenses	(5)	-31.8	-32.7	-15.3	-15.4
Other operating income and expenses		3.8	3.0	1.0	1.6
Profit/loss of companies accounted for using the equity method	(7)	7.6	8.2	3.7	3.2
Profit/loss of companies accounted for at cost	(7)	0.1		0.1	
Earnings before interest and tax (EBIT)		**147.2**	**140.9**	**69.9**	**67.1**
Interest income		0.6	1.3	0.4	0.1
Interest expenses		-5.3	-6.6	-2.6	-2.1
Interest result	(8)	-4.7	-5.3	-2.2	-2.0
Financial result on other items	(9)	-18.3	-21.5	-12.8	-6.3
Financial result		**-23.0**	**-26.8**	**-15.0**	**-8.3**
Earnings before tax (EBT)		**124.2**	**114.1**	**54.9**	**58.8**
Income taxes	(10)	-37.4	-41.1	-14.9	-22.6
Earnings after tax (EAT)		**86.8**	**73.0**	**40.0**	**36.2**
Thereof attributable to:					
Owners of MTU Aero Engines AG		86.9	73.0	40.1	36.2
Non-controlling interests		-0.1		-0.1	
Earnings per share in €					
Undiluted (EPS)	(11)	1.71	1.44	0.79	0.71
Diluted (DEPS)	(11)	1.71	1.44	0.79	0.71

Consolidated Statement of Comprehensive Income (unaudited)

Consolidated Statement of Comprehensive Income (unaudited)					
in € million	(Note)	Jan. 1 – June 30, 2014	Jan. 1 – June 30, 2013	Q2 2014	Q2 2013
Earnings after tax (EAT)		**86.8**	**73.0**	**40.0**	**36.2**
Translation differences arising from the financial statements of international entities		0.4	-14.4	4.2	-11.8
Financial instruments designated as cash flow hedges		-16.0	-28.7	-10.1	9.2
Items that may subsequently be recycled to profit or loss		**-15.6**	**-43.1**	**-5.9**	**-2.6**
Actuarial gains and losses on pension obligations and plan assets		-25.7	8.2	-25.9	8.2
Items that will not be recycled to profit or loss		**-25.7**	**8.2**	**-25.9**	**8.2**
Other comprehensive income	(24.7)	**-41.3**	**-34.9**	**-31.8**	**5.6**
Total comprehensive income		**45.5**	**38.1**	**8.2**	**41.8**
Thereof attributable to:					
Owners of MTU Aero Engines AG		45.6	38.1	8.3	41.8
Non-controlling interests		-0.1		-0.1	

Consolidated Balance Sheet (unaudited)

Assets

in € million	(Note)	June 30, 2014	Dec. 31, 2013	Jan. 1, 2013
Non-current assets				
Intangible assets	(14)	1,835.8	1,820.5	1,750.8
Property, plant and equipment	(15)	598.3	606.3	582.9
Non-current financial assets	(16)	69.6	67.1	34.7
Financial assets accounted for using the equity method	(16)	118.1	114.0	107.1
Other non-current financial assets	(20)	0.3		
Prepayments		4.2	0.2	0.1
Deferred tax assets		40.5	32.0	13.1
Total non-current assets		**2,666.8**	**2,640.1**	**2,488.7**
Current assets				
Inventories	(17)	686.9	745.2	789.3
Trade receivables	(18)	592.7	552.1	519.0
Construction contract receivables	(19)	207.8	193.4	159.5
Income tax claims		43.6	0.9	13.8
Current financial assets	(16)	96.1	80.0	64.5
Other current financial assets	(20)	15.3	22.0	15.2
Sundry other current assets	(20)	0.9	12.9	15.7
Cash and cash equivalents	(21)	87.1	159.6	155.2
Prepayments		5.6	4.3	4.8
Total current assets		**1,736.0**	**1,770.4**	**1,737.0**
Total assets		**4,402.8**	**4,410.5**	**4,225.7**

Equity and Liabilities

in € million	(Note)	June 30, 2014	Dec. 31, 2013	Jan. 1, 2013
Equity	(24)			
Subscribed capital		52.0	52.0	52.0
Capital reserves		397.9	390.2	383.2
Revenue reserves		866.5	848.3	744.4
Treasury shares		-32.2	-35.3	-37.9
Other comprehensive income		-77.1	-35.8	-48.5
Thereof attributable to:				
Owners of MTU Aero Engines AG		1,207.1	1,219.4	1,093.2
Non-controlling interests		-0.1		
Total equity		**1,207.0**	**1,219.4**	**1,093.2**
Non-current liabilities				
Pension provisions		634.7	585.5	585.3
Other provisions	(27)	8.3	10.3	72.0
Financial debt	(28)	608.6	584.2	536.7
Other non-current financial liabilities	(31)	143.6	137.8	116.4
Sundry other non-current liabilities	(31)	10.1	10.3	14.0
Deferred tax liabilities		165.3	203.9	207.0
Total non-current liabilities		**1,570.6**	**1,532.0**	**1,531.4**
Current liabilities				
Pension provisions		37.5	37.6	31.4
Income tax liabilities		29.7	38.1	17.2
Other provisions	(27)	159.4	175.2	176.7
Financial debt	(28)	52.2	65.7	47.3
Trade payables		652.0	649.1	567.9
Construction contract payables	(30)	517.5	547.8	630.3
Other current financial liabilities	(31)	122.0	110.2	96.6
Sundry other current liabilities	(31)	54.9	35.4	33.7
Total current liabilities		**1,625.2**	**1,659.1**	**1,601.1**
Total equity and liabilities		**4,402.8**	**4,410.5**	**4,225.7**

Consolidated Statement of Changes in Equity (unaudited)

Reference is made to the disclosures on equity components provided in note 24 (Equity).

Consolidated Statement of Changes in Equity (unaudited)

in € million	Subscribed capital	Capital reserves	Revenue reserves	Treasury shares	Other comprehensive income: Exchange differences on translating foreign operations	Other comprehensive income: Actuarial gains and losses on pension obligations and pension assets	Other comprehensive income: Instruments used to hedge cash flows	Thereof attributable to: Owners of MTU Aero Engines AG	Thereof attributable to: Non-controlling interests	Total equity
Carrying amount at January 1, 2013	52.0	383.2	740.5	-37.9	18.1	-100.9	34.3	1,089.3		1,089.3
Impact of accounting for joint ventures for the first time using the equity method			3.9					3.9		3.9
Carrying amount at January 1, 2013	52.0	383.2	744.4	-37.9	18.1	-100.9	34.3	1,093.2		1,093.2
Earnings after tax			73.0					73.0		73.0
Other comprehensive income					-14.4	8.2	-28.7	-34.9		-34.9
Total comprehensive income			**73.0**		**-14.4**	**8.2**	**-28.7**	**38.1**		**38.1**
Dividend payment			-68.5					-68.5		-68.5
MAP employee stock option program		5.7		2.6				8.3		8.3
Share Matching Plan		0.6						0.6		0.6
Carrying amount at June 30, 2013	52.0	389.5	748.9	-35.3	3.7	-92.7	5.6	1,071.7		1,071.7
Carrying amount at January 1, 2014	52.0	390.2	848.3	-35.3	4.4	-95.0	54.8	1,219.4		1,219.4
Earnings after tax			86.9					86.9	-0.1	86.8
Other comprehensive income					0.4	-25.7	-16.0	-41.3		-41.3
Total comprehensive income			**86.9**		**0.4**	**-25.7**	**-16.0**	**45.6**	**-0.1**	**45.5**
Dividend payment			-68.7					-68.7		-68.7
MAP employee stock option program		6.6		2.8				9.4		9.4
Share Matching Plan		1.1		0.3				1.4		1.4
Carrying amount at June 30, 2014	52.0	397.9	866.5	-32.2	4.8	-120.7	38.8	1,207.1	-0.1	1,207.0

Consolidated Cash Flow Statement (unaudited)

Consolidated Cash Flow Statement (unaudited)

in € million	(Note)	Jan 1. - June 30, 2014	Jan 1. - June 30, 2013	Q2 2014	Q2 2013
Operating activities					
Earnings after tax (EAT)		86.8	73.0	40.0	36.2
Depreciation and amortization of non-current assets		76.3	79.0	38.4	39.2
Profit/loss of companies accounted for at cost		-0,1		-0,1	
Profit/loss of companies accounted for using the equity method		-7.6	-8.2	-3.7	-3.2
Gains/losses on disposal of assets		0.1	-0.3	0.1	-0.2
Increase in pension provisions		10.9	6.0	7.2	2.1
Decrease in other provisions	(27)	-17.8	-84.4	-12.9	-90.3
Other non-cash items		11.6	9.2	10.9	-0.1
Change in working capital		2.7	-1.9	-25.0	61.7
Interest result	(8)	4.7	5.3	2.2	2.0
Interest paid		-13.0	-11.4	-12.4	-8.6
Interest received		0.6	1.3	0.4	0.2
Dividends received		4.9	2.5	4.9	2.5
Income taxes	(10)	37.4	41.1	14.9	22.6
Income taxes paid		-116.5	-39.9	-19.7	-22.2
Cash flow from operating activities		**81.0**	**71.3**	**45.2**	**41.9**
Investing activities					
Capital expenditure on:					
Intangible assets	(14)	-21.7	-36.0	-8.0	-17.4
Property, plant and equipment	(15)	-39.3	-31.6	-16.5	-15.0
Financial assets	(16)	-57.5	-39.5	-18.2	-9.2
Proceeds from disposal of:					
Intangible assets/property, plant and equipment	(14)/(15)	0.7	2.9		2.4
Financial assets	(16)	21.2	47.5		29.2
Repayment of non-current loans		0.8		0.8	
Cash flow from investing activities		**-95.8**	**-56.7**	**-41.9**	**-10.0**
Financing activities					
Note purchase agreement	(28)	30.0	97.3		97.3
Repayment of promissory notes	(28)	-11.5		-11.5	
Increase in/repayment of other items of financial debt		1.6	3.9		-0.1
Dividend payment		-68.7	-68.5	-68.7	-68.5
Sale of shares under the MAP employee stock option program/ Share Matching Plan	(31)	10.3	8.3	10.3	8.3
Settlement of purchase price liability for PW1100G program share/ IAE-V2500 stake increase		-20.1	-9.2	-10.2	-8.1
Cash flow from financing activities		**-58.4**	**31.8**	**-80.1**	**28.9**
Net change in cash and cash equivalents during period		**-73.2**	**46.4**	**-76.8**	**60.8**
Effect of translation differences on cash and cash equivalents		0.7	-0.6	0.9	-1.7
Cash and cash equivalents at beginning of period (January 1)		159.6	155.2		
Cash and cash equivalents at end of period (June 30)		**87.1**	**201.0**		

Notes to the Interim Consolidated Financial Statements

Group segment information

Segment information

A description of the activities of the MTU Group's operating segments is provided on page 195 of MTU Aero Engines AG's Annual Report 2013. There have been no changes to the composition of the group's segments in the first half of 2014.

Segment information for the period from January 1 to June 30, 2014 was as follows:

Reporting by operating segment 2014

	Commercial and military engine business		Commercial maintenance business		Reportable segments total		Consolidation/ reconciliation		Group	
in € million	Jan. 1-June 30, 2014	Q2 2014	Jan. 1-June 30, 2014	Q2 2014	Jan. 1-June 30, 2014	Q2 2014	Jan. 1-June 30, 2014	Q2 2014	Jan. 1-June 30, 2014	Q2 2014
External revenues	1,244.6	634.9	571.2	267.9	1,815.8	902.8			1,815.8	902.8
Intersegment revenues	13.8	6.4	1.7	1.4	15.5	7.8	-15.5	-7.8		
Total revenues	**1,258.4**	**641.3**	**572.9**	**269.3**	**1,831.3**	**910.6**	**-15.5**	**-7.8**	**1,815.8**	**902.8**
Gross profit	**180.1**	**86.0**	**67.2**	**32.1**	**247.3**	**118.1**	**2.8**	**1.9**	**250.1**	**120.0**
Amortization	26.2	13.1	4.8	2.5	31.0	15.6			31.0	15.6
Depreciation	35.3	17.6	10.0	5.2	45.3	22.8			45.3	22.8
Total depreciation/ amortization	**61.5**	**30.7**	**14.8**	**7.7**	**76.3**	**38.4**			**76.3**	**38.4**
Earnings before interest and tax (EBIT)	**100.3**	**50.6**	**46.7**	**20.3**	**147.0**	**70.9**	**0.2**	**-1.0**	**147.2**	**69.9**
Depreciation/amortization effects of purchase price allocation	11.2	5.6	1.3	0.7	12.5	6.3			12.5	6.3
IAE-V2500 stake increase	11.0	5.5			11.0	5.5			11.0	5.5
Adjusted earnings before interest and tax (EBIT adjusted)	**122.5**	**61.7**	**48.0**	**21.0**	**170.5**	**82.7**	**0.2**	**-1.0**	**170.7**	**81.7**
Profit/loss from companies accounted for using the equity method	**3.0**	**3.6**	**4.6**	**0.1**	**7.6**	**3.7**			**7.6**	**3.7**
Assets (June 30, 2014)	**3,896.1**		**970.9**		**4,867.0**		**-464.2**		**4,402.8**	
Liabilities (June 30, 2014)	**2,813.0**		**508.5**		**3,321.5**		**-125.7**		**3,195.8**	
Significant non-cash items	**2.7**	**1.7**								
Total capital expenditure on intangible assets and property, plant and equipment	**77.9**	**24.1**	**6.8**	**3.6**	**84.7**	**27.7**			**84.7**	**27.7**
Key segment data:										
EBIT in % of revenues	8.0	7.9	8.2	7.5	8.0	7.8			8.1	7.7
Adjusted EBIT in % of revenues	9.7	9.6	8.4	7.8	9.3	9.1			9.4	9.0

Segment information for the period from January 1 to June 30, 2013 was as follows:

Reporting by operating segment 2013

in € million	Commercial and military engine business		Commercial maintenance business		Reportable segments total		Consolidation/ reconciliation		Group	
	Jan. 1- June 30, 2013	Q2 2013	Jan. 1- June 30, 2013	Q2 2013	Jan. 1- June 30, 2013	Q2 2013	Jan. 1- June 30, 2013	Q2 2013	Jan. 1- June 30, 2013	Q2 2013
External revenues	1,163.1	569.2	611.8	299.7	1,774.9	868.9			1,774.9	868.9
Intersegment revenues	13.7	7.0	1.6	0.6	15.3	7.6	-15.3	-7.6		
Total revenues	**1,176.8**	**576.2**	**613.4**	**300.3**	**1,790.2**	**876.5**	**-15.3**	**-7.6**	**1,774.9**	**868.9**
Gross profit	**174.4**	**81.3**	**75.7**	**36.2**	**250.1**	**117.5**	**3.1**	**1.5**	**253.2**	**119.0**
Amortization	31.0	15.4	4.8	2.4	35.8	17.8			35.8	17.8
Depreciation	32.3	16.2	10.9	5.2	43.2	21.4			43.2	21.4
Total depreciation/ amortization	**63.3**	**31.6**	**15.7**	**7.6**	**79.0**	**39.2**			**79.0**	**39.2**
Earnings before interest and tax (EBIT)	**88.2**	**42.8**	**52.6**	**25.1**	**140.8**	**67.9**	**0.1**	**-0.8**	**140.9**	**67.1**
Depreciation/amortization effects of purchase price allocation	16.2	8.1	1.7	0.8	17.9	8.9			17.9	8.9
IAE-V2500 stake increase	10.9	5.4			10.9	5.4			10.9	5.4
Adjusted earnings before interest and tax (EBIT adjusted)	**115.3**	**56.3**	**54.3**	**25.9**	**169.6**	**82.2**	**0.1**	**-0.8**	**169.7**	**81.4**
Profit/loss from companies accounted for using the equity method	**1.4**	**1.5**	**6.8**	**1.7**	**8.2**	**3.2**			**8.2**	**3.2**
Assets (Dec. 31, 2013)	**3,944.7**		**987.0**		**4,931.7**		**-521.2**		**4,410.5**	
Liabilities (Dec. 31, 2013)	**2,819.6**		**554.0**		**3,373.6**		**-182.5**		**3,191.1**	
Significant non-cash items	**87.7**	**70.4**								
Total capital expenditure on intangible assets and property, plant and equipment	**68.6**	**45.6**	**17.5**	**11.0**	**86.1**	**56.6**			**86.1**	**56.6**
Key segment data:										
EBIT in % of revenues	7.5	7.4	8.6	8.4	7.9	7.7			7.9	7.7
Adjusted EBIT in % of revenues	9.8	9.8	8.9	8.6	9.5	9.4			9.6	9.4

The main non-cash items relate to the roll-forward of other provisions and liabilities.

Reconciliation with MTU consolidated financial statements - earnings

in € million	Jan. 1 – June 30, 2014	Jan. 1 – June 30, 2013
Consolidated earnings before interest and tax (EBIT)	**147.2**	**140.9**
Interest income	0.6	1.3
Interest expense	-5.3	-6.6
Financial result on other items	-18.3	-21.5
Earnings before tax (EBT)	**124.2**	**114.1**

General information

MTU Aero Engines AG and its subsidiary companies 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 also provides maintenance services for military engines. Commercial maintenance business covers activities in the area of maintenance and logistical support for commercial engines.

MTU Aero Engines AG has its headquarters at Dachauer Str. 665, 80995 Munich, Germany, and is registered under HRB 157206 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 AG on July 17, 2014.

Financial reporting

In compliance with the provisions of § 37w of the German Securities Trading Act (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 unaudited 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.

Statement of compliance

The Condensed Interim Consolidated Financial Statements as at June 30, 2014 have been drawn up in compliance with IAS 34.

The accounting policies applied in the Condensed Interim Consolidated Financial Statements correspond to those used in the Consolidated Financial Statements at December 31, 2013 with the exception of recently adopted financial reporting pronouncements. The Condensed Interim Consolidated Financial Statements do not contain all the information and disclosures required for year-end consolidated financial statements and should therefore be read in conjunction with the MTU Consolidated Financial Statements for the year ended December 31, 2013.

All of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), which were applicable at the date of preparation of the Condensed Interim Consolidated Financial Statements and which have been endorsed by the European Commission for use in the EU, have been applied by MTU.

From the perspective of management, the Half-Yearly Financial Report contains all customary accounting adjustments necessary for a fair presentation of the operating results, financial situation and net assets of the MTU Group. The basis of preparation and the accounting policies used are described in the notes to the Consolidated Financial Statements as at December 31, 2013.

Adjustments to the Condensed Interim Consolidated Financial Statements

There were no other changes in estimates or forecasts in the first six months of the financial year 2014 which have a significant impact on the interim reporting period.

The following Standards, Amendments and Interpretations are required to be applied with effect from January 1, 2014:

New and revised standards and interpretations (endorsed by the EU, effective for annual periods beginning on or after January 1, 2014)

Standard	
IAS 27 (revised 2011)	Separate Financial Statements
IAS 28 (revised 2011)	Investments in Associates and Joint Ventures
IAS 32	Financial instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
IAS 36	Recoverable Amounts Disclosures for Non-Financial Assets
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRS 10, 12, IAS 27 (revised 2011)	Amendment: Investment Entities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 10	Transitional guidance
IFRS 11	Transitional guidance
IFRS 12	Transitional guidance

IFRS 10, Consolidated Financial Statements

IFRS 10 supersedes the previous requirements concerning consolidated financial statements in IAS 27 and concerning special-purpose entities in SIC 12. In IFRS 10, the IASB specifies „control" as a uniform principle. IFRS 10 states that a company has a controlling interest in another entity when all of the following three conditions are met:

- the investor has power over the investee,
- the investor is exposed to, or has rights to, variable returns from its equity interest in the investee, and
- the investor has the ability to use its power to affect the amount of those returns.

The standard also provides comprehensive application guidance. Application of this Standard does not have any significant impact on MTU's Consolidated Financial Statements.

IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 concerns disclosures required with respect to group financial reporting. It is to be applied by companies that hold interests in subsidiaries, joint arrangements (joint operations or joint ventures), associates and/or non-consolidated structured entities. The disclosures required under IFRS 12 are significantly more extensive than the previously relevant standards and will be reported in the notes to the Consolidated Financial Statements for the year ended December 31, 2014. Apart from these disclosures, application of this Standard does not have any significant impact on MTU's Consolidated Financial Statements.

IAS 27 (2011), Separate Financial Statements

IAS 27 describes the accounting and disclosure requirements for separate financial statements, which relates to statements drawn up by a parent company or an investor with a joint controlling interest in or significant influence over an investee and in which the stake in the investee is accounted for at cost or in accordance with IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments. Application of this Standard does not have any significant impact on MTU's Consolidated Financial Statements.

IAS 28 (2011), Investments in Associates and Joint Ventures

IAS 28 describes how, with certain limited exceptions, the equity method is to be applied to investments in associates and joint ventures. The standard defines an associate by reference to the concept of "significant influence," which requires power to participate in financial and operating policy decisions of an investee (but not joint control or control of those policies). Application of this Standard does not have any significant impact on MTU's Consolidated Financial Statements.

IFRS 11, Joint Arrangements

IFRS 11, which supersedes the previous provisions in IAS 31 and SIC 13, deals with the classification of joint arrangements. A joint arrangement is defined as a contractual arrangement via which two or more parties exercise joint control over another entity. A joint arrangement is either a joint operation or a joint venture. In contrast with IAS 31, the recognition of assets under joint control is no longer addressed separately in IFRS 11. Instead, the rules for joint operations apply. Whether a joint arrangement is classified as a joint operation or as a joint venture depends on the rights and obligations accruing to the parties under the agreement.

In addition, IFRS 11 stipulates that joint ventures must be accounted for using the equity method, whereas IAS 31 had previously allowed either the equity method or the proportionate consolidation method to be used to account for jointly controlled entities. Following the adoption of IFRS 11 in the financial year 2014, MTU Maintenance Zhuhai Co. Ltd., Zhuhai, China is therefore no longer accounted for proportionately. The new accounting treatment was applied retrospectively with effect from January 1, 2013/December 31, 2013.

All joint ventures, in which MTU holds a direct interest and which were previously accounted for at cost, have been included in the Consolidated Financial Statements since the 2013 financial year using the equity method so as to provide a fairer presentation of MTU‘s net assets, financial and operating results. Given the increase in their revenues and earnings, the joint ventures Ceramic Coating Center S.A.S., Paris, France, (CCC), Airfoil Services Sdn. Bhd., Kota Damansara, Malaysia, (ASSB) and AES Aerospace Embedded Solutions GmbH, Munich, (AES) – which were previously not consolidated on the grounds of immateriality – were accounted for the Consolidated Financial Statements for the financial year 2013 for the first time using the equity method. The criterion used by MTU to assess a joint venture's materiality is the relative percentage of earnings after tax compared with group earnings after tax, taking into account both the individual absolute amounts and the sum of the absolute amounts. The accounting treatment of these investments was adjusted retrospectively with effect from January 1, 2013.

In addition to the adjustments to the elements of the financial statements recorded in conjunction with the adoption of IFRS 11 (as discussed above), a previously designated valuation unit involving a reinsurance policy was unwound and the underlying cash equivalents (€ 9.4 million), current financial assets (€ 22.7 million) and construction contract payables (€ 32.1 million) reported separately. The prior year figures for cash equivalents (€ 9.5 million), current financial assets (€ 21.0 million) and construction contract payables (€ 30.5 million) were adjusted accordingly. The assets referred to above are subject to restricted access in that there is a contractual requirement to maintain liquidity and/or current financial assets at the level of the corresponding liability.

The adjustments made to the corresponding items in the Consolidated Balance Sheet at January 1, 2013 and December 31, 2013 and in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the period from January 1, 2013 to June 30, 2013 are presented in the following table. Appropriate adjustments were also made to the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and segment reporting, whereby these adjustments were not material.

Consolidated income statement

Consolidated income statement

in € million	Adjusted amount Jan. 1 – June 30, 2013	Adjustment equity method ASSB, CCC, AES	Zhuhai	Stated amount Jan. 1 – June 30, 2013
Revenues	1,774.9		-77.3	1,852.2
Cost of sales	-1,521.7		63.1	-1,584.8
Gross profit	**253.2**		**-14.2**	**267.4**
Research and development expenses	-46.5			-46.5
Selling expenses	-44.3		2.5	-46.8
General administrative expenses	-32.7		1.8	-34.5
Other operating income and expenses	3.0		-0.1	3.1
Profit/loss of companies accounted for using the equity method	8.2	0.3	7.9	
Profit/loss of companies accounted for at cost		-0.2		0.2
Earnings before interest and tax (EBIT)	**140.9**	**0.1**	**-2.1**	**142.9**
Interest income	1.3			1.3
Interest expenses	-6.6		0.5	-7.1
Interest result	-5.3		0.5	-5.8
Financial result on other items	-21.5		-0.7	-20.8
Financial result	**-26.8**		**-0.2**	**-26.6**
Earnings before tax (EBT)	**114.1**	**0.1**	**-2.3**	**116.3**
Income taxes	-41.1		2.5	-43.6
Earnings after tax (EAT)	**73.0**	**0.1**	**0.2**	**72.7**
Earnings per share in €				
Undiluted (EPS)	1.44			1.43
Diluted (DEPS)	1.44			1.43

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income

in € million	Adjusted amount Jan. 1 – June 30, 2013	Adjustment equity method ASSB, CCC, AES	Zhuhai	Stated amount Jan. 1 – June 30, 2013
Earnings after tax (EAT)	**73.0**	**0.1**	**0.2**	**72.7**
Exchange differences on translating foreign operations	-14.4	-0.1		-14.3
Instruments used hedge cash flows	-28.7			-28.7
Items that may subsequently be recycled to profit or loss	**-43.1**	**-0.1**		**-43.0**
Actuarial gains and losses on pension obligations and pension assets	8.2			8.2
Items that will not be recycled to profit or loss	**8.2**			**8.2**
Other comprehensive income	**-34.9**	**-0.1**		**-34.8**
Total comprehensive income	**38.1**	**0.0**	**0.2**	**37.9**

Adjustments as of January 1, 2013

Assets

in € million	Adjusted amount Jan. 1, 2013	Adjustments	Stated amount Jan. 1, 2013
Non-current assets			
Intangible assets	1,750.8	-23.6	1,774.4
Property, plant and equipment	582.9	-17.0	599.9
Non-current financial assets	34.7		34.7
Financial assets accounted for using the equity method	107.1	75.9	31.2
Prepayments	0.1		0.1
Deferred tax assets	13.1	-2.5	15.6
Total non-current assets	**2,488.7**	**32.8**	**2,455.9**
Current assets			
Inventories	789.3	-19.5	808.8
Trade receivables	519.0	-49.5	568.5
Construction contract receivables	159.5	-23.5	183.0
Income tax claims	13.8		13.8
Current financial assets	64.5	27.3	37.2
Other current financial assets	15.2	-1.7	16.9
Sundry other current assets	15.7	-0.5	16.2
Cash and cash equivalents	155.2	-6.0	161.2
Prepayments	4.8	-0.4	5.2
Total current assets	**1,737.0**	**-73.8**	**1,810.8**
Total asstes	**4,225.7**	**-41.0**	**4,266.7**

Adjustments as of January 1, 2013

Equity and liabilities

in € million	Adjusted amount Jan. 1, 2013	Adjustments	Stated amount Jan. 1, 2013
Equity			
Subscribed capital	52.0		52.0
Capital reserves	383.2		383.2
Revenue reserves	744.4	-0.9	745.3
Treasury shares	-37.9		-37.9
Other comprehensive income	-48.5		-48.5
Total equity	**1,093.2**	**-0.9**	**1,094.1**
Non-current liabilities			
Pension provisions	585.3		585.3
Other provisions	72.0	-0.5	72.5
Financial debt	536.7	-2.3	539.0
Other non-current financial liabilities	116.4		116.4
Sundry other non-current liabilities	14.0		14.0
Deferred tax liabilities	207.0	-0.4	207.4
Total non-current liabilities	**1,531.4**	**-3.2**	**1,534.6**
Current liabilities			
Pension provisions	31.4		31.4
Income tax liabilities	17.2	-2.6	19.8
Other provisions	176.7	-6.2	182.9
Financial debt	47.3	-32.6	79.9
Trade payables	567.9	-15.3	583.2
Construction contract payables	630.3	26.3	604.0
Other current financial liabilities	96.6	-6.0	102.6
Sundry other current liabilities	33.7	-0.5	34.2
Total current liabilities	**1,601.1**	**-36.9**	**1,638.0**
Total equity and liabilities	**4,225.7**	**-41.0**	**4,266.7**

Adjustments as of December 31, 2013

Assets

in € million	Adjusted amount Dec. 31, 2013	Adjustments	Stated amount Dec. 31, 2013
Non-current assets			
Intangible assets	1,820.5	-22.8	1,843.3
Property, plant and equipment	606.3	-16.1	622.4
Non-current financial assets	67.1		67.1
Financial assets accounted for using the equity method	114.0	83.9	30.1
Prepayments	0.2		0.2
Deferred tax assets	32.0	-1.0	33.0
Total non-current assets	**2,640.1**	**44.0**	**2,596.1**
Current assets			
Inventories	745.2	-26.6	771.8
Trade receivables	552.1	-48.0	600.1
Construction contract receivables	193.4	-30.0	223.4
Income tax claims	0.9		0.9
Current financial assets	80.0	21.0	59.0
Other current financial assets	22.0	-3.6	25.6
Sundry other current assets	12.9	-0.3	13.2
Cash and cash equivalents	159.6	-4.3	163.9
Prepayments	4.3	-0.5	4.8
Total current assets	**1,770.4**	**-92.3**	**1,862.7**
Total asstes	**4,410.5**	**-48.3**	**4,458.8**

Adjustments as of December 31, 2013

Equity and liabilities

in € million	Adjusted amount Dec. 31, 2013	Adjustments	Stated amount Dec. 31, 2013
Equity			
Subscribed capital	52.0		52.0
Capital reserves	390.2		390.2
Revenue reserves	848.3	-0.9	849.2
Treasury shares	-35.3		-35.3
Other comprehensive income	-35.8		-35.8
Total equity	**1,219.4**	**-0.9**	**1,220.3**
Non-current liabilities			
Pension provisions	585.5		585.5
Other provisions	10.3	-0.3	10.6
Financial debt	584.2	-15.7	599.9
Other non-current financial liabilities	137.8		137.8
Sundry other non-current liabilities	10.3		10.3
Deferred tax liabilities	203.9	-0.4	204.3
Total non-current liabilities	**1,532.0**	**-16.4**	**1,548.4**
Current liabilities			
Pension provisions	37.6		37.6
Income tax liabilities	38.1	-1.4	39.5
Other provisions	175.2	-6.9	182.1
Financial debt	65.7	-20.1	85.8
Trade payables	649.1	-24.3	673.4
Construction contract payables	547.8	27.7	520.1
Other current financial liabilities	110.2	-5.6	115.8
Sundry other current liabilities	35.4	-0.4	35.8
Total current liabilities	**1,659.1**	**-31.0**	**1,690.1**
Total equity and liabilities	**4,410.5**	**-48.3**	**4,458.8**

Group reporting entity

On September 13, 2013, MTU and the Japanese company, Sumitomo Corporation – one of the world‘s largest trading houses – founded two new joint venture entities to pursue the joint task of expanding leasing business with commercial aircraft engines. MTU Maintenance Lease Services B.V., an 80:20 joint venture between MTU Aero Engines AG and Sumitomo Corporation, is based in Amsterdam, Netherlands and offers short- and medium-term leasing options to airlines, MRO entities and lessors. Sumisho Aero Engine Lease B.V., a 90:10 joint venture between Sumitomo Corporation and MTU Aero Engines AG, focuses on long-term leasing arrangements for its customers. Initially, MTU held all of the shares of MTU Maintenance Lease Services B.V. and Sumitomo Corporation held all of the shares of Sumisho Aero Engine Lease B.V. Approval for the two joint ventures was given during the first quarter of 2014 by the relevant antitrust authorities. The transfer of shares was executed with effect from May 8, 2014. MTU Maintenance Lease Services B.V. is now fully consolidated in the Consolidated Financial Statements. The shares held by Sumitomo Corporation in MTU Maintenance Lease Services B.V. will – in future – give rise to interests in earnings and equity of MTU Aero Engines AG which will be reported as „non-controlling interests“. The investment in Sumisho Aero Engine Lease B.V. will be accounted for at cost.

RSZ Beteiligungs- und Verwaltungs GmbH, Munich, and MTU Aero Engines AG, Munich, were merged. The merger was entered into the Commercial Register on April 16, 2014.

The MTU Group comprised (including MTU Aero Engines AG, Munich) 30 entities at June 30, 2014. For information relating to MTU Aero Engines Holding AG‘s major shareholdings (prior to the changes in the group reporting entity arising in the first half of 2014), reference is made to note 38.1.2 to the Consolidated Financial Statements in the Annual Report 2013 (Major shareholdings).

Notes to the Consolidated Income Statement

1 Revenues

Revenues

in € million	Jan. 1 - June 30, 2014	Jan. 1 - June 30, 2013	Q2 2014	Q2 2013
Commercial engine business	1,032.9	953.6	532.4	465.2
Military engine business	225.5	223.2	108.9	111.0
Commercial and military engine business (OEM)	**1,258.4**	**1,176.8**	**641.3**	**576.2**
Commercial maintenance business (MRO)	**572.9**	**613.4**	**269.3**	**300.3**
Consolidation	-15.5	-15.3	-7.8	-7.6
Total revenues	**1,815.8**	**1,774.9**	**902.8**	**868.9**

2 Cost of sales

Cost of sales

in € million	Jan. 1 - June 30, 2014	Jan. 1 - June 30, 2013	Q2 2014	Q2 2013
Cost of materials	-1,187.7	-1,237.0	-579.2	-604.9
Personnel expenses	-240.5	-221.5	-120.3	-109.6
Depreciation and amortization	-68.9	-71.1	-35.9	-35.5
Other cost of sales	-68.6	7.9	-47.4	0.1
Total cost of sales	**-1,565.7**	**-1,521.7**	**-782.8**	**-749.9**

Other cost of sales comprises mainly the effect of changes in inventories of finished goods and work in progress, currency factors and changes in other provisions.

3 Research and development expenses

Research and development expenses

in € million	Jan. 1 - June 30, 2014	Jan. 1 - June 30, 2013	Q2 2014	Q2 2013
Cost of materials	-23.5	-27.7	-12.1	-10.9
Personnel expenses	-34.4	-37.7	-13.7	-16.3
Depreciation and amortization	-2.1	-3.4	-0.6	-1.5
Research and development expenditure	**-60.0**	**-68.8**	**-26.4**	**-28.7**
of which the following amounts were capitalized:				
Development costs (OEM)	21.6	21.9	9.7	10.7
Development costs (MRO)		0.4		0.2
Capitalized development costs	**21.6**	**22.3**	**9.7**	**10.9**
Research and development costs recognized as expense	**-38.4**	**-46.5**	**-16.7**	**-17.8**

4 Selling expenses

Selling expenses				
in € million	Jan. 1 - June 30, 2014	Jan. 1 - June 30, 2013	Q2 2014	Q2 2013
Cost of materials	-7.8	-7.3	-4.1	-4.8
Personnel expenses	-31.0	-29.8	-15.3	-14.8
Depreciation and amortization	-0.9	-1.2	-0.5	-0.6
Other selling expenses	-4.5	-6.0	-3.0	-3.3
Total selling expenses	**-44.2**	**-44.3**	**-22.9**	**-23.5**

Selling expenses comprise mainly marketing, advertising and sales personnel costs as well as the expense for valuation allowances and write-offs on trade receivables.

5 General and administrative expenses

General and administrative expenses				
in € million	Jan. 1 - June 30, 2014	Jan. 1 - June 30, 2013	Q2 2014	Q2 2013
Cost of materials	-2.6	-3.2	-1.4	-1.3
Personnel expenses	-22.9	-22.3	-11.0	-10.7
Depreciation and amortization	-4.4	-3.3	-1.4	-1.6
Other administrative expenses	-1.9	-3.9	-1.5	-1.8
Total general administrative expenses	**-31.8**	**-32.7**	**-15.3**	**-15.4**

General and administrative expenses comprise expenses incurred in connection with administrative activities unrelated to development, production or sales activities.

7 Profit/loss of companies accounted for using the equity method and at cost

As a consequence of the first-time application of IFRS11, the joint venture MTU Maintenance Co. Ltd., Zhuhai, China, – previously accounted for proportionately – is accounted for at equity with effect from 2014. Comparative figures have been adjusted accordingly. Please see page 144 of the 2013 Annual Report for a description of entities accounted for using the equity method up to that stage.

Profit/loss of companies accounted for using the equity method and at cost				
in € million	Jan. 1 - June 30, 2014	Jan. 1 - June 30, 2013	Q2 2014	Q2 2013
Profit/loss from companies accounted for using the equity method	7.6	8.2	3.7	3.2
Profit/loss from companies accounted for at cost	0.1		0.1	
Profit/loss of companies accounted for using the equity method/at cost	**7.7**	**8.2**	**3.8**	**3.2**

8 Interest result

Interest result in € million	Jan. 1 – June 30, 2014	Jan. 1 – June 30, 2013	Q2 2014	Q2 2013
Interest income	**0.6**	**1.3**	**0.4**	**0.1**
Interest expenses				
Bonds and notes	-5.7	-4.1	-2.9	-2.2
Liabilities to banks	-0.6	-0.7	-0.3	-0.3
Finance lease arrangements	-0.1	-0.2		-0.1
Other interest expenses	-0.8	-2.6	-0.4	
Capitalized borrowing costs for qualifying assets	1.9	1.0	1.0	0.5
Interest expenses	**-5.3**	**-6.6**	**-2.6**	**-2.1**
Interest result	**-4.7**	**-5.3**	**-2.2**	**-2.0**

9 Financial result on other items

Financial result on other items in € million	Jan. 1 – June 30, 2014	Jan. 1 – June 30, 2013	Q2 2014	Q2 2013
Effects of currency translation: exchange rate gains/losses on				
Currency holdings	-1.9	0.2	-0.9	-0.6
Financing transactions	0.3		0.3	-0.1
Finance leases				0.1
Fair value gains/losses on derivatives				
Currency and interest rate derivatives	5.2	-1.0	2.0	4.2
Forward commodity contracts	0.1	-0.7		-0.5
Interest portion included in measurement of assets and liabilities				
Pension provision	-10.7	-10.0	-5.4	-5.0
Contingent liabilities		-2.2		-1.5
Receivables, other provisions, plan assets, liabilities and advance payments from customers	-11.5	-5.2	-9.0	-2.8
Financial result on sundry other items	**0.2**	**-2.6**	**0.2**	**-0.1**
Financial result on other items	**-18.3**	**-21.5**	**-12.8**	**-6.3**

The six-month financial result on other items improved compared to the previous year, mainly due to net fair value gains of € 5.3 million (January - June 2013: net fair value losses of € 1.7 million) on derivatives. These figures reflect in particular the offsetting of interest income/expense arising on the measurement of assets and liabilities.

10 Income taxes

Income tax expense comprises the following:

Income taxes

in € million	Jan. 1 - June 30, 2014	Jan. 1 - June 30, 2013	Q2 2014	Q2 2013
Current tax expense	-65.4	-53.0	-45.0	-35.4
Deferred tax expense	28.0	11.9	30.1	12.8
Income tax expense	**-37.4**	**-41.1**	**-14.9**	**-22.6**

11 Earnings per share

For the purposes of determining diluted earnings per share, the number of shares that could be issued in conjunction with the grant of equity capital instruments is added to the weighted average number of ordinary shares in circulation.

Earnings after tax for the six-month period attributable to the owners of MTU Aero Engines AG totaled € 86.9 million (January - June 2013: € 73.0 million). The potential dilutative effect of the Share Matching Plan is not material.

The weighted average number of shares in circulation during the six-month period was 50,881,026 (January - June 2013: 50,759,129). A further 20,286 shares (January - June 2013: 25,643 shares) result from the Share Matching Plan (deferred share-based remuneration of members of the Board of Management).

Undiluted earnings per share for the first half of 2014 amounted to €1.71 (January - June 2013: € 1.44). Diluted earnings per share also amounted to €1.71 (January - June 2013: € 1.44).

Notes to the Consolidated Balance Sheet

14 Intangible assets

Intangible assets comprise capitalized program assets and program-independent technologies, participations in development programs, technical software and purchased goodwill.

A total of € 45.4 million (January - June 2013: € 49.4 million) of intangible assets was capitalized in the first six months of 2014.

In addition to the program participation in the PW800 amounting to € 21.3 million, intangible asset additions included capitalized development costs of € 23.3 million (January - June 2013: € 23.2 million), mainly for the geared turbofan PW1000G family programs as well as for the GE38 and PW800 programs.

Capitalized intangible assets totaling € 45.4 million in the first six months of 2014 (Janu-ary - June 2013: € 49.4 million) comprise € 27.5 million (January - June 2013: € 34.4 million) of purchased and € 17.9 million (January - June 2013: € 15.0 million) of internally generated intangible assets. The amortization expense for the six-month period amounted to € 31.0 million (January - June 2013: € 35.8 million).

15 Property, plant and equipment

Additions to property, plant and equipment during the period from January 1 to June 30, 2014 quarter totaled € 39.3 million (January - June 2013: € 66.4 million) and related primarily to other equipment, operational and office equipment as well as to advance payments and construction in progress. The depreciation expense for the six-month period totaled € 45.3 million (January - June 2013: € 43.2 million).

16 Financial assets

Financial assets

Financial assets increased overall by € 18.6 million during the six months of 2014 to € 165.7 million (December 31, 2013: € 147.1 million). This development was primarily attributable to the acquisition of marketable securities – with a carrying amount of € 67.4 million at June 30, 2014 (December 31, 2013: € 51.0 million) –, the increase in non-current loans receivable (IFRS 7 category: LaR) to € 34.8 million (December 31, 2013: € 16.9 million) and the increase in the carrying amount of group entities accounted for at cost to € 10.2 million (December 31, 2013: € 9.9 million). The change in the market values of derivative financial instruments amounting to € 53.3 million (December 31, 2013: € 69.3 million) worked in the opposite direction.

Financial assets accounted for using the equity method

Financial assets accounted for using the equity method amounted to € 118.1 million (December 31, 2013: € 114.0 million). A description of the components of financial assets accounted for using the equity method is provided on page 192 of the Annual Report 2013. As a result of the first-time application of IFRS 11, MTU Maintenance Zhuhai Co. Ltd., Zhuhai, China, is now also included in this line item.

17 Inventories

Inventories comprise the following:

Inventories in € million	June 30, 2014	Dec. 31, 2013
Raw materials and supplies	326.1	317.9
Finished goods and work in progress	337.2	384.8
Advance payments	23.6	42.5
Total inventories	**686.9**	**745.2**

18 Trade receivables

Trade receivables comprise the following:

Trade receivables in € million	June 30, 2014	Dec. 31, 2013
Third parties	535.5	515.1
Associated companies, joint ventures and other equity companies	57.2	37.0
Total trade receivables	**592.7**	**552.1**

19 Construction contract receivables

Construction contract receivables comprise the following:

Construction contract receivables in € million	June 30, 2014	Dec. 31, 2013
Construction contract receivables	505.7	505.4
thereof: Advance payments received	-297.9	-312.0
Total construction contract receivables	**207.8**	**193.4**

20 Other assets

Other assets comprise:

Other assets	Total		Non-Current		Current	
in € million	June 30, 2014	Dec. 31, 2013	June 30, 2014	Dec. 31, 2013	June 30, 2014	Dec. 31, 2013
Receivables from employees	1.3	0.8			1.3	0.8
Receivables from suppliers	4.1	9.1			4.1	9.1
Sundry other financial assets	10.2	12.1	0.3		9.9	12.1
Total other financial assets	**15.6**	**22.0**	**0.3**		**15.3**	**22.0**
Other taxes	0.9	12.9			0.9	12.9
Total sundry other assets	**0.9**	**12.9**			**0.9**	**12.9**

Other financial assets amounting to € 15.6 million fall under the IFRS 7 category (LaR) (similar to the previous year).

21 Cash and cash equivalents

Cash and cash equivalents comprise the following:

Cash and cash equivalents		
in € million	June 30, 2014	Dec. 31, 2013
Demand deposits and cash	74.0	48,7
Fixed-term and overnight deposits with an original maturity of three months or less	13.1	110,9
Total cash and cash equivalents	**87,1**	**159,6**

Cash and cash equivalents include foreign currency holdings with a value of € 71.2 million (December 31, 2013: € 97.6 million).

24 Equity

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

24.1 Subscribed capital

The Company's subscribed capital amounts to € 52.0 million (December 31, 2013: € 52.0 million) and is divided into 52.0 million (December 31, 2013: 52.0 million) registered non-par shares.

24.2 Capital reserves

Capital reserves include premiums from the issue of shares and the equity component (net of proportional transaction costs) of the bond issued in 2007 and repaid/converted in the first quarter of 2012. Also included are the fair values of shares granted under the Matching Stock Program and Share Matching Plan as well as gains and losses on sales of shares in conjunction with the MAP Employee Stock Option Program. Further information on the Share Matching Plan for members of the Board of Management and senior managers is provided on pages 158 et seq. of the Annual Report 2013.

24.3 Revenue reserves

Revenue reserves comprise the post-tax retained earnings of consolidated group companies, and earnings after taxes (EAT) for the first six months of 2014 amounting to € 86.9 million (January – June 2013: € 73.0 million) less the dividend payment for the financial year 2013 amounting to € 68.7 million (January - June 2013: dividend payment of € 68.5 million). As a result of the positive earnings after taxes for the six-month of 2014, revenue reserve increased to € 866.5 million at June 30, 2014 (December 31, 2013: € 848.3 million).

24.4 Treasury shares

During the first six months of 2014 the average weighted number of shares in circulation was 50,881,026 shares (January - June 2013: 50,759,129 shares). A total of 51,008,023 MTU Aero Engines AG shares was in issue at the end of the reporting period (June 30, 2013: 50,855,626 shares). The Company held 991,977 treasury shares at the end of the reporting period (June 30, 2013: 1,144,374 treasury shares).

24.7 Other comprehensive income

Other comprehensive income (OCI) – a negative amount at both December 31, 2013 and June 30, 2014 – increased during the first six months of 2014 by € 41.3 million from € 35.8 million at December 31, 2013 to € 77.1 million at June 30, 2014, mainly due to actuarial losses on pension obligations and plan assets and changes in the fair value measurement of hedging instruments.

27 Other provisions

Other provisions decreased since December 31, 2013 by € 17.8 million to stand at € 167.7 million at the end of the reporting period. The principal items included in other provisions were warranty obligations, pending losses on onerous contracts, personnel-related liabilities, retrospective costs and sales deductions. The decrease is attributable primarily to the payment of variable remuneration for the financial year 2013.

28 Financial debt

Financial debt comprises the following:

Financial debt

in € million	Total		Non-Current		Current	
	June 30, 2014	Dec. 31, 2013	June 30, 2014	Dec. 31, 2013	June 30, 2014	Dec. 31, 2013
Bonds and notes	346.9	352.3	346.5	346.3	0.4	6.0
Financial debt in connection with the IAE-2500 stake increase	267.8	270.7	223.6	229.6	44.2	41.1
Financial debt to banks						
Promissory notes		12.0				12.0
Note purchase agreement	30.1		30.0		0.1	
Financial debt to related companies	6.5	4.8			6.5	4.8
Finance lease liabilities	6.3	6.4	6.2	6.2	0.1	0.2
Other financial debt	3.2	3.7	2.3	2.1	0.9	1.6
Total financial debt	660.8	649.9	608.6	584.2	52.2	65.7

Bonds

A full description of the corporate bond (Schuldverschreibung) for a nominal amount of € 250.0 million and the registered bond (Namensschuldverschreibung) for a nominal amount of € 100.0 million is provided on page 171 of the Annual Report 2013.

Financial liabilities in connection with the IAE-V2500 stake increase

A condition precedent included in the purchase price agreement signed by MTU in the financial year 2012 in order to increase the stake in the V2500 engine program by five percentage points to 16 % made it necessary to recognize a financial liability contingent upon the number of flight hours over the next 15 years. After unwinding discounted interest and repayments, this liability amounted to € 267.8 million at June 30, 2014 (December 31, 2013: € 270.7 million).

Promissory notes

MTU placed four promissory notes (Schuldscheindarlehen) with a nominal amount of € 65.0 million (less transaction costs of € 0.4 million) on June 3, 2009. Of this amount, promissory notes with a nominal amount of € 40.0 million were repurchased in 2010 and a further € 13.5 million repaid on maturity on June 5, 2012. The remaining promissory note with a nominal amount of € 11.5 million fell due on June 5, 2014 and was repaid.

Registered note (Namensdarlehen)

MTU Aero Engines AG issued a registered note („Note Purchase Agreement“) on March 28, 2014 with a total nominal amount of € 30.0 million, due March 27, 2021. The interest rate of the note is variable and corresponds to 6-month Euribor plus a percentage margin. The initial interest rate is 1.72 %. Interest is calculated and paid half-yearly (in March and September).

Revolving credit facility

At June 30, 2014, the MTU Group has access to a revolving credit facility of € 400.0 million with five banks which runs until December 1, 2018. Of these credit facilities, € 12.2 million (December 31, 2013: € 15.2 million) were being utilized at June 30, 2014 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.

Other financial debt

Other financial debt related to derivatives in place at the end of the reporting period with a negative fair value of € 3.2 million (December 31, 2013: € 3.7 million) which are held in order to hedge currency and commodity price risks.

30 Construction contract payables

Construction contract payables comprise the following:

Construction contract payables

in € million	June 30, 2014	Dec. 31, 2013
Advance payments received for construction contracts offset against:	815.4	859.8
Construction contract receivables	-297.9	-312.0
Total construction contract payables	**517.5**	**547.8**

Advance payments received relate mainly to military engine programs.

31 Other liabilities

Other liabilities comprise the following items:

Other liabilities

in € million	Total		Non-Current		Current	
	June 30, 2014	Dec. 31, 2013	June 30, 2014	Dec. 31, 2013	June 30, 2014	Dec. 31, 2013
Personnel-related financial liabilities						
Pre-retirement part-time working arrangements	14.4	15.5	11.0	12.1	3.4	3.4
Other personnel-related liabilities	23.6	19.2	3.8	4.5	19.8	14.7
Outstanding maintenance work on engines	**2.4**	**1.9**	**2.4**	**1.9**		
Repayment of grants towards development costs	**53.6**	**57.3**	**49.9**	**49.9**	**3.7**	**7.4**
Sundry other financial liabilities	**171.6**	**154.1**	**76.5**	**69.4**	**95.1**	**84.7**
Total other financial liabilities	**265.6**	**248.0**	**143.6**	**137.8**	**122.0**	**110.2**
Personnel-related liabilities						
Social security	3.5	2.4			3.5	2.4
Other personnel-related liabilities	37.6	25.7			37.6	25.7
Accrued interest expense	**10.1**	**10.3**	**10.1**	**10.3**		
Other taxes	**13.8**	**7.3**			**13.8**	**7.3**
Total sundry other liabilities	**65.0**	**45.7**	**10.1**	**10.3**	**54.9**	**35.4**

Other personnel-related liabilities

Contracts for pre-retirement part-time working arrangements with employees at the group's German companies include commitments for top-up and severance payments. At June 30, 2014, the liabilities associated with these obligations amounted to € 14.4 million (December 31, 2013: € 15.5 million).

Other personnel-related liabilities comprise mainly vacation entitlements and flexi-time credits. This item also includes liabilities to group employees under the MAP employee stock option program (MAP) amounting to € 3.4 million (December 31, 2013: € 4.6 million). The total cost incurred in conjunction with the MAP in the first six months of 2014 was € 2.0 million (January - June 2013: € 1.8 million).

Outstanding maintenance work on engines
This line item relates mainly to obligations for the maintenance of leased 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.

Repayment of grants towards development costs
In the financial years 1976 to 1991, MTU received grants towards the internally generated cost of developing the PW2000 engine from the German Federal Ministry of Economics and Technology. Once the sales volumes of PW2000 production engines stipulated in the grant assessment confirmation have been reached for the Boeing 757 and C-17, MTU is obliged to pay back the grants within a time frame of ten years. Repayments totaling € 8.1 million were made in the financial years 2011 to 2013, and a further € 3.7 million was repaid in the first half of 2014.

Sundry other financial liabilities
Sundry other financial liabilities amounting to € 171.6 million (December 31, 2013: € 154.1 million) relate to obligations in connection with program stakes and development work for the PW1000G engine family program and the PW800 program amounting to € 156.8 million (December 31, 2013: € 133.0 million). The remainder of sundry other financial liabilities covers a multitude of minor individual obligations.

Other personnel-related liabilities
Social security liabilities relate mainly to contributions to employees' accident insurance associations amounting to € 1.6 million (December 31, 2013: € 0.7 million) and liabilities to health insurance agencies amounting to € 1.9 million (December 31, 2013: € 1.7 million). Other personnel-related liabilities relate to vacation entitlements and flexi-time credits.

Accrued interest expense
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. Accrued interest expense of € 10.1 million (December 31, 2013: € 10.3 million) relates to advance payments received for long-term military construction contracts.

Other taxes
Other taxes amounting to € 13.8 million (December 31, 2013: € 7.3 million) relate to payroll (including employees' solidarity surcharge and church taxes) and to German and foreign sales taxes.

32 Additional disclosures relating to financial instruments

Carrying amounts, measurement/recognition methods and fair values aggregated by category
In the following tables, the carrying amounts of financial instruments are aggregated by category and compared with fair values.

Cash and cash equivalents, trade and other receivables mostly have short remaining terms. The carrying amounts of these assets therefore correspond to their fair value at the end of the reporting period. As a rule, trade payables and other liabilities are due within a relatively short space of time. The carrying amounts of these liabilities therefore correspond to their fair value at the end of the reporting period.

Disclosures relating to financial instruments – carrying amounts and fair values aggregated by category June 30, 2014

in € million	Category as defined in IAS 39/ Other category	Carrying amount June 30, 2014	Amount carried in balance sheet in accordance with IAS 39				Amount carried in balance sheet IAS 17	Financial instruments not within the scope of IAS 39 or IFRS 7	Total	Fair value June 30, 2014
			Measured at amortized cost	Measured at cost	Fair value recognized in equity	Fair value recognized in income statement				
ASSETS										
Other assets										
Loans, receivables, other financial assets	LaR	50.4	50.1					0.3	50.4	50.4
Held-to-maturity investments	HtM									
Available-for-sale financial assets	AfS	77.6		10.2	67.4				77.6	77.6
Financial assets held for trading	FAHfT									
Trade receivables	LaR	592.7	592.7						592.7	592.7
Construction contract receivables	LaR	207.8	207.8						207.8	207.8
Derivative financial assets										
Derivates without hedging relationship	FAHfT	26.1				26.1			26.1	26.1
Derivates with hedging relationship	n.a.	27.2			27.2				27.2	27.2
Cash and cash equivalents	LaR	87.1	87.1						87.1	87.1
EQUITY AND LIABILITIES										
Trade payables	FLAC	652.0	652.0						652.0	652.0
Bonds and notes	FLAC	346.9	346.9						346.9	359.9
Financial debt in connection with IAE-V2500 stake increase	FLtPL	267.8				267.8			267.8	267.8
Other financial debt	FLAC	36.6	36.6						36.6	36.6
Other financial liabilities	FLAC/n.a.	265.6	220.5				2.4	42.7	265.6	265.6
Derivative financial liabilities										
Derivates without hedging relationship	FLHfT	2.1				2.1			2.1	2.1
Derivates with hedging relationship	n.a.	1.1			1.1				1.1	1.1
Thereof aggregated by category as defined in IAS 39										
Loans and receivables	LaR	938.0	937.7					0.3	938.0	938.0
Held-to-maturity investments	HtM									
Available-for-sale financial assets	AfS	77.6		10.2	67.4				77.6	77.6
Financial assets held for trading	FAHfT	26.1				26.1			26.1	26.1
Financial liabilities measured at fair value through profit or loss	FLtPL	267.8				267.8			267.8	267.8
Financial liabilities measured at amortized cost	FLAC/n.a.	1,301.1	1,256.0				2.4	42.7	1,301.1	1,314.1
Financial liabilities held for trading	FLHfT	2.1				2.1			2.1	2.1
Finance lease liabilities	n.a.	6.3					6.3		6.3	6.3

Disclosures relating to financial instruments – carrying amounts and fair values aggregated by category at Dec. 31, 2013

in € million	Category as defined in IAS 39/ Other category	Carrying amount Dec. 31, 2013	Amount carried in balance sheet in accordance with IAS 39: Measured at amortized cost	Measured at cost	Fair value recognized in equity	Fair value recognized in income statement	Amount carried in balance sheet IAS 17	Financial instruments not within the scope of IAS 39 or IFRS 7	Total	Fair value Dec. 31, 2013
ASSETS										
Other assets										
Loans, receivables, other financial assets	LaR	38.9	38.9						38.9	38.9
Held-to-maturity investments	HtM									
Available-for-sale financial assets	AfS	60.9		9.9	51.0				60.9	60.9
Financial assets held for trading	FAHfT									
Trade receivables	LaR	552.1	552.1						552.1	552.1
Construction contract receivables	LaR	193.4	193.4						193.4	193.4
Derivative financial assets										
Derivates without hedging relationship	FAHfT	26.1				26.1			26.1	26.1
Derivates with hedging relationship	n.a.	43.2			43.2				43.2	43.2
Cash and cash equivalents	LaR	159.6	159.6						159.6	159.6
EQUITY AND LIABILITIES										
Trade payables	FLAC	649.1	649.1						649.1	649.1
Bonds and notes	FLAC	352.3	352.3						352.3	362.9
Financial debt in connection with IAE-V2500 stake increase	FLtPL	270.7				270.7			270.7	270.7
Other financial debt	FLAC	16.8	16.8						16.8	16.8
Other financial liabilities	FLAC/n.a.	248.0	206.7				1.9	39.4	248.0	248.0
Derivative financial liabilities										
Derivates without hedging relationship	FLHfT	3.5				3.5			3.5	3.5
Derivates with hedging relationship	n.a.	0.2			0.2				0.2	0.2
Thereof aggregated by category as defined in IAS 39										
Loans and receivables	LaR	944.0	944.0						944.0	944.0
Held-to-maturity investments	HtM									
Available-for-sale financial assets	AfS	60.9		9.9	51.0				60.9	60.9
Financial assets held for trading	FAHfT	26.1				26.1			26.1	26.1
Financial liabilities measured at fair value through profit or loss	FLtPL	270.7				270.7			270.7	270.7
Financial liabilities measured at amortized cost	FLAC/n.a.	1,266.2	1,224.9				1.9	39.4	1,266.2	1,276.8
Financial liabilities held for trading	FLHfT	3.5				3.5			3.5	3.5
Finance lease liabilities	n.a.	6.4					6.4		6.4	6.4

Within the scope of its partnerships in engine programs, MTU is a party to aircraft financing agreements for the purpose of promoting sales. These agreements are offered in two basic forms: pre-delivery payment financing and backstop commitments. In both cases, any funds made available to the purchaser would be transfered directly to the aircraft manufacturer.

Financing commitments provided by the MTU for a nominal amount of € 503.2 million (December 31, 2013: € 593.2 million) are classified by MTU – in accordance with the requirements of IFRS 7 – as part of the gross risk. However, based on experience and given the structure of the contracts, it is considered very unlikely that these commitments will be called on in full. With respect to the impact on MTU's liquidity of the notional loan amounts relating to the proposed financing agreements, the company's existing lines of credit (see Note 28 (Financial liabilities)) provide adequate liquidity reserves, even in the unlikely case that all offers of financing agreements are taken up at the same time. Further information, in particular with respect to the nature and structure of the proposed financing agreements is provided on pages 180 et seq. of the Annual Report 2013.

Classification of fair value measurements of financial assets and liabilities according to the fair value hierarchy

In order to evaluate the significance of the factors used as input when measuring financial assets and liabilities at their fair value, MTU assigns these assets and liabilities to three levels of a fair value hierarchy.

The three levels of the fair value hierarchy are described below, together with their utilization when measuring financial assets and liabilities:

Level 1 Quoted prices in active markets for identical assets or liabilities (unadjusted input);

Level 2 Prices of assets and liabilities that can be observed directly or indirectly (derived);

Level 3 Unobservable inputs used to measure prices of assets or liabilities.

Allocation of financial assets and liabilities to the fair value hierarchy at June 30, 2014

in € million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial instruments		53.3		53.3
Available-for-sale financial assets		67.4		67.4
Total financial assets		**120.7**		**120.7**
Financial liabilities measured at fair value				
Derivative financial instruments		3.2		3.2
Financial liabilities measured at fair value through profit or loss			267.8	267.8
Total financial liabilities		**3.2**	**267.8**	**271.0**

Allocation of financial assets and liabilities to the fair value hierarchy at December 31, 2013

in € million	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial instruments		69.3		69.3
Available-for-Sale financial assets	30.0	21.0		51.0
Total financial assets	**30.0**	**90.3**		**120.3**
Financial liabilities measured at fair value				
Derivative financial instruments		3.7		3.7
Financial liabilities measured at fair value through profit or loss			270.7	270.7
Total financial liabilities		**3.7**	**270.7**	**274.4**

The fair values of financial instruments assigned to level 2 are measured using the discounted cash flow method.

Liabilities measured at fair value assigned to level 3 relate exclusively to the financial debt arising from the IAE-V2500 stake increase. A valuation technique was employed in which the necessary, publicly-known market data (interest rates, U.S. dollar exchange rates) were collected and in which the unobservable inputs (expected future number of flight hours) were developed using the company's own best available information and updated where necessary. A factor with a significant impact on the carrying amount of the financial debt, which is measured using the discounted cash flow method, is the number of flight hours on which deferred payments are based. A sensitivity analysis shows that if the expected number of flight hours were to change by 10 %, the corresponding change in fair value would be around € 26 million (December 31, 2013: around € 27 million).

37 Contingent liabilities and other financial commitments

Contingent liabilities and other financial obligations at June 30, 2014 amounted to € 87.2 million (December 31, 2013: € 52.2 million). Contingent liabilities and other financial obligations are not material to the MTU Group. As in previous periods, with the exception of lease payments, no amounts fell due for payment during the period under report. Similarly, no amounts are expected to be paid during the rest of the financial year 2014. Information regarding the composition and nature of contingent liabilities and other financial obligations is provided in note 37 (Contingent liabilities and other financial commitments) of the Annual Report 2013.

Purchase commitments for intangible assets and property, plant and equipment amounted to € 29.0 million at June 30, 2014 (December 31, 2013: € 19.6 million).

38 Related party transactions

Transactions with related entities

Transactions with related entities are undertaken as part of the group's 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 38.1.2 (List of major shareholdings) of the Annual Report 2013. Trade receivables from these entities at June 30, 2014 amounted to € 57.2 million (December 31, 2013: € 37.0 million). Trade payables totaled € 27.0 million (December 31, 2013: € 51.7 million). Income recognized during the six-month period under report amounted to € 547.2 million (January - June 2013: € 603.0 million), with expenses totaling € 271.5 million (January - June 2013: € 304.8 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.

Events after the end of the reporting period (June 30, 2014)

MTU Aero Engines AG will participate in the GE9X engine to be manufactured by General Electric (GE) and take a four-percent workshare stake. MTU will be manufacturing and assuming design responsibility for the engine's turbine center frame. The new engine will be designed to exclusively power Boeing's 777X long-haul airliner which is expected to enter service around 2020.

There have been no other significant events after the end of the interim reporting period and prior to the date of authorization for issue of the Half-yearly Financial Report on July 17, 2014.

Publication of the Half-Yearly Financial Report

The Half-Yearly Financial Report of MTU Aero Engines AG, Munich, for the period from January 1 to June 30, 2014 was published on the Internet on July 24, 2014.

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 17, 2014

Reiner Winkler	Dr. Rainer Martens	Dr. Stefan Weingartner	Michael Schreyögg
Chief Executive Officer	**Chief Operating Officer**	**President MTU Maintenance**	**Chief Program Officer**

Review Report

To MTU Aero Engines Holding AG

We have reviewed the condensed interim consolidated financial statements, comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and selected explanatory notes, and the interim group management report of MTU Aero Engines AG, Munich, for the period from January 1 to June 30, 2014 which are part of the six-monthly financial report pursuant to Sec. 37w WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]. The preparation of the condensed interim consolidated financial statements in accordance with IFRSs [International Financial Reporting Standards] on interim financial reporting as adopted by the EU and of the group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and 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 to obtain a certain level of assurance in our critical appraisal to preclude that the condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU or that the interim group management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Munich, July 23, 2014

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Keller	Westermeier
Wirtschaftsprüfer	**Wirtschaftsprüfer**
[German Public Auditor]	**[German Public Auditor]**

Financial Calendar

Teleconference on first six-month 2014 earnings	**July 24, 2014**
Teleconference on third quarter 2014 earnings	**October 23, 2014**
MTU analysts and investors conference 2014	**November 25, 2014**

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Translation
The German version takes precedence.

MTU Aero Engines AG on the Internet

- Further information about MTU Aero Engines 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 AG's can be obtained at: **www.mtu.de/de/products_services/new_business_commercial/index.html**

MTU
Aero Engines

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