



Interim Report as of September 30, 2005
of MTU Aero Engines Holding AG, Munich



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Selected consolidated financial information and key figures

	2005	2004
Profit and Loss in € million (Status resp. September 30)		
Revenues	1,545.6	1,384.3
Free Cash Flow*)	257.3	61.2
Depreciation and amortization	100.4	94.6
Research and Development costs	20.8	38.0
Earnings before financial result, taxes (EBIT)	89.0	53.7
Earnings before financial result, taxes and Depreciation/Amortization (EBITDA)	189.4	148.3
Profit before tax (EBT)	33.7	-21.6
Taxes	-14.3	7.2
Net profit/loss (-)	19.4	-14.4
Capital expenditures*)	42.7	34.0
Balance sheet in € million (Prev. Year, December 31)		
Equity	517.6	217.0
Total	2,629.9	2,719.1
Non-current assets	1,534.5	1,591.8
Non-current debt (without deferred taxes)	744.5	1,080.8
Employee-Headcounts (Status resp. September 30)		
MTU Aero Engines GmbH, Munich	4,628	4,975
MTU Maintenance Hannover GmbH, Langenhagen	1,298	1,304
MTU Maintenance Berlin-Brandenburg GmbH, Ludwigsfelde	516	535
ATENA Engineering GmbH, Munich**)	0	471
MTU Maintenance Canada Ltd., Richmond, Canada	133	124
MTU Aero Engines North America Inc., Rocky Hill, USA	207	195
Vericor Power Systems L.L.C., Atlanta, USA	34	34
Joint venture companies (each carried at 100% of employees)	563	411
Total	7,379	8,049
Key figures in %		
Capital expenditures in % of revenues	2.8	2.5
Return on sales (before tax)	2.2	-1.6
Equity ratio	19.7	8.0
Equity to non-current assets	33.7	13.6
Research and development costs (w / o release of provisions) of % of revenues	3.0	8.1
Shares ***)		
Number of shares (‘000)	55,000	55,000
Earnings per share in Euro	0.35	-0.26
Free Cash Flow per share in Euro*)	4.68	1.11
Equity per share in Euro	9.41	3.95

*) Prior Year: Without Acquisition of MTU-Group

**) Sold, June 30, 2005

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

Market overview – 3rd quarter 2005

In the third quarter of 2005, MTU continued to benefit from positive aerospace industry fundamentals. Despite the recent filing for Chapter 11 re-organisation under the U. S. Bankruptcy Code by two of its customers, Northwest and Delta, as well as concerns over rising fuel prices, MTU was able to benefit from strong passenger traffic growth and a growing active fleet of aircraft powered by engines with MTU modules and components. Due to increasing engine delivery rates, an expanding orderbook and an increase in market share, the outlook for MTU remains positive.

Overall world passenger traffic figures in the summer continued to reflect a strong demand for air travel. According to IATA, international passenger traffic for the first 9 months of the year has grown 8.3% as compared to the prior year period. Including national air-traffic, North America, Europe and Asia-Pacific recorded growth rates approximately 6.0%. International freight traffic increased by 3.0%.

In North America, the prolonged financial difficulties of US network carriers, exacerbated by skyrocketing fuel prices, culminated in two of our US customers, Delta and Northwest, filing for Chapter 11 re-organisation under the U. S. Bankruptcy Code. Jet fuel prices rose to new highs in the third quarter, averaging \$1.90 per gallon (representing a 48% increase year-on-year), as Hurricanes Katrina and Rita severely impacted the capacity of Gulf Coast refineries.

MTU's other U.S. airline customers are affected by the highly challenging US airline industry environment, but this is currently having no sizeable effect on MTU's orderbook, spares sales and civil MRO business. The adverse energy price trends also represent financial challenges to our top European and Asian operators. The majority of fuel surcharges introduced by airline operators outside of the US were successful and traffic volumes remain strong so that MTU is not presently exposed to any adverse fleet restructuring by a European or Asian operator.

In September, the MTU engine parked fleet fell by 11% year-on-year to 772 engine units.

This compares very favourably to the 6% fall industry-wide to 4,058 units. The MTU engine fleet below 15 years of age (indicator of the aviation recovery pace) fell by a very satisfactory 14% (to 128 engines) in line with the industry trend.

Financial situation

Income in September 30, 2005

Revenue increased by 11.7% to € 1,545.6 million. This increase is due, in particular, to increased revenues in our civil engine maintenance (+28.1%) and civil engine business (+11.2%). Revenue fell by 7.7% in our military engine business. This was mostly due to a change in the deferred accounting during the year for project EJ200.

The **cost of sales** increased by 16.7% to € 1,360.3 million. This increase is due to the substantial increase in our civil MRO business, which requires a high proportion of material and third-party services, and also to the increase in revenues in the civil engine business, which requires production of series engines with high materials costs.

The strong increase in the cost of sales compared to revenues means that the **gross profit on sales** has fallen to € 185.3 million compared to the same period of the previous year when this totaled € 218.5 million. Increasing sales in the civil engine business has initially increased the cost of sales, thus reducing the gross profit on sales.

Research and development costs prior to consumption of the provision for development costs totaled € 45.6 million, down € 66.0 million on the corresponding figure from the previous year. This downturn is mostly due to the development process in programs GP7000 and PW6000, which is drawing to a close.

The **selling costs** fell by 4.4% to € 50.3 million. Cost cuts played a role here, impacting the **general administrative expenses**. These totaled € 34.7 million – down € 42.1 million (54.8%) compared to the first three quarters of 2004. However we must also take into account that last year this figure included direct transaction costs totaling € 19.0 million as well as further indirect expenses from the acquisition by KKR.

The depreciation and amortization

contained in the cost of sales, research and development costs, sales and general administrative expenses totaled € 100.4 million (previous year: € 94.6 million).

After adjustment for the effects of the purchase price allocation which occurred last year as well as certain extraordinary factors, the interim results based on the adjusted earnings before interest, tax, depreciation and amortization (EBITDA) is as follows (see chart on page 5).

The **financial result** was negative, and was cut from € -73.9 million in the first three quarters of 2004 to € -57.2 million in the first three quarters of 2005. In the first nine months of 2005, financial debt fell as a result of the repayment of the following liabilities:

Reduction of loans	€ million
Senior Facility Agreement	174.2
High Yield Bond	80.0
Blade Lux Holding Two S.a.r.l.; Shareholder	69.6
DaimlerChrysler, Vendor Loan	185.5
	509.3

Financial situation

	30.09.2005 € million	30.09.2004 € million
1. EBIT	89.0	53.7
+ Depreciation/Amortization	100.4	94.6
2. EBITDA reported	189.4	148.3
- Consumption of R&D provisions	-24.8	-73.6
- Restructuring costs	2.0	2.8
+ Profit in order backlog	0.0	27.0
+ Direct transaction costs	0.0	19.0
3. EBITDA adjusted	166.6	123.5

The liquid funds for the advance redemption stem from the proceeds from the IPO and from operating business in the first nine months.

Pre-tax earnings totaled € 33.7 million – up by € 55.3 million compared to the first nine months of 2004.

In total, **net profit** of € 19.4 million was recorded in the period from January 1 to September 30, 2005, after a loss of € 14.4 million in the first three quarters of 2004.

Earnings by segments

Civil and military engine business

Period from January 1 to September 30, 2005

In the first nine months, revenues in the civil and military engine business increased by € 43.0 million (4.5%) compared to the first nine months of 2004 to € 1,005.1 million. Revenues in the civil engine business increased by € 69.7 million (11.2%) to € 694.5 million. In contrast, revenues in the military engine business fell by € 26.7 million (7.9%) to € 310.6 million.

In contrast, EBIT increased as a result of a decrease in development costs, which are tapering off, in the programs GP 7000 and PW 6000, and the costs savings for general administrative expenses.

3rd quarter of 2005

In the third quarter of 2005, revenues in the civil and military engine business increased only slightly by € 0.7 million (0.2%) compared to the corresponding period of the previous year. Whereas civil engine business increased by € 17.0 million (8.4%) to € 219.9

million, revenues from military engine business fell, during the third quarter by € 16.3 million (13.1%) to € 107.8 million compared to € 124.1 million in the third quarter of 2004, particular as a result of the deferred accounting for the EJ 200-Series-Supply-program.

Consequently, in the third quarter of 2005, the increase in civil series engine business, which was up € 17.0 million on the previous year, reduced the gross margin. As a result, EBIT fell in the civil and military engine business during the third quarter to € 23.1 million (49.0%) compared to € 45.3 million in the same period of the previous year.

Civil engine maintenance

Period from January 1 to September 30, 2005

Civil engine maintenance business increased significantly to € 118.3 million (28.1%). In total, revenues thus increased to € 540.5 million compared to € 422.2 million. This caused the gross margin to rise from € 26.4 million to € 52.6 million.

EBIT increased accordingly by € 23.4 million to € 24.2 million, and pre-tax earnings increased by € 28.9 million to € 28.8 million.

3rd quarter of 2005

During the third quarter of 2005, sales from civil engine maintenance increased by € 35.7 million (22.8%) to € 192.2 million compared to the first nine months of the previous year when this figure totaled € 156.5 million. The gross margin increased by € 7.3 million to € 21.0 million.

EBIT increased by € 5.2 million (94.5%) to € 10.7 million compared to the correspon-

ding period of the previous year at € 5.5 million. Pre-tax earnings increased by € 7.8 million (144.4%) to € 13.2 million compared to the same period of the previous year when these totaled € 5.4 million.

Financial position

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

The group's cash flow from **operating activities** in the first nine months of 2005 totaled € 300.0 million (previous year: € 95.2 million). A key component of this figure were advance payments from customers pursuant to government contracts.

Up to September 30, 2005, the company made **investments** totaling € 6.2 million (16.9%) more than in the same period of the previous year in intangible assets and property, plant and equipment. In total, the net cash used in investing activities during the first nine months of the year thus totaled € 42.9 million. Offset against investments in financial assets and income from the disposal of assets this results in net cash used in investing activities of € 42.7 million (previous year after adjustment for the acquisition: € 34.0 million).

As part of **financing activities**, the company issued 15 million ordinary shares in an IPO which raised € 295.2 million after the deduction of transaction costs. These proceeds were mostly used for the redemption of loans totaling € 509.3 million (see comments on page 4). The balance of the

Financial situation

redemption of loans came from net cash obtained from operating activities.

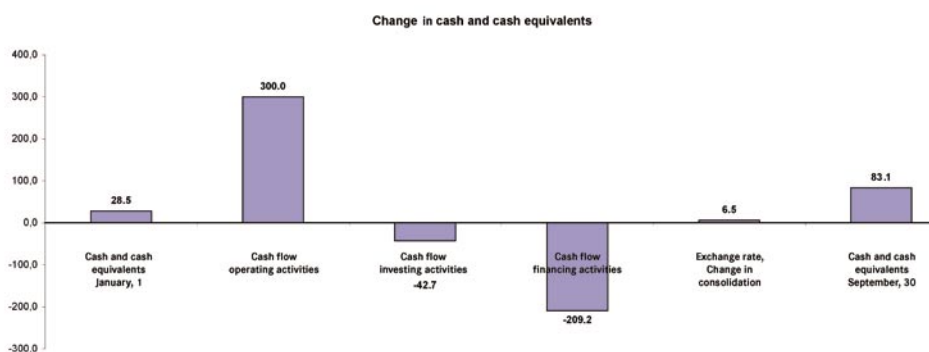
After adjustment for currency translation and consolidation effects, the individual cash flows show growth of cash and cash equivalents totaling € 54.6 million (previous year € 89.0 million). The free cash flow, i.e. the balance of the net cash from operating activities and the net cash used in investing activities, totaled € 257.3 million during the first nine months of 2005 (previous year after adjustment for the acquisition: € 61.2 million).

Net asset position

The group's total assets fell by € 89.2 million or 3.3% compared to December 31, 2004. This was mostly impacted by the reduction in financial liabilities in the amount of € 509.3 million (see comments on page 4) and the reduced other assets totaling € 111.9 million (see Item 17) resulting from changes to the market value of derivative financial instruments. In contrast, other liabilities mostly increased as a result of payments received on account of orders from related companies which are not consolidated.

Whereas non-current assets decreased on the assets side as a result of scheduled depreciation and amortization, work in process which is carried under inventories increased by € 42.3 million (16.9%; Item 19) and receivables from Constructions- and Maintenance Contracts (POC) increased by € 66.8 million (74.4%; Item 20). Other assets fell by a total of € 172.9 million. In addition to the reductions in market value for derivative financial instruments already mentioned, assets fell as a result of interest swap transactions. The remaining reductions in other assets can be put down to the payment of tax claims and receivables from associated companies and joint venture companies.

Consolidated equity increased by € 300.6 million to € 517.6 million, primarily as a result of the net cash obtained from the proceeds of the share issue less the direct costs of the IPO. Within the consolidated equity, accumulated other equity fell by € 22.3 million from € 11.2 million to € -11.1 million. This downturn is mostly due to the lower market values of the derivatives, totaling € 23.9 million after taking into account deferred taxes. Whereas the positive



earnings for the period, totaling € 19.4 million, mostly compensated for the lower market values within equity, translation differences increased accumulated other equity by an additional € 1.6 million. The equity ratio thus increased, in particular as a result of the proceeds from the IPO, from 8.0% to 19.7%.

Other provisions fell by a total of € 18.2 million compared to December 31, 2004. Whereas the non-current other provisions increased slightly by € 0.6 million, current provisions fell by € 18.8 million (12.0%), compared to December 31, 2004, in particular as a result of tax obligations which have now been paid totaling € 9.0 million compared to December 31, 2004, and also as a result of lower Human Resources and social commitments, also of € 9.0 million.

Financial liabilities mostly fell as a result of the above mentioned repayments of loans totaling € 509.3 million to € 270.7 million (see comments on page 4).

In the current financial liabilities category, the Senior Facility Agreement totaling € 174.2 million was repaid in full.

The High Yield Bond under non-current financial liabilities was repaid in the amount of € 80.0 million. In addition, the former Vendor Loan from DaimlerChrysler (DCX) was repaid in full in the amount of € 185.5 million. Also the shareholder loan totaling € 69.6 million was repaid in full to Blade Lux Holding Two S.a.r.l., Luxembourg.

Trade payables increased by € 54.6 million (24.0%) to € 281.7 million due to matching.

As a result of the major increase in advance payments received on account of orders (Item 26) – up € 123.9 million to

€ 434.7 million – other liabilities increased by € 166.9 million (35.6%) to € 635.9 million.

The following table shows the changes in assets and liabilities from December 31, 2004 to September 30, 2005, broken down into current and non-current items.

Financial situation

Statement of changes in assets, equity and liabilities (Comparison Dec. 31, 2004 to Sep. 30, 2005)

	€ million	€ million
Non-current assets		
Intangible assets	-23.1	
Property, plant and equipment	-36.1	
Financial assets	1.9	
Other assets	-38.9	
Deferred tax assets	0.8	-95.4
Current assets		
Inventories	42.7	
Receivables	44.8	
Other assets	-134.0	
Cash and cash equivalents	54.6	
Prepayments	-1.9	6.2
Change in assets		-89.2
Equity		300.6
Non-current debt		
Provisions	16.8	
Financial liabilities	-361.5	
Other liabilities	8.4	
Deferred tax liabilities	-13.4	-349.7
Current debt		
Provisions	-18.9	
Financial liabilities	-234.3	
Trade payables	54.6	
Other liabilities	158.5	40.1
Change in equity and liabilities		-89.2



Consolidated income statement

€ million	Notes	Jan.1 to Sep. 30, 2005	Jan.1 to Sep. 30, 2004	Q3 2005	Q3 2004
Revenues		1,545.6	1,384.3	519.9	483.5
Cost of sales	(6)	-1,360.3	-1,165.8	-452.0	-401.0
Gross profit		185.3	218.5	67.9	82.5
Research and development costs	(7)	-20.8	-38.0	-6.3	-6.1
Selling costs	(8)	-50.3	-52.6	-17.2	-16.9
General administrative expenses	(9)	-34.7	-76.8	-10.2	-9.4
Other operating income and expenses		9.5	2.6	3.9	0.7
Result before financial result		89.0	53.7	38.1	50.8
Financial result	(11)	-57.2	-73.9	-17.6	-16.0
Share of loss of Joint Ventures accounted for using the equity method		1.9	-1.4	1.4	-0.6
Result from ordinary activities		33.7	-21.6	21.9	34.2
Income taxes	(12)	-14.3	7.2	-9.2	-14.1
Net profit/loss (-)		19.4	-14.4	12.7	20.1
Loss carried forward		-0.1	-0.3	0.0	0.0
Accumulated profit/loss (-)		19.3	-14.7	12.7	20.1
Earnings per share in Euro *)	(13)	0.35	-0.26	0.23	0.37

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



Consolidated balance sheet

Assets			
€ million	Notes	Sep. 30, 2005	Dec. 31, 2004
Non-current assets			
Intangible assets	(14)	945.5	968.6
Property, plant and equipment	(15)	540.5	576.6
Financial assets		48.5	46.6
Other assets	(17)	1.5	40.4
Deferred tax assets		3.2	2.4
		1,539.2	1,634.6
Current assets			
Inventories	(19)	490.8	448.1
Receivables	(20)	439.4	394.6
Other assets	(17)	69.7	203.7
Cash and cash equivalents		83.1	28.5
Prepayments		7.7	9.6
		1,090.7	1,084.5
Total		2,629.9	2,719.1

Equity and Liabilities			
€ million	Notes	Sep. 30, 2005	Dec. 31, 2004
Equity			
Subscribed capital	(22)	55.0	2.2
Capital reserves		454.4	203.7
Accumulated other equity		-11.1	11.2
Accumulated profit/loss (-)		19.3	-0.1
		517.6	217.0
Non-current debt			
Pension provisions		360.9	344.7
Other provisions	(24)	57.3	56.7
Financial liabilities	(25)	259.7	621.2
Other liabilities	(26)	66.6	58.2
Deferred tax liabilities	(27)	354.3	367.7
		1,098.8	1,448.5
Current debt			
Pension provisions		14.1	14.2
Other provisions	(24)	137.4	156.2
Financial liabilities	(25)	11.0	245.3
Trade payables		281.7	227.1
Other liabilities	(26)	569.3	410.8
		1,013.5	1,053.6
Total		2,629.9	2,719.1

Consolidated statement of changes in equity

€ million	Subscribed capital	Capital reserves	Accumulated profit/loss (-)	Accumulated other equity			Total
				Translation differences	Derivative financial instruments	Subtotal	
January 1, 2004	0.0	201.5	-0.3	0.0	0.0	0.0	201.2
Financial instruments (Available for Sale)					0.8	0.8	0.8
Translation differences				0.3		0.3	0.3
= Profit not stated in income statement	0.0	0.0	0.0	0.3	0.8	1.1	1.1
Net profit			-14.4				-14.4
= Total income	0.0	0.0	-14.4	0.3	0.8	1.1	-13.3
September 30, 2004	0.0	201.5	-14.7	0.3	0.8	1.1	187.9
January 1, 2005	2.2	203.7	-0.1	-1.0	12.2	11.2	217.0
Financial instruments (Available for Sale)					-23.9	-23.9	-23.9
Translation differences				1.6		1.6	1.6
= Profit not stated in income statement	0.0	0.0	0.0	1.6	-23.9	-22.3	-22.3
Net profit			19.4				19.4
= Total income	0.0	0.0	19.4	1.6	-23.9	-22.3	-2.9
Capital increase from company funds	37.8	-37.8					0.0
+ Capital increase new issue	15.0	300.0					315.0
+ Matching Stock Program (MSP)		0.3					0.3
- Transaction costs (after taxes)		-11.8					-11.8
September 30, 2005	55.0	454.4	19.3	0.6	-11.7	-11.1	517.6



Consolidated cash flow statement



€ million	Jan. 1 to Sep. 30, 2005	Jan. 1 to Sep. 30, 2004
Net profit/loss (-)	19.4	-14.4
+ Depreciation and amortization	100.4	94.6
+/- Profit/loss of associated companies	-1.9	1.4
+/- Profit/loss on disposal of assets	1.0	-1.7
+/- Increase/decrease in pension provisions	16.8	12.2
+/- Increase/decrease in other provisions	-14.6	-51.6
+/- Change in non-cash taxes	9.7	-34.0
+/- Increase/decrease in assets and liabilities		
+/- Increase/decrease in inventories	-47.6	-18.4
+/- Increase/decrease in receivables (excl. derivatives)	12.9	-8.4
+/- Increase/decrease in liabilities (excl. derivatives)	203.9	115.5
Cash Flow from operating activities	300.0	95.2
- Investments in intangible assets and property, plant and equipment	-42.9	-36.7
- Acquisition of MTU-Group		-766.6
- Investments in financial assets	-0.3	-0.1
+ Proceeds from asset disposals	0.5	2.5
+ Repayment of loans		0.3
Cash Flow from investing activities	-42.7	-800.6
Free Cash Flow	257.3	-705.4
+/- Increase/decrease in financial liabilities	-504.4	28.0
+ Acquisition of MTU-Group		766.6
+ Capital increase	295.2	
Cash Flow from financing activities	-209.2	794.6
Exchange rate movements in equity	1.6	0.3
Exchange rate movements in fixed assets	-3.1	-0.5
Change in consolidation	8.0	
	6.5	-0.2
Change in cash and cash equivalents	54.6	89.0
Cash and cash equivalents at January, 1	28.5	205.6
Cash and cash equivalents at September, 30	83.1	294.6

The interim financial statements for the third quarter of 2005

1. Principles

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

The consolidated financial statements of MTU Aero Engines Erste Holding GmbH as of December 31, 2004 have been prepared in line with International Financial Reporting Standards (IFRS) and the interpretations. The consolidated interim financial statements ("interim financial statements") of MTU Aero Engines Holding AG as of September 30, 2005, have been prepared based on International Accounting Standard (IAS 34) "Interim Financial Reporting", and mostly uses the same accounting methods as in the consolidated financial statements for fiscal year 2004. In addition, this interim report is in line with German Accounting Standard No. 6 (DRS 6), Interim financial statements, as promulgated by the Deutsche Rechnungslegungsstandards Committee e.V. (DRSC). The interim financial statements are not audited.

For further information on the accounting and valuation methods applied, please refer to the consolidated financial statements of MTU Aero Engines Erste Holding GmbH as of December 31, 2004. The consolidated financial statements have been prepared in euros. All amounts are stated in millions of euro (€ million or EUR million) unless otherwise stated.

2. Group of consolidated companies

The consolidated financial statements for the third quarter of 2005 include MTU Aero Engines Holding AG and 6 German and 3 foreign subsidiaries. ATENA GmbH is no longer consolidated as of June 30, 2005, as it was sold on this date.

3. New accounting standards

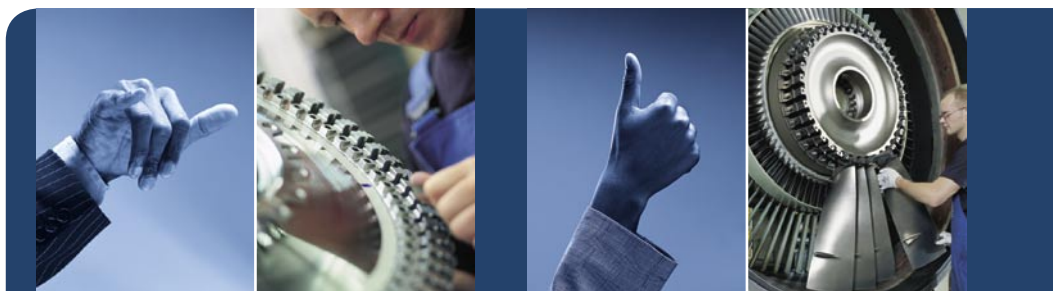
The following standards, which have been revised as part of the IASB's improvement projects, were applied for the first time from 2005:

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

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

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

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



Notes to the consolidated financial statements

Notes to the income statement

6. Cost of sales

€ million	Jan.1 to Sep. 30, 2005	Jan.1 to Sep. 30, 2004	Q3 2005	Q3 2004
Cost of materials	-975.9	-787.1	-343.1	-278.4
Personnel expenses	-285.3	-271.9	-93.5	-90.2
Depreciation and amortization	-93.8	-88.3	-30.1	-31.1
Other cost of sales	-5.3	-18.5	14.7	-1.3
	-1,360.3	-1,165.8	-452.0	-401.0

7. Research and development costs

€ million	Jan.1 to Sep. 30, 2005	Jan.1 to Sep. 30, 2004	Q3 2005	Q3 2004
Cost of materials	-7.9	-45.9	-2.5	-12.4
Personnel expenses	-33.7	-60.1	-9.3	-17.7
Depreciation and amortization	-4.0	-5.6	-2.8	-0.5
Expenses	-45.6	-111.6	-14.6	-30.6
Consumption of R&D provisions	24.8	73.6	8.3	24.5
	-20.8	-38.0	-6.3	-6.1

The Research- and development costs comprise per September 30, 2005 € 24.8 million consumption of R&D provisions (previous year: € 73.6 million).

8. Selling costs

€ million	Jan.1 to Sep. 30, 2005	Jan.1 to Sep. 30, 2004	Q3 2005	Q3 2004
Cost of materials	-6.6	-6.6	-2.1	-2.1
Personnel expenses	-34.8	-35.9	-11.3	-11.5
Depreciation and amortization	-1.5	-0.3	-0.4	-0.1
Other selling costs	-7.4	-9.8	-3.4	-3.2
	-50.3	-52.6	-17.2	-16.9

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

9. General administrative expenses

€ million	Jan.1 to Sep. 30, 2005	Jan.1 to Sep. 30, 2004	Q3 2005	Q3 2004
Cost of materials	-2.5	-0.8	-1.1	-0.4
Personnel expenses	-18.5	-19.1	-6.1	-6.3
Depreciation and amortization	-1.1	-0.4	-0.3	-0.1
Other administrative costs	-12.6	-56.5	-2.7	-2.6
	-34.7	-76.8	-10.2	-9.4

Notes to the consolidated financial statements

11. Financial result

€ million	Jan.1 to Sep. 30, 2005	Jan.1 to Sep. 30, 2004	Q3 2005	Q3 2004
Income from non-consolidated subsidiaries	0.2	0.2		0.2
Net interest income/Expenses				
Interest income	16.1	11.4	1.1	1.8
Interest expenses	-41.3	-55.0	-6.4	-16.0
Other financial result	-32.2	-30.5	-12.3	-2.0
	-57.2	-73.9	-17.6	-16.0

12. Income taxes

€ million	Jan.1 to Sep. 30, 2005	Jan.1 to Sep. 30, 2004	Q3 2005	Q3 2004
Current tax expenses	-12.4	-26.7	-1.9	-13.5
Deterred tax expenses	-1.9	33.9	-7.3	-0.6
	-14.3	7.2	-9.2	-14.1

13. Earnings per share

	Jan.1 to Sep. 30, 2005	Jan.1 to Sep. 30, 2004	Q3 2005	Q3 2004
Net profit/loss (-) in € million	19.4	-14.4	12.7	20.1
Number of shares (in `000)	55,000	55,000	55,000	55,000
Earnings per share in Euro*)	0.35	-0.26	0.23	0.37

*) "As if" presentation

Notes to the balance sheet

14. Intangible assets

Intangible assets comprise capitalized program values, program independent, technologies, acquired customer relations, know-how and licenses as well as goodwill. The capitalized program values total € 373.9 million (December 31, 2004: € 376.9 million). Amortization for intangible assets totaled € 23.4 million (Q3 2005: € 7.8 million).

Goodwill is allocated to cash generating units for impairment tests.

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

15. Property, plant and equipment

During the first nine months, € 42.4 million was invested in property, plant and equipment (first nine months of 2004: € 34.6 million). During the same period, depreciation totaled € 77.0 million (first nine months of 2004: € 75.8 million).

Notes to the consolidated financial statements

17. Other assets

€ million	Sep. 30, 2005			Dec. 31, 2004		
	current	non-current	Total	current	non-current	Total
	Due in less than one year	Due after more than one year		Due in less than one year	Due after more than one year	
Receivables again related companies						
Associates	38.2		38.2	46.0		46.0
Joint Ventures	0.4		0.4	9.8		9.8
Tax refund claims						
Income taxes	5.3		5.3	41.3		41.3
Other taxes	8.0		8.0	11.9		11.9
Accounts due from employees	2.0		2.0	1.1		1.1
Accounts from suppliers	14.9		14.9	13.6		13.6
Market values of derivatives						
Currency futures (Forex)				77.1	34.8	111.9
Interest rate swaps					5.2	5.2
Other assets	0.9	1.5	2.4	2.9	0.4	3.3
	69.7	1.5	71.2	203.7	40.4	244.1

19. Inventories

€ million	Sep. 30, 2005	Dec. 31, 2004
Raw materials and supplies	196.1	196.3
Work in process	292.1	249.8
Advance payments	2.6	2.0
	490.8	448.1

20. Receivables

€ million	Sep. 30, 2005	Dec. 31, 2004
Trade receivables	282.9	304.9
Receivables from Constructions- and Maintenance Contracts (POC)	156.5	89.7
	439.4	394.6

22. Equity

Capital reserves

The changes in equity from January 1, 2005 to September 30, 2005 with a corresponding comparison with figures from the same period of 2004 is given in the consolidated statement of changes in equity on page 10.

Accumulated other equity

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

24. Other provisions

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

Notes to the consolidated financial statements

25. Financial liabilities

€ million	current		non-current				Total	Total
	due within one year		due between one and five years		due after more than five years			
	30.09.2005	31.12.2004	30.09.2005	31.12.2004	30.09.2005	31.12.2004	30.09.2005	31.12.2004
Bonds								
High Yield Bond (HY)					195.0	275.0	195.0	275.0
Interest liabilities	8.0	5.7					8.0	5.7
Liabilities to banks								
Senior Facility Agreement		174.2						174.2
Liabilities to related companies								
Subsidiaries	0.4						0.4	
Associates								
Joint Ventures								
Others *)	0.2	63.5		98.9			0.2	162.4
Other financial liabilities								
Vendor Loan Note						185.5	0.0	185.5
Others	2.4	1.9	35.4	29.3	29.3	32.5	67.1	63.7
	11.0	245.3	35.4	128.2	224.3	493.0	270.7	866.5

*) Prior year, due within one year: Forex U.K. Ltd.

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

The company has been granted an facility overdraft of € 250.0 million from the end of March, 2005. As of September 30, 2005 there was no indebtedness outstanding, except for guarantees in the amount of € 21.1 million.

26. Other liabilities

€ million	current		non-current				Total	Total
	due within one year		due between one and five years		due after more than five years			
	30.09.2005	31.12.2004	30.09.2005	31.12.2004	30.09.2005	31.12.2004	30.09.2005	31.12.2004
Advance payments received	391.8	267.9	42.9	42.9			434.7	310.8
Liabilities to related companies								
Subsidiaries	5.9	5.7					5.9	5.7
Associates								
Joint Ventures	0.8						0.8	
Others *)	74.8	56.7					74.8	56.7
Other taxes	3.4	14.9					3.4	14.9
Social security	10.9	10.8					10.9	10.8
Employees	46.7	44.7	8.9	7.7			55.6	52.4
Others	35.0	10.1	12.2	5.4	2.6	2.2	49.8	17.7
	569.3	410.8	64.0	56.0	2.6	2.2	635.9	469.0

*) essentially IAE International Aero Engines AG, Switzerland

Notes to the consolidated financial statements

27. Deferred tax liabilities

Sep. 30, 2005 € million	due more than one year	Total
Deferred taxes	354.3	354.3
Tax liabilities	354.3	354.3

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

32. Explanatory comments to segment information

Primary business segment € million	Commercial and military engine business		Commercial Military, Repair and Overhaul business		Consolidation		Total	
	Jan. 1 to Sep. 30, 2005	Q3 2005	Jan. 1 to Sep. 30, 2005	Q3 2005	30. Sep. 2005	Q3 2005	Jan. 1 to Sep. 30, 2005	Q3 2005
Revenues	1,005.1	327.7	540.5	192.2			1,545.6	519.9
commercial	694.5	219.9	540.5	192.2			1,235.0	412.1
military	310.6	107.8	0.0	0.0			310.6	107.8
Revenues with other segments	7.6	2.2	4.5	1.6	-12.1	-3.8	0.0	0.0
commercial	7.6	2.2	4.5	1.6	-12.1	-3.8	0.0	0.0
Total revenues	1,012.7	329.9	545.0	193.8	-12.1	-3.8	1,545.6	519.9
commercial	702.1	222.1	545.0	193.8	-12.1	-3.8	1,235.0	412.1
military	310.6	107.8	0.0	0.0			310.6	107.8
Cost of sales	-880.8	-282.9	-492.4	-172.8	12.9	3.7	-1,360.3	-452.0
Gross profit	131.9	47.0	52.6	21.0	0.8	0.1	185.3	67.9
Earnings before interest and tax, (EBIT reported)	62.3	23.1	24.2	10.7	2.5	4.3	89.0	38.1
Depreciation/Amortization	76.1	25.4	24.3	8.2			100.4	33.6
Earnings before interest, tax, depreciation and amortization (EBITDA)	138.4	48.5	48.5	18.9	2.5	4.3	189.4	71.7
Earnings before interest, tax, depreciation and amortization (adjusted) (EBITDA adjusted)	115.6	41.1	48.5	18.9	2.5	4.3	166.6	64.3
Financial result	-42.8	-10.2	-0.5	0.0	-13.9	-7.4	-57.2	-17.6
Share of loss of Joint Ventures accounted for using the equity method	0.0	0.0	1.9	1.4			1.9	1.4
Internal allocation	-3.2	-1.1	3.2	1.1			0.0	0.0
Earnings before tax (EBT)	16.3	11.8	28.8	13.2	-11.4	-3.1	33.7	21.9
Return on sales %	1.6	3.6	5.3	6.8			2.2	4.2

Notes to the consolidated financial statements

33. Explanatory comments to segment information

Primary business segment	Commercial and military engine business		Commercial Military, Repair and Overhaul business		Consolidation		Total	
	Jan. 1 to Sep. 30, 2004	Q3 2004	Jan. 1 to Sep. 30, 2004	Q3 2004	30. Sep. 2004	Q3 2004	Jan. 1 to Sep. 30, 2004	Q3 2004
€ million								
Revenues	962.1	327.0	422.2	156.5			1,384.3	483.5
commercial	624.8	202.9	422.2	156.5			1,047.0	359.4
military	337.3	124.1	0.0	0.0			337.3	124.1
Revenues with other segments	16.3	6.6	3.9	1.4	-20.2	-8.0	0.0	0.0
commercial	16.3	6.6	3.9	1.4	-20.2	-8.0	0.0	0.0
Total revenues	978.4	333.6	426.1	157.9	-20.2	-8.0	1,384.3	483.5
commercial	641.1	209.5	426.1	157.9	-20.2	-8.0	1,047.0	359.4
military	337.3	124.1	0.0	0.0			337.3	124.1
Cost of sales	-786.1	-264.8	-399.7	-144.2	20.0	8.0	-1,165.8	-401.0
Gross profit	192.3	68.8	26.4	13.7	-0.2	0.0	218.5	82.5
Earnings before interest and tax (EBIT reported)	53.4	45.3	0.8	5.5	-0.5	0.0	53.7	50.8
Depreciation /Amortization	71.4	24.2	23.2	7.6			94.6	31.8
Earnings before interest, tax, depreciation and amortization (EBITDA)	124.8	69.5	24.0	13.1	-0.5	0.0	148.3	82.6
Earnings before interest, tax, depreciation und amortization (adjusted) (EBITDA adjusted)	92.7	45.8	31.3	13.2	-0.5	0.0	123.5	59.0
Financial result	-54.5	-11.1	-3.1	-0.7	-16.3	-4.2	-73.9	-16.0
Share of loss of Joint Ventures accounted for using the equity method	0.0	0.0	-1.4	-0.6			-1.4	-0.6
Internal allocation	-3.6	-1.2	3.6	1.2			0.0	0.0
Earnings before tax (EBT)	-4.7	33.0	-0.1	5.4	-16.8	-4.2	-21.6	34.2
Return on sales %	-0.5	9.9	0.0	3.4			-1.6	7.1

Financial Calendar

Financial Calendar

Annual General Meeting 2005

May 12, 2006

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





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