Annual Results 2005 – MTU Aero Engines Holding AG

Conference Call with Investors and Analysts
March 23rd, 2006

- Prepared on the basis of IFRS (audited)

MTU Aero Engines

2005: A successful year

- Successful IPO on June 6th, 2005
- Market cap increased from €1,15bn to €1,61bn (40%)
- Exceeded own financial goals:

(in € million)	Guidance 2005	Actual 2005
Sales	2.050	2.148,6
EBITDA adj.	215	233,0
Cash Flow from operating activities	270	290,1
Net income (IFRS)	30	32,9

- Outlook 2006: MTU continues to profit from strong industry dynamics (details on pg. 28)

Strong market dynamics

2005	Change
International passenger traffic (IATA)	+7,6%
Global passenger traffic (international and domestic)	+5,1%
Cargo traffic	+3,2%
Park-rate total fleet	- 1%
Park-rate MTU fleet	- 5%

2006

- Aerospace analysts expect ongoing growth of passenger traffic: + 4,5 % long-term average
- Increasing capacity utilization of aircraft in all regions
- Airlines are reporting increasing profits per passenger kilometer

2005: Record aircraft orders and increasing deliveries are basis for long-term future growth

	Orders*	Deliveries	
AIRBUS	1.111	378	
BOEING	1.031	290	
	2.142	**668**	(+10% yoy)

Deliveries expected to grow to more than 900 aircraft p.a. until 2009

	Deliveries	
Business Jets	750	(+27% yoy)

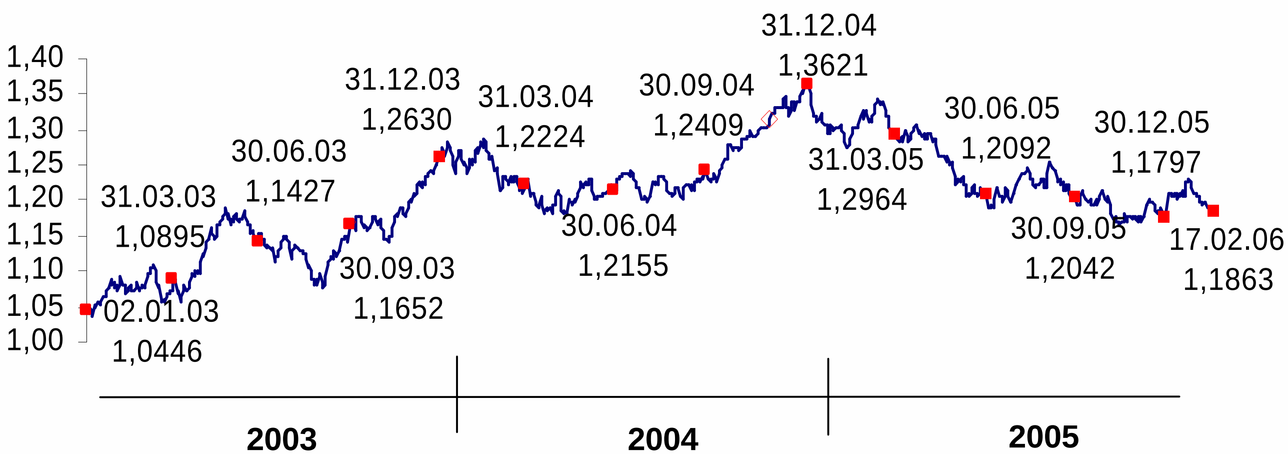
* Gross Orders

Financial Highlights of Q4 2005 and per Dec. 2005

Order backlog	Total order backlog increased by 7,1 % - especially due to commercial business: order backlog for commercial engines increased by 21,4% (orders for GP7000, V2500, LAN Chile launch customer for the PW6000). Commercial MRO order backlog increased by 25% - total MRO contract volume increased by 48% to € 2,9 bn (contracts with JetBlue, Shanghai Airlines etc).
Revenues	Increase in group revenues by 12 % to € 2.149 m especially driven by overproportional growth (27%) in commercial MRO business. OEM-segment grew by 4,3% - with 7,2% growth in commercial business (especially V2500) and with military business stable on level of 2004.
EBITDA adj.	Group EBITDA increased by 35 % to € 233 m. MRO EBITDA grew by 69% reaching nearly 10% margin. OEM EBITDA grew by 24% reaching over 11% margin. Negative gross margin effects from increasing series sales compensated by lower R&D and lower SG&A.
Financial results	Very strong (+300%) CF from operating activities (€290,1 m) due to good operating results, improvements in working capital and high prepayments from military customer (EJ200 Tranche 2 and Austria Export). Net financial debt reduced by 72% (total repayments in 2005 € 525 m).
Dividend proposal	IFRS net income increased to € 32,9 m in 2005 from € 0,2 m in 2004. Underlying Net Income increased from € 13 m to € 51,4 m. Dividend proposal will be € 0,73 per share (according to German GAAP and tax considerations).

$ Exchange rate / Hedge portfolio

USD daily average exchange rate from 01/02/2003 to 02/17/2006



Average exchange rate

Y 2005	**Y 2004**
1,2441	**1,2438**
Q4 2005	**Q4 2004**
1,1897	**1,2963**

			% of exposure hedged	Average exchange rate
Hedges 2005	**2005**	USD 305 m		1,2796
Hedging in place as of 13 March 2006	**2006**	USD 430 m	71 %	1,2618
	2007	USD 250 m	34 %	1,2518
	2008	USD 50 m	7 %	1,2434

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Order backlog

Total Volume includes MRO long-term contracts

(in € million)	Dec 31, 2005	Dec 31, 2004	Change	Change
Commercial business	1.843,8	1.519,3	324,5	21,4%
Military business	1.590,0	1.717,3	-127,3	-7,4%
MRO	215,3	171,7	43,6	25,4%
Total	**3.649,1**	**3.408,3**	**240,8**	**7,1%**
Contract Volume MRO	2.896,0	1.953,0	943,0	48,3%
Total Volume	**6.545,1**	**5.361,3**	**1.183,8**	**22,1%**

Definition Contract Volume MRO

- All exclusive contracts
- All non-exclusive contracts with expected orders within next 12 months
- Remark: 2005 contract volume does not include MTU Zhuhai contracts (not consolidated in 05)
  → difference to previously mentioned contract volume of US$ 4,9 bn

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Revenues

(in € million)	Q4 2005	Q4 2004	Change	2005	2004	Change
Commercial business	241,3	238,8	1,0%	943,4	879,9	7,2%
Military business	180,8	158,4	14,1%	491,4	495,7	-0,9%
MRO	187,1	149,8	24,9%	732,1	575,9	27,1%
Consolidation	-6,2	-13,3		-18,3	-33,5	
Total	**603,0**	**533,7**	**13,0%**	**2.148,6**	**1.918,0**	**12,0%**
ATENA*	0,0	13,1		18,3	44,2	
Total w/o ATENA	**603,0**	**520,6**	**15,8%**	**2.130,3**	**1.873,8**	**13,7%**

* affiliate sold in June 2005

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Profit & Loss

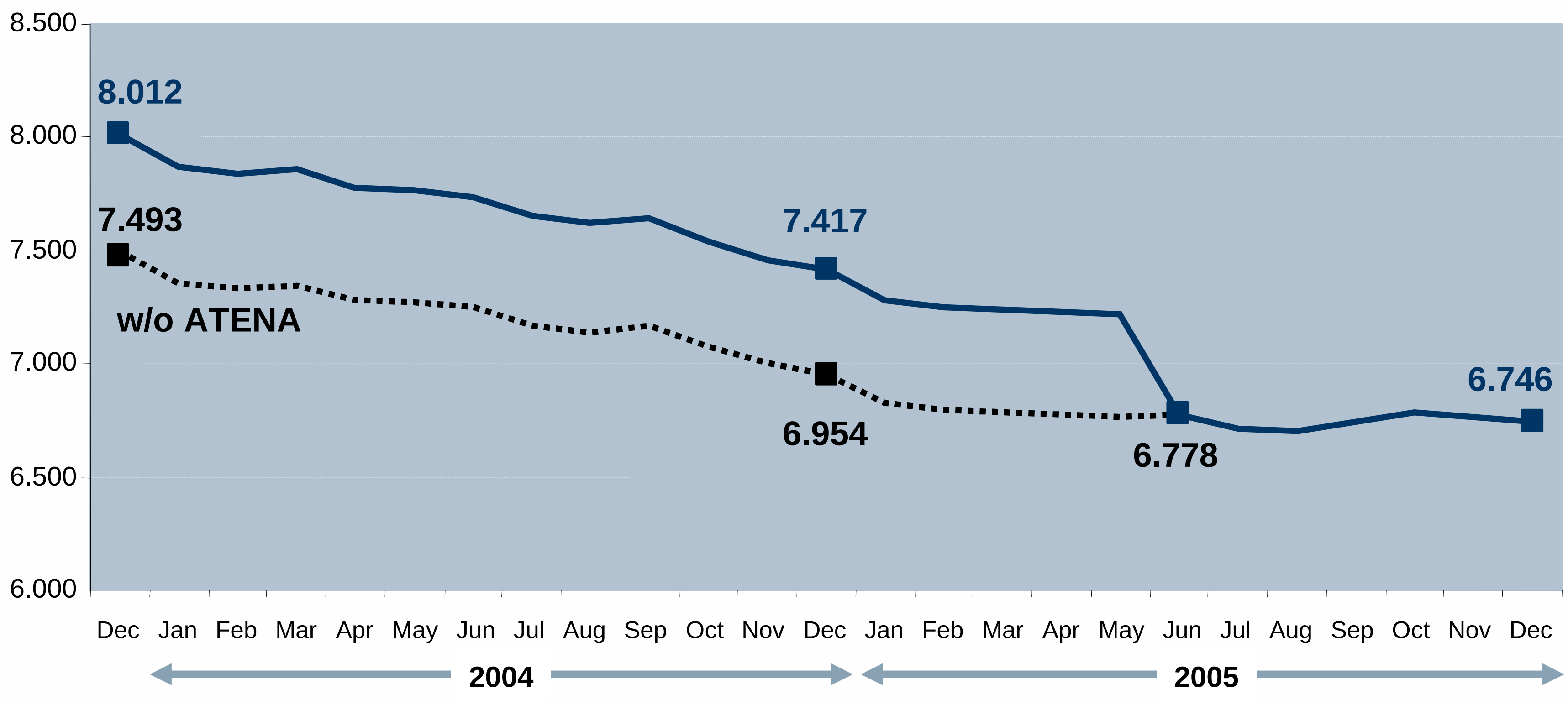
(in € million)	Q4 2005	Q4 2004	change	2005	2004	change
Revenues	**603,0**	**533,7**	**13,0%**	**2.148,6**	**1.918,0**	**12,0%**
Total cost of sales	504,5	461,8		1.864,8	1.627,6	
Gross profit	**98,5**	**71,9**	**37,0%**	**283,8**	**290,4**	**-2,3%**
Gross profit margin	16,3%	13,5%		13,2 %	15,1 %	
R & D company funded	-24,9	-19,7		-45,7	-57,7	
SG&A	-27,8	-26,2		-112,8	-155,7	
Other operating income (expense)	-4,8	1,4		4,7	4,1	
EBIT reported	**41,0**	**27,4**	**49,6%**	**130,0**	**81,1**	**60,3 %**
EBITDA reported	**78,9**	**65,8**	**19,9%**	**268,3**	**214,1**	**25,3 %**
EBITDA adjusted	**66,4**	**48,7**	**36,3%**	**233,0**	**172,2**	**35,3 %**
Financial result	-16,3	1,1		-73,5	-72,8	
Share of income/loss of Joint Ventures accounted for using the equity method	0,3	-0,4		2,2	-1,8	
Profit before Tax (EBT)	**25,0**	**28,1**	**-11,0%**	**58,7**	**6,5**	**804,6 %**
Taxes	-11,5	-13,5		-25,8	-6,3	
IFRS net income	**13,5**	**14,6**		**32,9**	**0,2**	

Gross Profit / Gross Profit Margin - Segmental information

(in € million)	Q4 2005	Q4 2004	Change	2005	2004	Change
Gross profit MTU Group	**98,5**	**71,9**	**37,0%**	**283,8**	**290,4**	**-2,3%**
OEM (comm./mil.)	70,7	65,7	7,6%	202,6	258,0	-21,5%
MRO	27,2	6,0	353,3%	79,8	32,4	146,3%
Consolidation	0,6	0,2		1,4	0,0	
Gross profit margin MTU Group	**16,3%**	**13,5%**		**13,2%**	**15,1%**	
OEM (comm./mil.)	16,7%	16,5%		14,1%	18,8%	
MRO	14,5%	4,0%		10,9%	5,6%	

Headcount

= total workforce including temporary staff (w/o Joint Venture companies)



Decrease 2003 to end of 2005: - 1.266 = - 15,8%
without ATENA (451 employees June 05): - 815 = - 10,8%

Research & Development

(in € million)	Q4 2005	Q4 2004	change	2005	2004	change
Company expensed R&D	**38,2**	**44,3**	**-13,8%**	**83,8**	**155,9**	**-46,3%**
Consumption of R&D provision	-13,3	-24,5		-38,1	-98,2	
R&D according to IFRS	**24,9**	**19,7**	**26,4 %**	**45,7**	**57,7**	**-20,8 %**
Customer funded R&D	23,8	29,2		88,1	76,9	
Total R&D	**62,0**	**73,5**	**-15,6%**	**171,9**	**232,8**	**-26,2 %**

Higher R&D in Q4 2005 due to earlier R&D spendings for GP7000, which were originally planned for 2006

➔ higher R&D provision release in 2005

➔ R&D provisions for GP7000 in 2006 are confirm with the planned R&D spendings

High R&D spending in Q4/2005 especially for technological projects

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EBITDA Adjustments – Group Level

(in € million)	Q4 2005	Q4 2004	change	2005	2004	change
EBIT reported	**41,0**	**27,4**	**49,6%**	**130,0**	**81,1**	**60,3 %**
Depreciation and amortization	37,9	38,4		138,3	133,0	
EBITDA reported	**78,9**	**65,8**	**19,9%**	**268,3**	**214,1**	**25,3%**
Restructuring costs	0,8	3,9		2,8	6,7	
R&D provision consumption	-13,3	-24,6		-38,1	-98,2	
Inventory write up (PPA)					27,0	
Direct Transaction costs		3,6			22,6	
Total adjustments	**-12,5**	**-17,1**		**-35,3**	**-41,9**	
EBITDA adjusted	**66,4**	**48,7**	**36,4%**	**233,0**	**172,2**	**35,3 %**

EBITDA Adjustments – Segmental Level

OEM Segment	Q4 2005	Q4 2004	change	2005	2004	change
EBITDA reported OEM	**59,3**	**59,1**	**0,3%**	**197,7**	**184,0**	**7,5%**
Inventory write up					19,9	
R&D cost, not expensed under IFRS	-13,3	-24,6		-38,1	-98,2	
Restructuring	0,8	0,4		2,8	3,0	
Direct Transaction Cost		3,6			22,6	
EBITDA adjusted OEM	**46,8**	**38,6**	**21,2%**	**162,4**	**131,3**	**23,7%**

MRO Segment

EBITDA reported MRO	**23,6**	**7,9**	**198,7%**	**72,1**	**31,9**	**126,0%**
Inventory write up					7,1	
Restructuring		3,5			3,7	
EBITDA adjusted MRO	**23,6**	**11,4**	**107,0%**	**72,1**	**42,7**	**68,9%**

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Net Income and EPS underlying

According to our adjusted EBIT / EBITDA definition, we are proposing an underlying net income, which includes the same adjustments. Additionally we are adjusting for translation effects in the financial result.

(in € million)	2005	2004	change
EBIT rep	130,0	81,1	60,3%
MTU Adjustments	**-35,3**	**-41,9**	**-15,8%**
Restructuring costs	2,8	6,7	
R&D provision consumption	-38,1	-98,2	
Inventory write up (PPA)		27,0	
Direct Transaction costs		22,6	
PPA Amortization	63,3	62,5	1,3%
EBIT underlying	**158,0**	**101,7**	**55,4%**
Financial result	-73,5	-72,8	
Reverse translation effects	-0,5	-5,3	
Gain/Loss JV equity method	2,2	-1,8	
underlying EBT	**86,2**	**21,8**	**295,4%**
underlying Tax (40,4%)	-34,8	-8,8	
underlying Net Income	**51,4**	**13,0**	**295,4%**
underlying EPS	**0,93**	**0,24**	**295,4%**

Rationale of underlying net income:

- MTU adjustments, especially R&D expense
- Reverse of PPA amortization
- Reverse of translation effects included in financial results (mark to market of interest swaps, US$ cash revaluation, capital lease valuation)
- Tax rate for underlying EBT is equal to IFRS tax rate: 40.4%

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Cash Flow - summary

	Q4 2005	Q4 2004	change	2005	2004	change
Net income IFRS	**13,5**	**14,6**		**32,9**	**0,2**	
Depreciation and amortisation	37,9	38,4		138,3	133,0	
Change in Provisions	46,4	3,8		48,6	-35,6	
Change in Working Capital	-11,3	-111,1		157,9	-22,4	
Deferred taxes	-97,4	31,6		-87,7	-2,4	
Gains/losses associated comp. /others	0,9	0,5		0,1	0,1	
Cash Flow from operating activities	**-9,9**	**-22,2**		**290,1**	**72,9**	**+297,9%**
Cash Flow from investing activities	-39,1	-25,8		-81,8	-59,8	36,8%
Free Cash Flow	**-49,0**	**-48,1**		**208,3**	**13,1**	**+1.490,1%**
Cash Flow from financing activities	-18,8	-218,7		-227,2	-190,7	
Effect of exchange rate on cash and cash equivalents	-0,2	0,6		6,3	0,4	
Change in cash and cash equivalents	-68,0	-266,2		-12,6	-177,2	

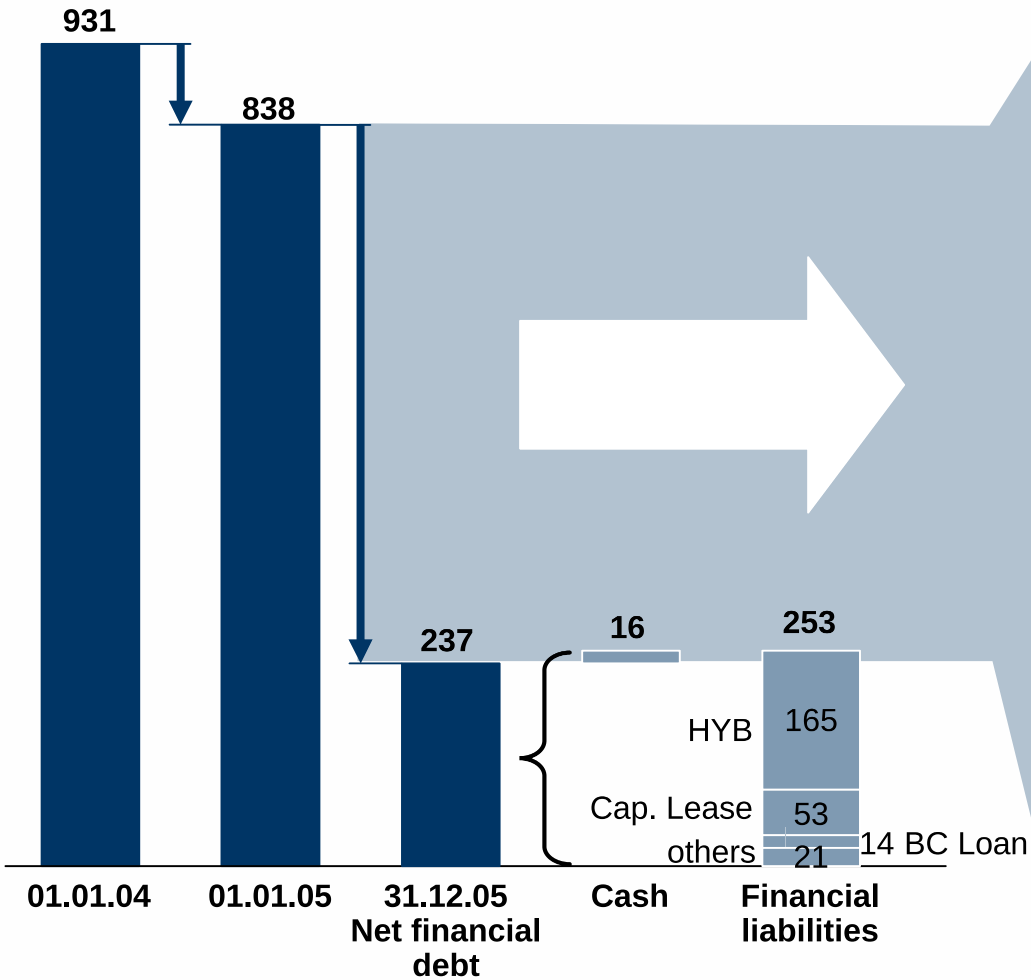
Working Capital

in € million	Dec 31, 2005	Dec 31, 2004	Change	Change in %
Gross inventories	523,1	448,1	75,0	16,7%
Prepayments	-431,0	-310,8	-120,2	38,7%
Receivables	489,2	536,5	-47,3	-8,8%
Payables	-450,6	-385,2	-65,4	17,0%
Working Capital	**130,7**	**288,6**	**-157,9**	**-54,7%**

Gross inventories up mainly due to ramp up GP7000 and TP400, MRO increased volume

Prepayments: EJ200 Tranche 2 and Austrian export order, MRO prepayments

Net Financial Debt reduced by 72%
(in € million)



Change in Financial Liablilities	
Credit Facilities	157,2
High Yield Bond (incl. interest)	112,3
Blade „Vanilla“ (Blade Lux Holding Two S.a.r.l.)	69,7
Vendor loan DaimlerChrysler	185,5
Subtotal	**524,7**
Forex	92,5
Loan British Columbia to MTU Maintenance Canada / Leasing / others	-3,7
Total change in financial liabilities	**613,5**
Change in cash and cash equivalents	**-12,6**

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Reconciliation from Net Income (IFRS) to Dividend Capacity

in (€ million)	2005
Net Income (IFRS)	**32,9**
Taxes IFRS	**25,8**
EBT (IFRS Income from operating activities)	**58,7**
add-back income from non PLTA companies	**3,5**
German GAAP and other valuations	
MTU Holding AG (IPO costs)	-20,3
Forex Income	90,2
Amortisation goodwill (Muc)	-9,8
Gain out of merger (IIIa to III)	27,9
Other	10,0
EBT MTU (German GAAP)	**160,2**
German Income Taxes *)	**-113,9**
Net Income (German GAAP)	**46,3**
Loss carried forward	**-2,3**
Accumulated profit	**44,0**
Allocation to revenue reserves	**-3,9**
Distributable profit	**40,1**

Dividend proposal: 0,73€/Share = 40,15 Mio €

*Goodwill amortisation, D&A from PPA and release of R&D provision not relevant for income tax calculation

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Group Outlook 2006

in Mio. €	Actual 2004	Actual 2005	Guidance 2006
Revenues	1.918,0	2.148,6	2.350
EBIT reported	81,1	130,0	160
EBITDA adjusted	172,2	233,0	270
CF operating activities	72,9	290,1	170
IFRS Net income	0,2	32,9	70

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Segmental information: Sales / Cost of sales

	Q4 2005	Q4 2004	change	2005	2004	change
Sales	**603,0**	**533,7**	**13,0 %**	**2.148,6**	**1.918,0**	**12,0 %**
OEM Commercial	241,3	238,8	1,0 %	943,4	879,9	7,2 %
OEM Military	180,8	158,4	14,1 %	491,4	495,7	-0,9 %
MRO	187,1	149,8	24,9 %	732,1	575,9	27,1 %
Consolidation	-6,2	-13,3		-18,3	-33,5	
Cost of Sales	**504,5**	**461,8**	**9,2 %**	**1.864,8**	**1.627,6**	**14,6 %**
OEM (commercial / military)	351,4	331,5		1.232,2	1.117,6	
MRO	159,9	143,8		652,3	543,5	
Consolidation	-6,8	-13,5		-19,7	-33,5	

Segmental information: Gross Profit / EBIT reported

	Q4 2005	Q4 2004	change	2005	2004	change
Gross Profit	**98,5**	**71,9**	**37,0 %**	**283,8**	**290,4**	**-2,3 %**
OEM (commercial / military)	70,7	65,7	7,6%	202,6	258,0	-21,5 %
MRO	27,2	6,0	353,3%	79,8	32,4	146,3 %
Consolidation	0,6	0,2		1,4	0,0	
EBIT reported	**41,0**	**27,4**	**49,6 %**	**130,0**	**81,1**	**60,3 %**
OEM (commercial / military)	32,1	31,4		94,4	84,9	
MRO	12,9	-2,8		37,1	-2,0	
Consolidation	-4,0	-1,2		-1,5	-1,8	

Segmental information: EBITDA reported / adjusted

	Q4 2005	Q4 2004	Change	2005	2004	Change
EBITDA reported	**78,9**	**65,8**	**19,9 %**	**268,3**	**214,1**	**25,3 %**
OEM (commercial / military)	59,3	59,1	0,3 %	197,7	184,0	7,5 %
MRO	23,6	7,9	198,7 %	72,1	31,9	126,0 %
Consolidation	-4,0	-1,2		-1,5	-1,8	
EBITDA adjusted	**66,4**	**48,7**	**36,3 %**	**233,0**	**172,2**	**35,3 %**
OEM (commercial / military)	46,8	38,6	21,2 %	162,4	131,3	23,7 %
MRO	23,6	11,4	107,0 %	72,1	42,7	68,9 %
Consolidation	-4,0	-1,5		-1,5	-1,8	
EBITDA adjusted margin	**11,0%**	**9,1%**		**10,8%**	**9,0%**	
OEM (commercial / military) margin	11,1%	9,7%		11,3%	9,5%	
MRO margin	12,6%	7,6%		9,9%	7,4%	

Segmental information

Total depreciation / amortisation	Q4 2005	Q4 2004	2005	2004
MTU total	**37,9**	**38,4**	**138,3**	**133,0**
OEM	27,2	27,7	103,3	99,1
MRO	10,7	10,7	35,0	33,9

PPA depreciation / amortisation	Q4 2005	Q4 2004	2005	2004
MTU total	**15,0**	**15,0**	**63,3**	**62,5**
OEM	12,1	12,2	51,2	49,8
MRO	2,9	2,8	12,1	12,7

Depreciation / amortisation w/o PPA	Q4 2005	Q4 2004	2005	2004
MTU total	**22,9**	**23,4**	**75,0**	**70,5**
OEM	15,1	15,5	52,1	49,3
MRO	7,8	7,8	22,9	21,2

PPA depreciation / amortisation Guidance

PPA depreciation / amortisation	2006	2007	2008	2009
MTU total	48,9	38,2	31,4	29,0

Cautionary Note Regarding Forward-Looking Statements

Certain of the statements contained herein may be statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements that are forward-looking by reason of context, the words "may," "will," "should," "expect," "plan," "intend," "anticipate," "forecast," "believe," "estimate," "predict," "potential," or "continue" and similar expressions identify forward-looking statements.

Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) competition from other companies in MTU's industry and MTU's ability to retain or increase its market share, (ii) MTU's reliance on certain customers for its sales, (iii) risks related to MTU's participation in consortia and risk and revenue sharing agreements for new aero engine programs, (iv) the impact of non-compete provisions included in certain of MTU's contracts, (v) the impact of a decline in German or other European defense budgets or changes in funding priorities for military aircraft, (vi) risks associated with government funding, (vii) the impact of significant disruptions in MTU's supply from key vendors, (viii) the continued success of MTU's research and development initiatives, (ix) currency exchange rate fluctuations, (x) changes in tax legislation, (xi) the impact of any product liability claims, (xii) MTU's ability to comply with regulations affecting its business and its ability to respond to changes in the regulatory environment, (xiii) the cyclicality of the airline industry and the current financial difficulties of commercial airlines, (xiv) risks associated with the significant ownership of our equity by affiliates of Kohlberg Kravis Roberts & Co., (xv) our substantial leverage and (xvi) general local and global economic conditions. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

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