



Annual General Meeting
MTU Aero Engines Holding AG

Address by the Chief Executive Officer

Egon Behle

on May 26, 2009

in Munich

- Check against delivery -

Good morning ladies and gentlemen, shareholders of the company,

On behalf of the Board of Management, it is my pleasure to welcome you as the owners of MTU Aero Engines Holding AG to our 2009 Annual General Meeting.

We appreciate your active interest in the company, and thank you for being here today to hear at first hand what we have achieved over the past year – and what steps we are taking to ensure that our performance in the future will be equally successful.

Ladies and gentlemen, as you have no doubt noticed from the decoration of this auditorium and the entrance foyer, 2009 is a very special year for MTU. We are celebrating the company's 75th anniversary. The legal predecessor of today's MTU Aero Engines, BMW Flugmotorenbau GmbH, was founded in Munich in 1934.

We are very proud of our company's history, knowing that MTU, under a series of different names and owners, has been an influential force and a constant factor in the progress of powered flight from its very earliest days. And that remains the case today.

Looking back over the 75 years of MTU's existence, it is evident that the traditional values that have enabled a German company to come so far in the world are the same as those that we apply today, and which we are determined to uphold in the future. The values in question are openness to change, innovative strength combined with the courage to persevere with ideas we believe to be right, the ability to create sustainable value, and not least financial solidity.

2008: a successful year for MTU

The performance of which we are capable can be judged by a glance at the financial results for 2008, which I would now like to summarize for you.

A more detailed review of our activities and a close-up view of the figures can be found our 2008 Annual Report. Many of you will have already received a copy by post, but if not our investors' service desk has copies available for immediate distribution.

Ladies and gentlemen, in this anniversary year I am particularly proud to be able to report on the best annual results that MTU has ever achieved in its 75-year-long history, and that despite the fact that 2008 also marks the beginning of the worst economic crisis of the postwar era. We have exceeded the targets we set for the financial year 2008, and which I presented to you at last year's Annual General Meeting – even after having revised them upwards in the light of the 3rd-quarter results.

Revenues

Our revenues improved by 6 percent to 2.7 billion euros. This is not only better than our original forecast but also higher than the revised forecast of 2.65 billion euros.

This increase is mainly attributable to growth in the commercial maintenance business, where revenues increased by 11 percent. The commercial engines that generated the highest proportion of maintenance revenues were the V2500 used to power the Airbus A320 family and the CF6, deployed in widebody airliners such as the Airbus A330 and the Boeing 747.

Revenues in the commercial engine business increased by 4 percent. Here, the most important sources of revenue from sales of new engines and spare parts were the V2500 program for the Airbus A320 family, the PW2000 program for the Boeing 757 and C-17, and the CF6-80 program for the Boeing 747 and the Airbus models A310 and A330.

Revenues in the military engine business remained stable, and were generated principally by sales of the EJ200 Eurofighter engine and the RB199 engine used to equip the Tornado.

Operating profit

The Group's operating profit – expressed as EBITDA adjusted – amounted to 406 million euros, which is both 3 percent higher than the result achieved in 2007 and better than revised earnings forecast published in the fall of 2008. We have succeeded in generating a return on sales of 14.9 percent, at the upper end of our target corridor of between 14 and 15 percent.

These good operating results are principally due to the positive development of our OEM business, which comprises all activities relating to the design and manufacture of new engines and spare parts for commercial aircraft, plus the whole of the company's military business (new engines, spare parts, and maintenance). EBITDA for the OEM business increased by 8 percent and the EBITDA margin rose to 20.1 percent. This reflects the successful implementation of our programs to improve efficiency, and the higher volume of business in the commercial engine sector, which together outweighed the negative impact of the U.S. dollar exchange rate.

The EBITDA margin in the commercial maintenance business amounted to 7.1 percent. As planned, we have continually improved this margin in the commercial maintenance business and fully met our target for the year of around 7 percent. This proves that the measures we have taken to improve and optimize our production facilities and processes have had the desired effect. Commercial MRO has overcome the problems that I described to you on this occasion last year, and is back on course again. The volume of engine maintenance contracts concluded in the 4th quarter of 2008, through which we were able to increase our market share, is further confirmation that these improvements have led to sustainable results.

Net income

Net income increased by a significant 17 percent compared with 2007, thereby reaching the forecast level of 179 million euros.

Free cash flow

Free cash flow, at 124 million euros, well exceeded the forecast 100 million euros. This positive development is very important, given that free cash flow is a strong indicator of a company's ability to finance its activities using its own resources, without recourse to external funding. The greater part of our free cash flow has been employed to finance our share buyback program and the dividend payment. In other words, a large part flows to you, our shareholders.

Ladies and gentlemen, as my brief report of the past business year shows: MTU has produced record results, is in fine health, and therefore cannot be easily shaken. I will tell you more about our main investments in the future, and the new program agreements we have signed in 2008, a little later on.

Employees

The company owes the past year's success to the top-class performance of the entire workforce – a point that I wish to strongly emphasize. We have a strong team of highly qualified, experienced and motivated employees, who have been generating excellent results for the company for many years, and thus helping to assure a prosperous future for us all. I would like to thank all members of the MTU workforce for these sustained efforts, and for their outstanding performance in 2008. Ladies and gentlemen, I am sure that you will join with me in thanking them profusely.

There is another point that I would like to make in the light of the current general economic climate: As an employer we are called upon to convey messages that demonstrate dependability and inspire trust. We have motivated employees, including many highly trained specialists. And we want them to remain motivated even in these difficult times, and continue to give of their best. We have therefore set ourselves a clear objective: We want to keep these jobs safe. We have sufficient room to maneuver if it should become necessary to adapt the size of the workforce by making use of the flexibility offered by contracted labor and fixed-term contracts, although this is an area where we will already be starting to significantly reduce numbers this year. But I am happy to say that, as things stand at present, there will be no need for MTU to introduce short-time working or make any cuts in its permanent staff – nor therefore in our knowledge assets. On the contrary, we will actually be recruiting in certain selected areas, most particularly engineering. To my mind this is very important, in view of the general shortage of qualified specialists, especially in the engineering disciplines. I also see it as an essential aspect of sustainable management that will enable us to maintain our competitive edge. Consequently we will also be continuing to offer opportunities for training and development at the present high level. All this of course on condition that the economic crisis does not deteriorate any further.

Dividend

Ladies and gentlemen, it is only natural that you – our shareholders – should benefit from the successful results of our activities in 2008. To allow you to share in MTU's positive development in 2008 while at the same time preparing to face the effects of a global recession, the Board of Management and Supervisory Board have this year opted for a policy of continuity, by proposing an unchanged dividend of 93 cents per share. This proposal conforms with our basic principle of distributing a substantial part of the company's unappropriated profit to our shareholders.

Share performance

Unfortunately, the capital markets have scarcely recompensed us for the successful business year we had in 2008. Instead, the MTU share was unable to escape the prevailing mood of the stock markets, which was dominated by concerns about the financial crisis and fears of a global recession. Let's look back briefly at the MTU share's performance in 2008: at the start of the year it was quoted at 40.00 euros. On June 24 it dropped below the original issue price of 21.00 euros for the first time, closing at 20.62 euros. On October 28, it hit an all-time low of 12.87 euros. From there it started to rise again, to reach a year-end closing price of 19.58 euros. This represents a loss of 51 percent compared with its value one year earlier. Overall, the MTU share's performance was slightly weaker than that of the MDAX index, which only lost 43 percent of its value over the course of 2008.

Since the beginning of 2009, the MTU share has been faring substantially better than the MDAX. Whereas, up to the end of last week, the MDAX has moved by around 4 percent, the MTU share has increased in value by 32 percent during the same period. It is particularly gratifying to see that the MTU share has remained consistently above its issue price of 21.00 euros since April 21.

A contributing factor was no doubt the publication of our first-quarter results on April 23, which not only confirmed market expectations but in the majority of cases even surpassed them. The MTU share reached its highest value so far this year on May 20, when it was quoted at 27.10 euros. At the close of trading yesterday, the MTU share was quoted at 25.06 euros.

Share buyback

To widen our scope for strategic action, we have continued our share buyback exercise in 2008. At the end of the financial year 2008, MTU had a holding of approximately 3.2 million treasury shares, which corresponds to about 6.2% of all MTU shares. The purpose for which these shares were purchased was twofold: to service the employee stock option program and to reduce capital by withdrawing shares. All details concerning the share purchases can be found in the Annual Report.

Given that the corresponding authorization expires in November, we are asking you today, as in previous years, to grant a renewed authorization valid through to November 2010 that will enable us to keep this strategic option open. We wish to purchase these shares either on the stock market or through a public call for offers addressed to all shareholders. The extent to which we make use of this strategic option will depend to a large extent on the way the markets evolve and, with them, our business performance.

MTU's position in the current market environment

Ladies and gentlemen, for several months we have all been concerned by the global financial and economic crisis, which has meanwhile spread to almost all sectors of industry, albeit with greater or lesser impact. It is hard to tell whether, as certain experts believe, the crisis has actually bottomed out or whether it will get worse. One thing is certain though: the aviation industry has begun to feel its effect – even if somewhat delayed in certain areas by comparison with other sectors of industry. Airlines are finding it difficult or impossible to obtain funds to pay for ordered aircraft, there has been a significant drop in the volume of new aircraft orders, the whole business-jet sector has collapsed, and many companies in the industry have already announced major job cuts – these are just a few of the effects that are clearly visible today.

Air traffic, too, is declining at a noticeable rate. The International Air Transport Association – IATA for short – expects the volume of international passenger traffic to fall by 5.7 percent in 2009, after having recorded a slight increase of 1.6 percent in 2008. It is anticipated that freight traffic will be even harder hit, reducing by an estimated 13 percent in 2009. The volume of freight traffic had already started to fall in 2008 – by 4 percent over the year.

So as you can see, the market conditions are difficult in many respects. Nevertheless, I am convinced that MTU's business model stands the company in good stead to meet the challenge. With self-confidence, energy and determination, we will be able to continue on our route through 2009 and onwards into the future. There are several good reasons for believing this, which I would now like to set out for you:

The first reason is that MTU has already had to face up to difficult times on several occasions in its 75-year history. There has not been a single market crisis at any time in the last 75 years that has been capable of durably weakening the company or threatening its existence. Quite the opposite: MTU has always emerged strengthened from periods of adversity.

History has also taught us that we operate in a market that goes through cyclic swings at periodic intervals. Our task is to anticipate these cyclic changes and adapt to them. That is why we have introduced further measures to improve our cost structures, partly as a means of dealing with the current market situation but also with the aim of enhancing our position in the longer term. In 2008, we launched a new efficiency-improvement program under the name of "Challenge 2010". Its main focus lies on optimizing costs at the product design stage, optimizing the processes employed in our planning and manufacturing activities, and reducing costs at the purchasing level. We have set ourselves the ambitious goal of generating between 25 and 30 million euros in savings by the target date of 2010. From 2011 onward, we hope to raise this figure to an annual total of 50 million euros. Through this program we aim to create the necessary flexibility and scope that will enable us to further improve our market shares and competitive advantage. This by no means implies a narrowing of our technological lead. On the contrary...

...And this brings me to my third point: MTU's technological leadership is vital to the company's success. It gives us a unique identity that distinguishes us from other players in the industry, and makes us a reliable partner to the major engine manufacturers, General Electric, Pratt & Whitney and Rolls-Royce. To ensure that this remains so, we are continuing our development work on new technologies. Through our Clean Air Engine (Claire) technology program, we have mapped out a schedule describing how it might be possible to build a new generation of more fuel-efficient, cleaner and quieter engines – based partly on new and partly on tried-and-tested technologies. We are one of the leading innovators in the global aviation market, investing roughly 7 percent of our revenues each year in research and development. This enables us to reinforce our technological lead and thereby lay the foundations for MTU's sustainable success. We are convinced that this is the right approach and intend to advance systematically along this route, knowing how important it is to look ahead – even or especially in difficult times. It is the only way to create value on a sustainable basis. And that applies not only to us but also benefits you, our shareholders.

The fourth reason for optimism is that we have consistently made efforts to improve the MTU product portfolio. In this respect, in 2008 we have been able to establish a sound basis for future growth and prosperity by acquiring stakes in several prestigious new engine programs with substantial revenue potential, which in the long term could amount to somewhere in the region of 25 to 30 billion euros. In just one year, MTU has signed a greater volume of new program agreements than ever before in its history.

The commercial engine programs in question are the new Pratt & Whitney PW1000G geared turbofan family, in which we have acquired a 15-percent stake, plus a 15-percent share in the PW800 and almost 7 percent in the General Electric GEnx program.

The geared turbofan engine, or GTF for short, is based on a novel, futuristic concept to which we have been devoting considerable efforts for many years. Milestone events have been the decision by Mitsubishi to equip its new MRJ regional jet with the engine, followed by Bombardier's selection of the GTF for its new CSeries. Flight testing of the new GTF engine commenced in 2008, and the results have been so successful that Airbus, too, has carried out flight tests. Altogether, the market has demonstrated considerable interest, with roughly 250 firm orders and options now booked for engines of this type. Volume production of the GTF engine is scheduled to start in 2013. MTU is contributing the low-pressure turbine – one of our key specialties – and half of the high-pressure compressor – another discipline in which MTU excels. The compressor will be built in collaboration with our long-standing partner, Pratt & Whitney.

The GEnx is one of the most important engines destined for use in future widebody aircraft. It will be used to power the new Boeing Dreamliner 787 and the Boeing 747-8. Our share of the GE program requires us to deliver the turbine center frame. We are particularly proud to have been selected as a partner in the GEnx program, which represents a necessary, logical and safe investment in the future, given that our participation in this program enables us to balance our international profile equally over the markets for widebody airliners and for regional jets.

Through the partnership agreement with GE, we can be assured of guaranteed earnings in the future, and stand to benefit from future revenues deriving from the more than 1,000 engines already sold to customers.

There have also been new events concerning our location policy: early last week, we sold the manufacturing unit of MTU Aero Engines North America (AENA) to U.S.-based EDAC Technologies. MTU AENA's second unit – Engineering – which designs and develops components for joint MTU/Pratt & Whitney engine programs, will remain part of the MTU network of companies. The sale of AENA's manufacturing unit comes as a result of a review and realignment of our entire production structure. In future, we will have less highly engineered components for new engine programs manufactured primarily at our new location in Poland.

The official inauguration of this new Polish location, MTU Aero Engines Polska, took place on May 20. The portfolio of MTU Aero Engines Polska includes the development and manufacture of stator vanes and rotor blades for low-pressure turbines, the assembly of low-pressure turbines, and parts repair. The shop went operational in early April with an initial workforce of about 200 people, this number being expected to increase to approximately 400 by 2012.

In 2008, we also chalked up successes in the military market, including the acquisition of an 18-percent program share in the GE38 engine. We are particularly proud of the fact that this risk and revenue sharing partnership has enabled us to take on development responsibility for part of a U.S. military engine program for the first time ever. Our assigned task is to develop and build the power turbine for this engine, which is destined for use in the CH-53K helicopter. The CH-53K is currently being procured for the U.S. Marine Corps. It would also be a good candidate for the European heavy-lift helicopter. There are several other options, but they all have one thing in common – the GE38 engine, which is suitable for all versions. In fact, at present there are no other viable alternatives to the GE38. I am delighted that we have been able to position MTU so well in this context, which has enabled us to intensify our collaboration with General Electric.

And now I would like to say a few words about a particular military project that has not exactly been crowned with success so far: I'm referring to the A400M military transporter and its TP400-D6 engines, a project in which we have invested as the German partner. You are all no doubt familiar with the story of the aircraft and its engines. The project was launched with a schedule that could be described in retrospect as over-ambitious. In any case, we all know from experience that delays in the planned development of aircraft programs are far from unusual these days, anywhere in the world. This is not an excuse, but simply an account of the facts. The problems encountered during the implementation of the TP400-D6 program were the result of miscalculations on the part of all parties involved – and that includes us. I can only assure you that, in consort with our partners, we investing all our efforts to ensure that the engine will be ready in time for the scheduled maiden flight of the A400M. I remain convinced that the A400M will prove to be a reliable aircraft equipped with an excellent engine. The first ten test flights of this engine aboard a Hercules C-130 have already provided impressive evidence of its capabilities.

MTU is well positioned in the commercial maintenance market: We won many new customers in 2008 and have amassed a considerable volume of additional maintenance contracts, to a total value of around one billion euros. MTU Maintenance is a force to be reckoned with in the international market, with a market share of around eight percent, which makes it the world's largest independent provider of engine maintenance services. The factor that distinguishes us from our competitors is our ability to offer tailored service packages and innovative repair solutions that enable airlines to minimize their maintenance costs per flight hour. Maintenance stations in Germany, Canada, China and Malaysia provide us with direct contact to important local markets. Our maintenance shop in China is the largest in the country, and at the present time is able to take advantage of the higher growth rates in air traffic compared to the rest of the world.

As you can see, we are making every effort to master the present crisis and emerge in even better health, ready to generate profitable growth. We have every reason to be optimistic: our business model provides us with the financial resources to conquer the international market from a sound basis. We have a strong established base of long-term customer relationships combined with a balanced product and technology portfolio and a well-trained workforce consisting of highly motivated employees. We apply sustainable management principles within a strategy based on reliability and responsibility. In other words we are well equipped to face up to the challenges of the current economic situation.

Our objectives can be summed up as ambitious – within reason:

Outlook 2009: Well positioned in a difficult environment

We expect to increase our revenues in 2009 to around 2.8 billion euros, achieving the same results as in 2008 despite the difficult market environment. This forecast depends on our ability to generate an unchanged level of revenues in the military engine business. We anticipate a reduced level of revenues from sales of engine components and spare parts for business jets, and do not expect to see any increase in sales of engines for passenger aircraft in any category with respect to 2008. We also anticipate a slight overall decrease in sales of spare parts. Similarly, we are reckoning on largely static revenues in the commercial engine business, without any significant growth.

A comment on our earnings targets: As of 2009, we will be using EBIT (adjusted) as the measurement of our operating profit in the place of the EBITDA (adjusted) employed in the past. In this way, our results will be more easily comparable with those of other capital-market-oriented companies, which include depreciation and amortization costs. MTU has set a target of around 10 percent for its operating profit margin in 2009 – by which I mean EBIT adjusted. Last year it amounted to approximately 12 percent. This reduction reflects the following factors: the general market development including shifts in the mix of revenues, the declining spare-parts business, advance payments in connection with new engine programs, and the start of activities at our new site in Poland.

In the light of these factors, we expect a reduced net income for 2009 in the region of 140 million euros and a free cash flow of between 80 and 100 million euros.

The first-quarter results that we published around four weeks ago are in line with these targets – which already make allowance for what in all probability is likely to be a difficult second half-year. But the general economic conditions make it unusually hard this year to make any reliable predictions. We will keep a close eye on developments and inform you of our progress in our quarterly reports.

Ladies and gentlemen, let's try to be realistically optimistic despite the crisis that surrounds us. After all, the medium- and long-term perspectives for the aviation industry are still positive on the whole. Sooner or later the economy will start to recover and our industry will be able to grow again. And MTU will share in this growth. We have done everything necessary to give ourselves a good starting position – especially in the past year.

Dear shareholders, we are grateful for your financial support, which will help us on our way forward – especially in these difficult times. For this, I would like to thank you on behalf of all members of the Board of Management. Please be assured that we intend to do everything in our power to merit your continued trust and guide MTU safely through the present crisis and on to even greater strength.

Thank you for your generous support and kind attention.