# INTERIM REPORT 1. JANUARY - 30. SEPTEMBER 2007


THIELERT

# SELECTED KEY FIGURES

| | Current Period EUR '000 | Prior Period EUR '000 | Change in % |
|---|---|---|---|
| Revenues | 63.161 | 40.238 | 57 |
| Europe incl. Germany | 13.819 | 10.904 | 27 |
| USA and rest of the world | 49.342 | 29.334 | 68 |
| | | | |
| EBITDA | 16.462 | 11.916 | 38 |
| EBIT | 12.688 | 9.124 | 39 |
| EBT | 10.626 | 8.062 | 32 |
| Consolidated net profit for the period | 8.141 | 5.407 | 51 |
| Balance sheet total | 201.748 | 171.385 | 18 |
| Equity | 140.124 | 103.645 | 35 |
| Capital expenditures | 7.644 | 16.669 | -54 |
| Depreciation, amortization | 3.774 | 2.792 | 35 |
| Liquid funds | 742 | 5.208 | -86 |
| Financial debt | 30.656 | 37.668 | -19 |
| Net financial debt | 29.914 | 32.460 | -8 |
| Net Working Capital | 110.341 | 77.348 | 43 |
| | | | |
| Capitalized development cost | 4.521 | 5.562 | -19 |
| EBIT, adjusted for capitalized R&D expenses | 8.167 | 3.562 | 129 |
| EBITDA, adjusted for capitalized R&D expenses | 11.941 | 6.354 | 88 |
| | | | |
| Earnings per share (EUR) | 0,40 | 0,27 | 48 |
| Employees | 342 | 315 | 9 |

# SEGMENT INFORMATION

| *Aircraft Engines* | 01.01.-30.09.2007 | | 01.01.-30.09.2006 | |
|---|---|---|---|---|
| | EUR '000 | in % | EUR '000 | in % |
| Revenues | 38.460 | 100 | 18.488 | 100 |
| EBITDA | 13.169 | 34 | 7.155 | 39 |
| EBIT | 10.844 | 28 | 5.927 | 32 |

| *Technology & Prototyping* | 01.01.-30.09.2007 | | 01.01.-30.09.2006 | |
|---|---|---|---|---|
| | EUR '000 | in % | EUR '000 | in % |
| Revenues | 24.701 | 100 | 21.750 | 100 |
| EBITDA | 3.293 | 13 | 4.761 | 22 |
| EBIT | 1.844 | 7 | 3.197 | 15 |

# MANAGEMENT REPORT

## A. DEVELOPMENT OF BUSINESS

The entire General Aviation market once again grew in the first nine month 2007 compared to the previous year. The number of aircraft shipped increased by 1.7 per cent to 2,909 aircraft. The main driving forces of growth in General Aviation were the 'Turboprops' segment (+14.5%) with a total of 293 (previous year: 256) aircraft despatched and the 'Business Jets' segment (+20.9%) with 759 (previous year: 628) jets delivered. In contrast to the overall trend in General Aviation, the Piston Engine market, which is relevant for Thielert, dropped by 6.0 per cent to 1,857 (previous year: 1,975) aircraft shipped, compared to the last year's figure. The Diamond Aircraft Industries GmbH company which equips the relevant models of its new aircraft with CENTURION engines, defied this downturn. Diamond's growth already realised in the first half year continued in contrast to the market trend. Especially the sales increase of the twin-engined DA42 by even 38.8 per cent is remarkable.

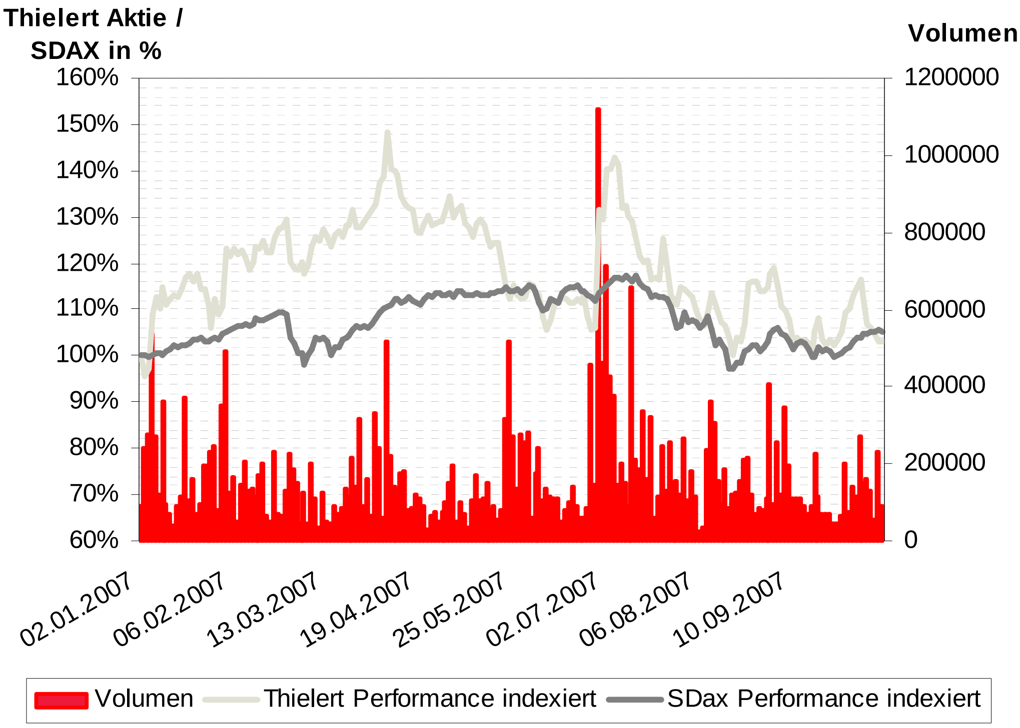
However, business development in the first nine months of 2007 has been strongly influencent by the serial production ramp up for the kerosene piston engines Centurion 2.0 and 4.0. Thielert's position in the world market is substantiated by the announcement of Cessna Aircraft Company on 4 October 2007, that from mid-2008 they will deliver their best-selling aircraft, the Cessna 172 Skyhawk, with a Centurion engine, ex factory. Cessna already began worldwide distribution of the Skyhawk in the third quarter, adding the abbreviation "TD" for Turbo Diesel. In the meantime, the aircraft manufacturer has already announced the first bulk orders from fleet customers. The Skyhawk TD is a typical training aircraft, being used by large flight schools. Airlines in Asia, in particular, for whom fuel availability is top priority, are expected as customers.

On 11 July 2007, Thielert AG successfully finalised an increase in capital. 1,300,600 shares were placed with international institutional investors in an accelerated bookbuilding process. This equals approx. 6.5 percent of the current ordinary share capital. The issue price was EUR 21.75 per share. Net proceeds after issuance costs were around EUR 27.5 million. Due to capital increase the ordinary share capital increased to EUR 21,192,130. Thielert AG was advised by Cazenove AG as Sole Bookrunner and Lead Manager.

Also on 11 July 2007 our major client Diamond Aircraft Industries GmbH announced that it had just made the maiden flight with a newly developed turbo diesel engine by Austro Engines GmbH. Austro Engines was founded specifically for this development. According to Diamond, the engine produces 170 hp. After analysis and evaluation of all facts known to us, the company is unperturbed – but watchful – about the announced engine development. After looking at their own background and experience in the market of certified aviation kerosene piston aircraft engines and the development history of Diamond and other potential market participants, a medium-term introduction to the market seems unlikely. We expect to continue our established and flourishing business relationship with our valued customer Diamond Aircraft Industries GmbH.

## B. THIELERT SHARES

The Thielert share began the third quarter with EUR 22.66 and after successful placement of 1,300,600 new registered shares at the Frankfurt Stock Exchange closed at the reporting date with EUR 19.12. The share's volatility was high in the third quarter.




## C. FINANCIAL POSITION

The growth achieved in the first nine months of the fiscal year is reflected in the balance sheet.

The balance sheet total increased from EUR 171.4 million on 31 December 2006 to EUR 201.7 million as of the balance sheet day. This increase is reflected in the working capital: The net working capital increased from EUR 77.3 million at the beginning of the fiscal year to EUR 110.3 million on 30 September 2007. Inventories increased from EUR 41.3 million at the beginning of the fiscal year to EUR 47.2 million on 30 September 2007; trade receivables from EUR 48.9 million at the beginning of the fiscal year to EUR 73.5 million on 30 September 2007. A contributory factor is the increase of receivables recognised under the percentage-of-completion (PoC)-method to EUR 41.6 (12.8) million. At the same time trade payables and received payments on account during the first nine months of the fiscal year went down by EUR 2.5 million to EUR 10.4 (12.9) million. In comparison to the turnover, the share of net working capital to sales went down from 157 percent in the first nine month of 2006 to 131 percent today.

The increase of inventories is mainly due to the expansion of production of CENTURION 2.0 and the start of the serial production of CENTURION 4.0. In addition, a strategic decision was taken, to ensure the groupwide high standard of quality by increasing the share in sales of the company's own products manufactured at Superior Air Parts. Also resulting from this decision was the development of inventory.

The increase of recognised receivables under the PoC-method is the result of an increase in the development services segment. The company has already been able to expand existing development contracts. Due to their scope, it is expected that they will run for a medium or long-term period of time.

Property, plant and equipment increased by EUR 3.7 million during the first nine months of the fiscal year. All capital expenditures conducted are presented separately in section G of "Investments".

## D. FINANCIAL SITUATION

Cash flow from operating activities went down from minus EUR 16.2 million in the first nine months of the prior year, to minus EUR 18.0 million in the current reporting period. This is on the background of increased development costs in conjunction with product improvements and further developments, that have not been capitalized.

The cash flow from investment activities noted a significant positive development from minus EUR 16.3 million for the same period in the prior year to minus EUR 7.1 million in the first nine months of 2007.

Overall, the company managed to reduce the need for liquidity from operating activities and for capital expenditures from minus EUR 32.5 million in the first nine months of the prior year to minus EUR 25.1 million in the first nine months of the reporting period.

Apart from high start-up costs for the serial production and for the product development of engines CENTURION 2.0 and CENTURION 4.0, the internal financing capability of the company, is influenced by growth and the acquisition of new OEM customers are still important factors. But overall, cash flow still shows a positive development and should continue to improve in the last quarter of the fiscal year if everything goes its normal course.

To strengthen the financial position of the company, a capital increase in form of a private placement was carried out on 11 July 2007. For this, 1,300,600 shares from the authorised capital were given out to institutional investors. The new ordinary share capital is now EUR 21,192,130, with the authorised capital amounting to EUR 2,907,224 in line with statute. The revenue from the capital increase amounted to EUR 27.5 million and was mainly used to repay bank loans and overdrafts and to finance the working capital.

# E. EARNINGS POSITION

During the first nine months of the fiscal year 2007, the group achieved a turnover of EUR 63.2 (40.2) million - an increase of 57 percent to the same period in the prior year (of this EUR 28.7 million were PoC turnover; prior year: EUR 11.4 million). This was mainly due to the Aircraft Engines business segment, whose turnover increased by 108 percent to EUR 38.5 (18.5) million. The business segment Technology & Prototyping recorded a growth of 14 percent to EUR 24.7 (21.7) million during the same period.

Costs of conversion were EUR 32.8 (14.2) million, while the gross income of EUR 30.3 (26.1) million provided for a lower gross profit margin of 48 (65) percent compared to the prior quarters. This is due to switching from engine delivery only, to the delivery of completely pre-assembled retrofit kits, as requested by retailers and OEM customers. This led to buying in more externally produced parts, that have a lower profit margin, such as propellers etc. The unfavourable exchange rate movements of the US Dollar also had a negative impact on the earning power of the company, despite the compensatory fact that procurement went up in the dollar zone.

With all the marketing and distribution costs, the jump in sales resulted only in a moderate increase of 23 percent to EUR 7.7 (6.2) million. Administrative costs went up from EUR 5.5 million to EUR 6.6 million. This was mainly due to higher legal expenditure with its additional expenses for legal and consultancy costs in connection with published procedures. Overall, expenses for legal and consultancy costs came to EUR 1.0 million.

Depreciation in manufacturing, distribution and administrative expenses was EUR 3.8 (2.8) million at the end of the quarter.

EBITDA, EBIT and EBT figures showed a positive trend: With EUR 16.4 million, EBITDA exceeded the result of the prior year by 38 percent. EBIT went up by 39 percent to EUR 12.7 (9.1) million. With EUR 10.6 million, EBT was 32 percent above the same period of the prior year (EUR 8.1 million).

On the basis of an overall positive general trend, the group surplus increased to EUR 8.1 (5.4) million.

As a result of approval by the Federal Council of Germany (Bundesrat) on 6 July 2007, the draft law concerning reform of corporation tax passed by the Bundestag on 25 May 2007, will come into force as of 1 January 2008. According to this law, the previous corporate income tax rate of 25 percent is reduced to 15 percent for all corporations, regardless of whether the companies retain or distribute their profits. While the trade tax rate required for the trade tax revenue is reduced from 5 percent to 3.5 percent, the deduction of operating expenses no longer applies to trade tax. The combined corporate income tax and trade tax rate of 38 percent, which is to be applied until 31 December 2007 for the Group's holding company Thielert AG, Hamburg, is thus reduced to 30 percent as of 1 January 2008. Therefore, in the third quarter of 2007, the deferred taxes are being converted to the uniform Group tax rate of 30 percent, resulting in a total of EUR 2.4 million of prospective tax savings in the tax result. Accordingly, the total profit attained during the period from 1 January to 30 September 2007 amounts to EUR 8.1 million, compared to an adjusted profit of EUR 5.4 million in the corresponding period in the previous year.

## F. EARNINGS PER SHARE

Calculation of earnings per share is based on the following data:

| | 01.01.-30.09.2007 | 01.01.-30.09.2006 adjusted |
|---|---|---|
| Net income | EUR 8.141k | EUR 5.407k |
| Weighted average of outstanding | 0 | 0 |
| common shares | 20.275.471 shares | 19.891.530 shares |
| Dilutive effects | 0 shares | 0 shares |
| Basis earnings per share | 0,40 € per share | 0,27 € per share |
| Dilued earnings per share | 0,40 € per share | 0,27 € per share |

On 11 July 2007, a capital increase in form of a private placement was carried out. For this, 1,300,600 shares from the authorised capital were given out. They were weighted and included in determining the average number of ordinary shares outstanding during the period.

There were no dilution effects to consider, neither during the reporting period nor for the same period in the prior year.

## G. CAPITAL EXPENDITURES

Total capital expenditures in the first nine months were EUR 7.6 (16.7) million.

The main area for capital expenditures was the automation of the engine assembly in Lichtenstein/Saxony and the expansion of the kit assembly in Altenburg/Thuringia. In addition, the company also invested EUR 1.2 million in new turning and milling machines in the Lichtenstein plant.

For the year 2008, the company plans to erect a second assembly hall in Altenburg. The objective is to increase assembly capacity and intensify work at local development and aircraft testing facilities.

## H. STAFF DEVELOPMENT

In the first three quarters of the fiscal year 2007, the Thielert Group employed on average 342 members of staff, 294 in Germany and 48 in other countries. This corresponds to an increase of nine percent compared to the same period in the prior year. At the beginning of the 2007 training period, three new trainees were taken on in Lichtenstein/Saxony for the areas of machining and quality assurance. Altogether, the group employs 19 trainees on the balance sheet day.

| *Number of employees* | 01.01.-30.09.2007 | 01.01.-30.09.2006 |
|---|---|---|
| Thielert AG | 19 | 23 |
| Thielert Aircraft Engines GmbH | 275 | 247 |
| Superior Air Parts, Inc. | 48 | 45 |
| Group | 342 | 315 |

This year, the corporation for the first time gave out the "Thielert Engine Award". This award goes to two students at the Faculty of Process Engineering, Energy and Mechanical Systems (Laboratory for piston engines applications and calibration) at the Cologne University of Applied Sciences, as a reward for outstanding student degree theses. The "Thielert Engine Award" is endowed with two prizes worth EUR 2,000 and EUR 1,000 and will be presented at the beginning of December during the "Engine Colloquium" at the Cologne University of Applied Sciences. The "Thielert Engine Award" is intended to motivate young people to engage with technical challenges and their creative and professional solution, while at the same time providing the company with a pool of potential, skilled employees. Thielert is also the main sponsor for the "Engine Colloquium".

# I. DEVELOPMENT OF SEGMENTS

The same reporting and valuation methods as for the consolidated financial statements are used for the segmental reporting. Operational business activities still comprise the segments Aircraft Engines and Technology & Prototyping.

The business segment Aircraft Engines includes the development, design and production of certified piston aircraft engines for general aviation and of unmanned aircraft (UAV) for the defence technology division. This includes the development and manufacture of the necessary certified engines and structural components

Business segment Technology & Prototyping comprises the development capacity for engine components for the automotive industry, the General Aviation division and the Defence Technology division, for which the company does not require licensing or certification. In addition, this segment also includes the production and distribution of engines and precision parts for aviation and high-performing engine components for the automotive industry.

## 1. Aircraft Engines

In the third quarter 2007, Thielert AG continued to push the sale of its current core products, the Centurion 2.0 and Centurion 4.0. In addition, the company received further new and important certifications in the first six months of 2007. Day-to-day business received a boost through the new kit assembly at the new manufacturing site in Altenburg, which was opened only nine months ago. In Altenburg, the engines delivered by the Lichtenstein manufacturing site are assembled into retrofit kits. This means the engine is mounted into a carrier frame and connected to peripheral equipment such as coolers, the battery, and the heat exchanger. The kits are then delivered to customers.

Apart from kit assembly, the Altenburg manufacturing site is also home to kit development, electronics production, the corresponding materials management, welding, test flights, and some areas of sales. Altenburg currently has 42 employees. The new production hall has six assembly boxes, with capacity for six aircraft. There is space for further aircraft on the apron.

Further expansion of this location is already planned for next year, when the current useable space of 2,732 sqm (29,400 sq ft) on the large 21,500 sqm (231,400 sq ft) site is to be doubled by the erection of another production hall. In the course of this, the company will also take on more staff.

The cooperation contract between Thielert Aircraft Engines GmbH and the American aircraft manufacturer Cessna Aircraft Company was already announced on 27 June 2007 and had a significant impact on the third quarter. From mid-2008, the aircraft manufacturer will equip their Skyhawk 172 TD aircrafts with Thielert Centurion 2.0s engines. The Centurion 2.0s is a certified 2-liter-engine with 155 hp for use with kerosene. It is equipped with a FADEC (Full Authority Digital Engine Control). Starting next year, Cessna intends to deliver approx. 50 percent of its Skyhawk aircrafts with the kerosene piston engine installed. The aircraft manufacturer particularly appreciates the new options provided by the use of CENTURION engines: lower operating costs, longer range, safe handling and good availability of fuel. Thus, according to Cessna, the aircraft is the ideal solution for the specific use in forest patrols, aerial observation of wildlife, monitoring pipelines and power lines, traffic observation and police patrol and surveillance. Announcing the cooperation contract is a further important step for the business relationship between the two companies, first established in 2004 with a framework agreement.

In the third quarter, Thielert attended several trade fairs. From 24-30 July 2007, the company presented the Centurion kerosene piston engines and products of its subsidiary Superior Air Parts, Inc. at the EAA AirVenture in Oshkosh (Wisconsin), in the USA. The air show is the largest aviation exhibition for private planes. At the fly-in 784 exhibitors and up to 2650 aircraft were registered.

From 20-22 July 2007, Thielert also presented at the Tannheim fly-in "Tannkosh", where this year the aviation magazine "aerokurier" gave out the "Best Brands 2007" award in 13 categories. Thielert took second place in the category aviation engines, with only two percentage points behind the winning Rotax team, but significantly ahead of the worldwide largest piston engine manufacturers Lycoming (6th place) and Continental (7th place). In a survey, readers of "aerokurier" magazine voted for their favourite brands, manufacturer image and service providers. Thielert and Rotax are not direct competitors, which made the distance to the more established manufacturers even more remarkable and also is a clear indication for the long service life of Centurion engines. During the third quarter 2007, the accumulated flight hours went from 500,000 to 650,000.

The expansion of the global service centre and distribution network was driven ahead as scheduled in the third quarter. At the beginning of the third quarter, Thielert was able to authorise the 200th service centre after the obligatory training course. During the quarter the number of service centres was increasing steadily, up to 237. Plus, a new distribution partner was signed for Spain.

Thus, there are now aviation service centres for kerosene piston engines in 45 countries. Compared to the prior year, this is an increase of 73 percent. New service centres were not only opened in Europe, but also in the USA. The expansion can guarantee a much better coverage for maintenance and servicing.

## 2. Technology & Prototyping

The development for prototype construction and development services in the Technology & Prototyping business segment went ahead as scheduled, while development at Superior Air Parts, Inc. overall did not fulfil expectations.

In prototype construction for the automotive industry, as planned mostly engine components for repeat customers were produced. After development resources of the company were used for the business segment Aircraft Engines at the beginning of the year to increase market potential of engines for General Aviation through certificatons, the second quarter focussed more on development contracts for special devices. After announcing the cooperation with Cessna for the production run of Centurion 2.0s engines for the Cessna 172 Skyhawk, resources were shifted to production definition and preparations in the third quarter.

In addition to development orders, the Technology & Prototyping segment remains particularly characterised by the activities of the American subsidiary Superior Air Parts. In particular, the further integration of Superior Air Parts into the group was pushed ahead.

Superior has also made considerable effort to increase sales volumes and markets for the experimental engines of the XP series and the PMA spare parts market and to improve the earnings position. This has already resulted in two new international distribution partners. Contracts were also signed with three new OEM customers. These OEM customers are manufacturers of experimental aircraft, so-called kit-planes. These partnerships have already generated income. But the benefits of these contracts will only be seen in a few years time. Despite being active in an international market, Superior is still firmly anchored in its American homeland, which is evident in the additional large distribution partner they have just acquired.

In addition, Superior has introduced new products or improved existing ones. A new oil sump that is also suitable for acrobatic flying has been developed for experimental engines to improve their performance. Superior has also been concentrating on the improvement of core products – the four cylinder product lines – with their production beginning in the fourth quarter. On the manufacturing side, the group intends to reduce future production costs through the purchase of a new machine, the DMC 80 U duoBlock. With this machine, complex workpieces such as the cylinder crankcase or workpieces that vary significantly can be produced fully automatically in series in one setting. This machine provides for a greater independence from suppliers and also makes the production of components possible at a fraction of previous purchasing costs.

Efforts were also made to minimise costs for marketing and product liability insurance. Additional increase in efficiency was achieved in the areas of Human Resources and procurement.

Based on these results, Superior will continue to stay market leader for PMA spare parts. New market shares have been gained in the experimental engine market. With the new distribution partners and experimental OEMs, plus further strategic operations that are still in the negotiation process, Superior will ensure continuous improvement of their market position.

The Technology & Prototyping segment represented the company at the DSEi trade fair in London from 10 to 14 September 2007. The DSEi is a defence equipment exhibition held every two years in London's Docklands. The company exhibited their kerosene piston engines at the German joint pavilion of the BDLI (German Aerospace Industries Association).

## J. ANNUAL GENERAL MEETING

The Annual General Meeting took place on 1 August 2007 in Hamburg. 69.33 percent of the ordinary share capital was represented. The following resolutions were passed: Formal approval of the actions of the Executive Board was 99.90 percent and formal approval of the actions of the Supervisory Board was 99.93 percent. Plus, 99.98 percent voted for Ernst & Young as the new auditors.

One shareholder has lodged an appeal and a nullity action at the Hamburg regional court against the above-cited resolutions of the AGM. Considering all the facts and current information, the group expects the action to be dismissed.

## K. RISK REPORT

No significant risks have arisen since the 2006 financial statements. For a detailed view of the significant risks, please refer to the current annual report.

## L. OUTLOOK

Driven by strong exports, the development of the business climate in Germany has remained stable. Growth of 2.6 percent has been predicted for the current year. Further growth is also expected for next year, though the forecasts for the economic development have recently become much more conservative. In view of the weak US dollar, increasing energy and raw material prices, and a lack of qualified staff, export-oriented German engineering companies are facing special challenges.

In the current year, the market for piston aircraft has exhibited a negative trend, with a minus of 6 percent. Aircraft that are equipped with a kerosene piston engine ex-works, i.e. the models of Thielert customers Diamond Aircraft Industries and Apex Aircraft, have thus far been an exception. The demand for the twin-engine Diamond DA42 in particular has been approximately 20 percent higher than in the prior year. The volume of incoming orders and orders on hand for Thielert aircraft engines remains high. Apart from existing OEM customers, in particular new customer business, which is being continually expanded, will play a major role in this regard. The group is therefore undertaking further efforts to increase the quantities output.

Moreover, the company is also pushing the development of the Technology & Prototyping segment, particularly the development of Superior Air Parts. Key components and systems continue to be manufactured, and development orders continue to be executed for defence technology customers. With the imminent production of the Block 1 series, the customer General Atomics Aeronautical Systems, Inc. in particular is intensifying its business relations.

On the basis of the existing and sustained growth in the level of acceptance of Thielert technology, we expect that development will continue on the course of growth which has been launched. Provided developments proceed according to plan, this perspective will be reflected in the financial figures.

## M. SIGNIFICANT CHANGES TO THE FORECAST AND STATEMENTS CONCERNING BUSINESS DEVELOPMENT SINCE THE PREVIOUS MANAGEMENT REPORT

There are no significant changes to the information and statements forecasted in the previous Group Management Report. Reference is therefore made to the information of the previous Group Management Report.

## N. DISCLAIMER

The forward-looking statements in this report are based on our beliefs and certain assumptions, they therefore carry certain risks and uncertainties. The business activities and earnings are influenced by numerous factors, several of them being outside our sphere of influence. These factors may cause actual performance and results to differ materially from our current expectations as set out above.

# CONSOLIDATED FINANCIAL STATEMENTS

## A. CONSOLIDATED BALANCE SHEET

| *Assets* | 30 Sep. 2007<br>EUR '000 | 31 Dec. 2006<br>EUR '000 |
|---|---|---|
| A. Non-Current assets | 70.263 | 66.958 |
| I. Intangible assets | 8.981 | 9.930 |
| II. Property, plant and equipment | 58.089 | 54.396 |
| III. Deferred tax assets | 3.193 | 2.632 |
| B. CURRENT ASSETS | 131.485 | 104.427 |
| I. Inventories | 47.176 | 41.324 |
| II. Receivables and other current assets | 83.567 | 57.895 |
| 1. Trade receivables | 73.528 | 48.947 |
| 2. Other assets | 10.039 | 8.948 |
| III. Cash and bank balances | 742 | 5.208 |
| Total Assets | 201.748 | 171.385 |

| *Equity and liabilities* | 30 Sep. 2007<br>EUR '000 | 31 Dec. 2006<br>EUR '000 |
|---|---|---|
| I. Equity | 140.124 | 103.645 |
| 1. Subscribed capital | 21.192 | 19.892 |
| 2. Capital reserves | 90.551 | 64.364 |
| 3. Revenue reserves | 606 | 606 |
| 4. Consolidated retained earnings | 27.775 | 18.783 |
| II. Liabilities | 61.624 | 67.740 |
| 1. Provisions | 5.014 | 3.839 |
| 2. Other liabilities | 42.874 | 50.613 |
| a) Non-current liabilities | 27.983 | 27.915 |
| b) Current liabilities | 14.891 | 22.698 |
| 3. Tax liabilities | 13.736 | 13.288 |
| Total equity and liabilities | 201.748 | 171.385 |

# B. CONSOLIDATED INCOME STATEMENT

## 1. Consolidated income for first nine month of 2007

| | 01.01.-30.09.2007 | | 01.01.-30.09.2006 adjusted | |
|---|---|---|---|---|
| | EUR '000 | % | EUR '000 | % |
| Revenue | 63.161 | 100 | 40.238 | 100 |
| Cost of sales | 32.826 | 52 | 14.157 | 35 |
| Gross profit | 30.335 | 48 | 26.081 | 65 |
| Marketing and selling expenses | 7.652 | 13 | 6.232 | 15 |
| General administrative expenses | 6.585 | 10 | 5.451 | 14 |
| Other operating income [+], expenses [-] and taxes | -3.410 | -5 | -5.274 | -13 |
| Operating profit [EBIT] | 12.688 | 20 | 9.124 | 23 |
| Interest result | -2.036 | -3 | -902 | -3 |
| Other income and expenses | -26 | 0 | -160 | 0 |
| Profit before tax [EBT] | 10.626 | 17 | 8.062 | 20 |
| Income taxes | 2.485 | 4 | 2.655 | 7 |
| Consolidated net proft after tax | 8.141 | 13 | 5.407 | 13 |

| Earnings per share | | |
|---|---|---|
| Weighted average number of outstanding shares | 20.275.471 | 19.891.530 |
| Dilutive effects of potential ordinary shares | 0 | 0 |
| Basis earnings per share | 0,40 EUR | 0,27 EUR |
| Diluted earnings per share | 0,40 EUR | 0,27 EUR |

## 2. Consolidated income for third quarter of 2007

| | Q3 2007 | | Q3 2006 adjusted | |
|---|---|---|---|---|
| | EUR '000 | % | EUR '000 | % |
| Revenue | 21.932 | 100 | 16.498 | 100 |
| Cost of sales | 11.700 | 53 | 4.837 | 29 |
| Gross profit | 10.232 | 47 | 11.661 | 71 |
| Marketing and selling expenses | 2.399 | 11 | 2.722 | 16 |
| General administrative expenses | 1.950 | 9 | 2.162 | 13 |
| Other operating income [+], expenses [-] and taxes | -2.316 | -11 | -2.481 | -15 |
| Operating profit [EBIT] | 3.567 | 16 | 4.296 | 27 |
| Interest result | -487 | -3 | -520 | -3 |
| Other income and expenses | -91 | 0 | -8 | 0 |
| Profit before tax [EBT] | 2.989 | 13 | 3.768 | 24 |
| Income taxes | -452 | -2 | 1.107 | 7 |
| Consolidated net proft after tax | 3.441 | 15 | 2.661 | 17 |

# C. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ACCORDING TO IFRS

| | Subscribed capital | Capital reserves | Revenue reserves | Retained earnings | Total |
|---|---|---|---|---|---|
| | EUR | EUR | EUR | EUR | EUR |
| 1 Jan. 2006 | 19.891.530 | 64.363.813 | 606.475 | 14.293.088 | 99.154.906 |
| Comprehensive income | | | | | |
| Consolidated net profit for the year (adjusted) | | | | 5.407.905 | 5.407.905 |
| Other comprehensive income | | | | -141.218 | -141.218 |
| Total Comprehensive Income | | | | 5.266.687 | 5.266.687 |
| 30 Sep. 2006 | 19.891.530 | 64.363.813 | 606.475 | 19.559.775 | 104.421.593 |
| Comprehensive income | | | | | |
| Consolidated net profit for the year | | | | -36.629 | -36.629 |
| Other comprehensive income | | | | | |
| Foreign currency differences from net investments and translation | | | | -1.247.324 | -1.247.324 |
| Result from cash flow hedging | | | | 33.014 | 33.014 |
| Deferred taxes on other comprehensive income | | | | 473.983 | 473.983 |
| Total comprehensive income | | | | -776.956 | -776.956 |
| 31 Dec. 2006 | 19.891.530 | 64.363.813 | 606.475 | 18.782.819 | 103.644.637 |
| 1 Jan. 2007 | 19.891.530 | 64.363.813 | 606.475 | 18.782.819 | 103.644.637 |
| Capital increase | 1.300.600 | 26.186.982 | | | 27.487.582 |
| Comprehensive income | | | | | |
| Consolidated net profit for the year | | | | 8.141.118 | 8.141.118 |
| Other comprehensive income | | | | | |
| Foreign currency differences from net investments and translation | | | | -1.867.933 | -1.867.933 |
| Deferred taxes on other comprehensive income | | | | 2.718.671 | 2.718.671 |
| Total comprehensive income | | | | 8.991.856 | 8.991.856 |
| 30 Sep. 2007 | 21.192.130 | 90.550.795 | 606.475 | 27.774.675 | 140.124.074 |

# D. CASH FLOW STATEMENTS ACCORDING TO IFRS

| | 01.01.-<br>30.09.2007<br><br>EUR '000 | 01.01.-<br>30.09.2006<br>adjusted<br>EUR '000 |
|---|---|---|
| Cash flow from operating activities | | |
| Profit before tax | 10.626 | 8.062 |
| Adjustments for: | | |
| Depreciation, amortization, impairment losses | 3.774 | 2.792 |
| Profit (-) / Loss (+) on disposal of fixed assets | 56 | 77 |
| Exchange rate gains | -1.691 | 1.095 |
| Interest income | -85 | -384 |
| Interest expense | 2.121 | 1.286 |
| Increase in trade and other receivables | -22.409 | -15.035 |
| Translation difference | -89 | 553 |
| Change in inventories | -6.544 | -14.274 |
| Increase in trade and other payables | -635 | 226 |
| Cash generated from operating activities | -14.876 | -15.602 |
| Interest paid | -2.219 | -473 |
| Income taxes paid | -888 | -121 |
| Net cash from operating activities | -17.983 | -16.196 |
| Cash flow from investing activities | | |
| Investment in group expansion | 0 | -6.897 |
| Purchase of property, plant and equipment | -7.644 | -9.772 |
| Proceeds from the disposal of long term assets | 249 | 230 |
| Interest received | 299 | 120 |
| Net cash used for investing activities | -7.096 | -16.319 |
| Cash flow from financing activities | | |
| Loans taken up | 945 | 19.967 |
| Repayment of loans | -7.820 | -1.167 |
| Net cash used for financing activities | 20.613 | 18.800 |
| Net increase in cash and cash equivalents | -4.466 | -13.715 |
| Cash and cash equivalents at the beginning of the reporting period | 5.208 | 18.215 |
| Cash and cash equivalents at the end of the reporting period | 742 | 4.500 |

# E. SEGMENT REPORTING

| *Aircraft Engines* | 01.01.-30.09.2007 | | 01.01.-30.09.2006 adjusted | |
|---|---|---|---|---|
| | EUR '000 | % | EUR '000 | % |
| Revenues | 38.460 | 100 | 18.488 | 100 |
| Cost of sales | 17.737 | 46 | 6.340 | 34 |
| Gross profit | 20.723 | 54 | 12.148 | 66 |
| Marketing and selling expenses | 3.418 | 9 | 1.795 | 10 |
| General administrative expenses | 3.949 | 10 | 2.376 | 13 |
| Other operating income (+), expenses (-) and taxes | -2.512 | -7 | -2.050 | -11 |
| Operating profit (EBIT) | 10.844 | 28 | 5.927 | 32 |
| Operating profit (EBIT) | 10.844 | 28 | 5.927 | 32 |
| Depreciation and amortization | 2.325 | 6 | 1.228 | 7 |
| Operating profit before depreciation/amortization [EBITDA] | 13.169 | 34 | 7.155 | 39 |

| *Prototyping & Technology* | 01.01.-30.09.2007 | | 01.01.-30.09.2006 adjusted | |
|---|---|---|---|---|
| | EUR '000 | % | EUR '000 | % |
| Revenues | 24.701 | 100 | 21.750 | 100 |
| Cost of sales | 15.089 | 61 | 7.817 | 36 |
| Gross profit | 9.612 | 39 | 13.933 | 64 |
| Marketing and selling expenses | 4.234 | 17 | 4.437 | 20 |
| General administrative expenses | 2.636 | 11 | 3.075 | 14 |
| Other operating income (+), expenses (-) and taxes | -898 | -4 | -3.224 | -15 |
| Operating profit (EBIT) | 1.844 | 7 | 3.197 | 15 |
| Operating profit (EBIT) | 1.844 | 7 | 3.197 | 15 |
| Depreciation and amortization | 1.449 | 6 | 1.564 | 7 |
| Operating profit before depreciation/amortization [EBITDA] | 3.293 | 13 | 4.761 | 22 |

# SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENT

## A. INFORMATION ABOUT THE GROUP AND COMPANY

The Thielert Group develops and manufactures jet fuel piston aircraft engines for general aviation, plus components for high-performance engines and specialised parts with complex geometrics, plus hardware and software for digital controls. The group operates particularly in the global market of piston aircraft engines.

The parent company Thielert Aktiengesellschaft has been listed in the Commercial Register B of the Hamburg district court under No. 77 997 since 28 November 2000, with domicile in the Federal Republic of Germany in Hamburg, Helbingstr. 64-66.

## B. BASIS FOR THE CREATION OF THIS REPORT

The Consolidated Interim Financial Statements for the period 1 January - 30 June 2007 were prepared in accordance with IAS 34 on 'interim reporting' and should be read in conjunction with the consolidated financial statements as of 31 December 2006.

## C. ACCOUNTING POLICIES

The principles of valuation of the International Financial Reporting Standards (IFRS) were applied to this interim financial report. The same accounting policies apply as in the Consolidated Financial Statements as of 31 December 2006.

There have been no significant changes in estimates.

## D. CURRENCY TRANSLATION

As with the consolidated financial statements, currency translations are carried out as of 31 December 2006.

The balance sheet items are translated at the rate prevailing on the balance sheet date (i.e. 1.4184 Euro/USD; closing rate on 31 December 2006: 1.3178 Euro/USD), the items in the Income Statement at the average annual rate of 1.3503 Euro/USD (rate of comparison period: 1,2736).

## E. CHANGES IN THE ACCOUNTING POLICIES FROM THE COMPARISON PERIOD OF THE PRIOR YEAR

In preparing the consolidated financial statements as of 31 December 2007, we have applied significant changes over the course of the year to the accounting of contracts for the development, certification, manufacture and delivery of aircraft engines, combined with development and production supply contracts in terms of multi-component accounting for transactions in accordance with IAS 18.13 under the Percentage-of-Completion formula in accordance with IAS 11.23. Instead, work in progress is posted according to IAS 2 at the costs and net realizable value.

This change has led to prior-year adjustments. They can be broken down as follows:

| *Profit & Loss according to IFRS (cumulative)* | 01.01. - 30.06.2007 published TEUR | Change in accounting TEUR | 01.01. - 30.06.2007 comparable TEUR |
|---|---|---|---|
| Revenue | 47.488 | -7.250 | 40.238 |
| Cost of sales | 17.497 | -3.340 | 14.157 |
| Gross profit | 29.991 | -3.910 | 26.081 |
| Marketing and selling expenses | 6.232 | | 6.232 |
| General administrative expenses | 5.451 | | 5.451 |
| Other operating income [+], expenses [-] and taxes | -5.274 | | -5.274 |
| Operating profit [EBIT] | 13.034 | -3.910 | 9.124 |
| Interest result | -902 | | -902 |
| Other income and expenses | -160 | | -160 |
| Profit before tax [EBT] | 11.972 | -3.910 | 8.062 |
| Income taxes | 3.979 | -1.324 | 2.655 |
| Consolidated net proft after tax | 7.993 | -2.586 | 5.407 |

| *Profit & Loss according to IFRS (separate)* | Q3 2006 published TEUR | Change in accounting TEUR | Q3 2006 comparable TEUR |
|---|---|---|---|
| Revenue | 19.247 | -2.749 | 16.498 |
| Cost of sales | 5.927 | -1.090 | 4.837 |
| Gross profit | 13.320 | -3.839 | 11.661 |
| Marketing and selling expenses | 2.722 | | 2.722 |
| General administrative expenses | 2.162 | | 2.162 |
| Other operating income [+], expenses [-] and taxes | -2.481 | | -2.481 |
| Operating profit [EBIT] | 5.955 | -3.839 | 4.296 |
| Interest result | -520 | | -520 |
| Other income and expenses | -8 | | -8 |
| Profit before tax [EBT] | 5.427 | -3.839 | 3.768 |
| Income taxes | 1.567 | -460 | 1.107 |
| Consolidated net proft after tax | 3.860 | -3.379 | 2.661 |

Earnings per share was adjusted from the published EUR 0.40 per share to now a comparable EUR 0.27 per share.

| *Cash flow according to IFRS* | 01.01. - 30.06.2007 published TEUR | Change in accounting | 01.01. - 30.06.2007 comparable TEUR |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit before tax and profit transfer | 11.972 | -3.910 | 8.062 |
| Adjustments for: | | | |
| Depreciation, amortization, impairment losses | 3.096 | -304 | 2.792 |
| Profit (-) / Loss (+) on disposal of fixed assets | 77 | | 77 |
| Exchange rate gains | 894 | 201 | 1.095 |
| Interest income | -384 | | -384 |
| Interest expense | 1.286 | | 1.286 |
| Increase in trade and other receivables | -22.284 | 7.249 | -15.035 |
| Translation difference | 450 | 103 | 553 |
| Change in inventories | -10.935 | -3.339 | -14.274 |
| Increase in trade and other payables | 226 | | 226 |
| Cash generated from operating activities | -15.602 | | -15.602 |
| Interest paid | -473 | | -473 |
| Income taxes paid | -121 | | -121 |
| **Net cash from operating activities** | -16.196 | | -16.196 |
| **Net cash used for investing activities** | -16.319 | | -16.319 |
| **Net cash used for financing activities** | 18.800 | | 18.800 |
| **Cash and cash equivalents at the end of the reporting period** | 4.500 | | 4.500 |

| *Consolidated Statement of changes in shareholders' equity* | Subscribed capital EUR | Capital reserves EUR | Revenue reserves EUR | Retained earnings EUR | Total EUR |
|---|---|---|---|---|---|
| June 30, 2006 published | 19.891.530 | 64.363.813 | 606.475 | 22.144.776 | 107.006.594 |
| Change in accounting | | | | | |
| Net profit published | | | | 7.992.905 | 7.992.905 |
| Change in accounting | | | | -2.585.000 | -2.585.000 |
| Net profit comparable | | | | 5.407.904 | 5.407.904 |
| June 30, 2006 comparable | 19.891.530 | 64.363.813 | 606.475 | 19.559.775 | 104.421.593 |

Due to the changes in the accounting method, segment reporting for the prior year comparison period has changed as follows:

| *Aircraft Engines* | 01.01. - 30.06.2007 published TEUR | Change in accounting TEUR | 01.01. - 30.06.2007 comparable TEUR |
|---|---|---|---|
| Revenues | 22.112 | -3.625 | 18.487 |
| Cost of sales | -7.822 | 1.482 | -6.340 |
| Gross profit | 14.290 | -2.143 | 12.147 |
| Marketing and selling expenses | -1.815 | 20 | -1.795 |
| General administrative expenses | -2.407 | 31 | -2.376 |
| Other operating income (+), expenses (-) and taxes | -2.078 | 28 | -2.050 |
| Operating profit (EBIT) | 7.990 | -2.064 | 5.926 |
| Operating profit (EBIT) | 7.990 | -2.064 | 5.926 |
| Depreciation and amortization | 1.244 | -16 | 1.228 |
| Operating profit before depreciation/amortization [EBITDA] | 9.234 | -2.080 | 7.154 |

| *Technology & Prototyping* | 01.01. - 30.06.2007 published TEUR | Change in accounting TEUR | 01.01. - 30.06.2007 comparable TEUR |
|---|---|---|---|
| Revenues | 25.376 | -3.626 | 21.750 |
| Cost of sales | -9.675 | 1.858 | -7.817 |
| Gross profit | 15.701 | -1.768 | 13.933 |
| Marketing and selling expenses | -4.417 | -20 | -4.437 |
| General administrative expenses | -3.044 | -32 | -3.076 |
| Other operating income (+), expenses (-) and taxes | -3.196 | -27 | -3.223 |
| Operating profit (EBIT) | 5.044 | -1.847 | 3.197 |
| Operating profit (EBIT) | 5.044 | -1.847 | 3.197 |
| Depreciation and amortization | 1.548 | 17 | 1.565 |
| Operating profit before depreciation/amortization [EBITDA] | 6.592 | -1.830 | 4.762 |

# F. AUDIT REVIEW BY THE GROUP AUDITOR

The interim report of 30 September 2007 was subjected to an auditors' review by the consolidated financial statements auditor. The prior year quarterly financial statement of 30 September 2006 was also subjected to an auditor's review by the consolidated financial statements auditor. The current changes to the accounting of the prior year comparison period were not subjected to an auditor's review.

# G. CONTINGENT LIABILITIES AND UNCERTAIN OBLIGATIONS

There have been no significant changes to contingent liabilities since the publication of the consolidated financial statements dated 31 December 2006.

Other financial obligations, primarily from rental and lease agreements, amounted to EUR 6.4 million on 30 September 2007 compared to EUR 6.9 million on 31 December 2006.

# H. TRANSACTIONS WITH RELATED PARTIES

In the reporting period, since the preparation of the consolidated financial statements dated 31 December 2006, no material transactions with related parties have taken place that extend beyond the scope of activities listed there.

# I. CORPORATE GOVERNANCE

The Supervisory Board and Executive Board issued a declaration of compliance, as per the recommendations of the German Corporate Governance Code and in accordance with section 161 AktG (German Stock Corporation Act). The declaration is contained in the 2006 financial statements and published on the company homepage at www.thielert.com, where it can be viewed at any time.

# J. EXECUTIVE BOARD

On 2 July 2007 the company's Supervisory Board decided to extend the agreements with the Executive Board by another five years. Frank Thielert, CEO and Chairman of the Board of Thielert AG, will therefore remain in office until 2012. He is the founder of the company and was first appointed to the Executive Board upon the foundation of the company. Roswitha Grosser, CFO, was also confirmed in office until 2012. She joined the Executive Board of Thielert AG in July 2002. Payments to both board members will remain unaltered.

## K. SIGNIFICANT CHANGES TO INVESTMENT HOLDINGS

Thielert AG publishes notices on changes in investment holdings in accordance with section 21 para 1a WpHG (German Securities Trading Act) on the company homepage at www.thielert.com and, in compliance with section 26 WpHG, through a European media group.

## L. EVENTS AFTER THE BALANCE SHEET DATE

On 4 October 2007, Cessna Aircraft Company announced that they will be offering a turbo diesel version of their Skyhawk 172S aircraft with a Thielert engine starting next year. With more than 43,000 delivered aircraft, the Skyhawk is the best-selling and most commonly flown aircraft in civil aviation. Cessna intends to further expand the market due to the worldwide availability of kerosene. For Cessna, the Skyhawk TD is the ideal solution for the specific use in forest patrols, aerial observation of wildlife, monitoring pipelines and power lines, traffic observation and police patrol and surveillance.

Cessna will offer the Skyhawk 172S equipped with a Centurion 2.0s engine. With 155 hp, the Centurion engine is authorised for operation with kerosene, is liquid-cooled and drives a three-bladed, variable-pitch propeller.

Hamburg, 14 November 2007

The Executive Board

| | |
|---|---|
| Frank Thielert | Roswitha Grosser |
| Chairman of the Board | Chief Financial Officer |

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*Financial Calendar:*

26 March 2008 - Publication of annual report 2007

7 May 2008 - Publication of 3 month interim report 2008

9 July 2008 - Annual General Meeting

13 August 2008 - Publication of 6 month interim report 2008

12 November 2008 - Publication of 9 month interim report 2008

*Note:*

This report was published on 14 September 2007 in the German and English languages. Both versions are available for downloading on the internet.


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