

# INTERIM REPORT Q1-2007



**THIELERT**

## Important Figures

	2007	2006	
	EUR '000	EUR '000	Δ in %
Revenues	16.050	10.041	60
Europe incl. Germany	2.999	3.427	-13
USA and rest of the world	13.051	6.614	97
EBIT DA	3.391	2.804	21
EBIT	2.155	1.910	13
EBT	1.314	1.756	-25
Consolidated net profit for the period	804	1.072	-25
Balance sheet total	176.559	171.385	3
Equity	104.324	103.645	1
Capital expenditures	-4.335	-1.444	200
Depreciation, amortization	1.236	894	38
Liquid funds	640	5.208	-88
Financial debt [1]	38.661	37.668	3
Net financial debt [2]	38.020	32.460	17
Net Working Capital [3]	86.136	77.348	11
Capitalized development cost	1.601	1.000	60
EBIT , adjusted for capitalized R&D expenses	554	910	-39
EBIT DA, adjusted for capitalized R&D expenses	1.790	1.804	-1
Earnings per share (EUR)	0,04	0,05	-25
Employees	323	265	22

## Segments

<i>Aircraft Engines</i>	Q1 2007		Q1 2006	
	EUR '000	in %	EUR '000	in %
Revenues	9.607	100	6.357	100
EBITDA	3.124	32	1.660	26
EBIT	2.344	24	1.094	17

<i>Technology &amp; Prototyping</i>	Q1 2007		Q1 2006	
	EUR '000	in %	EUR '000	in %
Revenues	6.443	100	3.684	100
EBITDA	267	4	1.144	31
EBIT	-189	-3	816	22

## Business Development

After several years of strong growth, the international General Aviation market was able to keep up the pace of the prior year in the first quarter. Contrary to the market trend, however, there was a slight decline in the “Piston Aircrafts” segment. According to the General Aviation Manufacturers Association (GAMA), the number of piston aircrafts supplied fell slightly from 600 in the first quarter of 2006 to 554 in the same period of the year under review – that corresponds to a decrease of 7.7%.

Contrary to the market trend, supplies of DA 40 and DA 42 Diamond aircraft with engines fitted by Thielert increased by an impressive 16.4% and 28.6%.

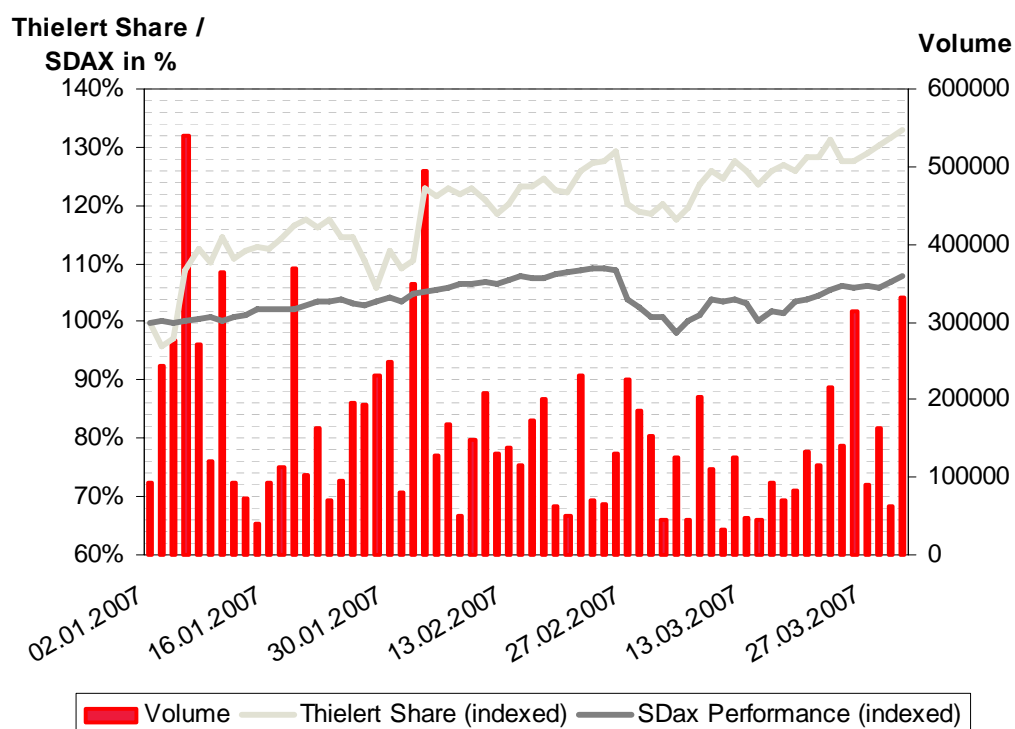
Moreover, orders of Centurion engines were also on the upswing.

This key data has once again leant business performance some positive impetus for the period under review with the first quarter of 2007 once again proving highly successful for Thielert AG.

After the first quarter of the prior year was characterised to a large extent by the acquisition of Superior Air Parts Inc. (SAP) on 31 March 2006, revenues and earnings for the first time reflected the total incorporation of SAP.

## The Thielert Share

At the beginning of 2007, Thielert shares were listed at EUR 17.80. At the end of the first quarter, the share price reached a level of EUR 23.24 – an increase of 31 per cent. The SDAX climbed 8 per cent to 3,850.24 points in the comparable period - an indication that Thielert shares continue to enjoy a high level of investor confidence on the market.



## Asset Position

The net working capital has increased by EUR 8,8 million since the end of the last reporting period. The ratio of net working capital to turnover improved - on a projected year to year basis - from 168 percent on the basis of the previous year's values to 134 percent for the first quarter 2007.

The increase in the net working capital is due to a stock value of EUR 4,8 million and accounts receivable totalling EUR 7,1 million. The trade payables and the payments on account lead to a slight smoothing.

The increase in the stock value is again a result of the expansion of the aircraft engine production. The delays in the planned delivery of Centurion 4.0 have played a central role in this increase. The increase in trade payables is a result of the PoC method of sales revenue accounting.

## Financial Position

After a positive cash flow resulting from operations in the fourth quarter 2006 (EUR 4.8 million), it was, as expected, not possible to carry this positive tendency forward. In the current quarter, the company has a cash flow from operations of EUR -3,4 million. The reason for this are the still very high start-up costs for serial production of the Centurion 2.0 and the Centurion 4.0.

## Earnings Position

In the first three months of the 2007 fiscal year, the group generated revenue of EUR 16,1 million (of which EUR 6.8 million in PoC revenues) and, at that level, exceeded the revenue of the same quarter of the prior year by EUR 10.0 million or 60 per cent. Strong growth was particularly achieved on the US market (EUR 13.1 million; previous year: EUR 6.6 million). In the "Aircraft Engines" segment, revenues rose by 51 per cent to EUR 9.6 (6.3) million. The "Technology & Prototyping" business area also experienced strong growth recording an increase of 75 per cent to EUR 6.5 (3.8) million, thus increasing this segment's share in group revenues to 40 (36) per cent.

Costs of sales across the group ran to EUR 9.0 million (prior year: EUR 4.0 million). Gross earnings amounted to EUR 7.0 million (prior year: EUR 6.1 million).

Marketing and selling expenses and general administration expenses at group level increased from EUR 2.4 million to EUR 5.1 million, amounting to a 32 (24) per cent share of revenue.

Depreciation and amortisation included in the manufacturing, marketing and selling and general administration expenses therefore ran to EUR 1.3 million at the end of the quarter (prior year: EUR 0.9 million).

With EBITDA of EUR 3,4 (2,8) million, Thielert was able to increase the operative performance by 21 per cent compared with the first quarter of 2006. Earnings before interest and tax (EBIT) amounted to EUR 2.2 million and, at that level, were up 13 per cent on the same period of the prior year (EUR 1,9 million).

Business performance resulted in earnings before tax of EUR 1,3 million (prior year: EUR 1,8 million). After tax, the group generated a surplus of EUR 0.8 million (prior year: EUR 1.1 million).

## Earnings per Share

The calculation of earnings per share is based on the following data.

	Q1 2007	Q1 2006
Net income	EUR 804k	EUR 1.072k
Weighted average of outstanding common shares	19.891.530 shares	19.891.530 shares
Dilutive effects	0 shares	0 shares
Basis earnings per share	0,04 € per share	0,05 € per share
Diluted earnings per share	0,04 € per share	0,05 € per share

There were no dilution effects either in the period under review or in the comparison with the prior-year period.

## Investments

Investments in the first quarter of 2007 amounted to EUR 4.3 million (prior year: EUR 1.4 million), of which EUR 4.2 million can be attributed to tangible assets and EUR 0.1 million to intangible assets.

In the first quarter, the main focus of investments has been the automation of engine assembly at the Saxon site in Lichtenstein, as well as the expansion of kit assembly at the new Altenburg production site in Thuringia. In connection with this, departments involved in assembly, such as electronics manufacture and welding, have been transferred to the new site and expanded as planned.

Thielert intends to set up a test centre at the 21,000 m<sup>2</sup> company premises in Altenburg before the end of this year in order to integrate development and test work on its prototype engines in one location.

In Lichtenstein, a new system is currently being introduced for product data management (the PDM system for short). Using this system, processes in construction, manufacture, preparation of documentation and certification are mutually coordinated.

## HR Development

In the first quarter of 2007, the Thielert Group employed an average of 323 employees, of which 277 in Germany and 46 abroad. This corresponds to an increase of 22 per cent compared with the same period of the prior year. There are 17 trainees on the staff (same quarter of the prior year: 15).

<i>Number of employees</i>	<b>Q1 2007*</b>	<b>Q1 2006</b>
Thielert AG	17	23
Thielert Aircraft Engines GmbH	260	242
Superior Air Parts, Inc.	46	0
Group	323	265

\* Initially discounting those in limited employment such as interns, auxiliaries, students and graduands.

## Development of Individual Segments

### ***Aircraft Engines***

In the first quarter of 2007 Thielert Aircraft Engines GmbH from Saxony, Germany, a subsidiary of Thielert AG, has presented the next development stage to its successful kerosene piston aircraft engine Centurion 1.7 – namely, the Centurion 2.0. This new, further optimized engine will be used from now on for all installations. Customers whose aircraft are currently equipped with a Centurion 1.7 can replace this at the end of its life time with a Centurion 2.0 without any problems, since the installation kits are compatible. Various product enhancements have been incorporated into the new engine. The cylinder block developed for the Centurion 2.0 by Thielert's engineers satisfies the high requirements applied to aviation even better than before. Further product enhancements include a flatter FADEC, a lighter cast gearbox housing, interfaces for glass cockpits, plus a new service tool that also allows the FADEC to be programmed in the field. The expansion of the displacement up to two liters is aimed particularly at meeting the demand on the U.S. market. In the year 2006 the certifications for the Centurion 2.0 engine have already been handed over by the European and US American aviation authorities.

With the Centurion 2.0, Thielert is sticking to the principle of replacing the engine rather than overhauling it at the end of its time between overhaul (TBO). As in the case of the Centurion 1.7, the replacement is initially envisaged at the unchanged interval of 2,400 hours or 12 years. An inspection by the manufacturer is scheduled after 1,200 flight hours.

In parallel to the introduction of the Centurion 2.0 some further supplemental type certifications for the integration in several important aircraft models were granted. The installation of the kerosene piston aircraft engine Centurion 2.0 in different models of the Cessna 172 series, has now also been certified.

in the USA. On March 12, 2007 Thielert Aircraft Engines GmbH received the official certification document from the U.S.-American Federal Aviation Administration (FAA).

Thereby once again significantly expanding the sales potential for modern kerosene piston aircraft engines in the U.S. market. The FAA certifications are of particular importance on the world aviation market, since they are acknowledged by most countries in Africa and Asia without further intensive testing. These countries also represent important markets for Thielert. This is because the availability of leaded aviation gasoline (avgas) for conventional engines is extremely limited; the Centurion engines are fueled with kerosene, the standard aviation fuel, and are thus not affected by the scarcity of avgas.

Additionally the installation into Piper PA28 models was certified through European EASA which generates new market potential and paves the way for the US American certification. The Centurion 2.0 will be delivered as an installation kit to the aircraft manufacturer Diamond Aircraft Industries and also integrated into the successful aircraft DA40 TDI and DA42 Twin Star.

Another fleet operator has made his decision for further aircraft equipped with Thielert engines. Flight Training Adelaide (FTA), an Australian College in South Australia, has ferried the first four of seven ordered DA42 Twin Star equipped with each two Centurion kerosene piston aircraft engines built by Thielert Aircraft Engines. The crew of several pilots arrived on February 15, 2007 in Adelaide after a smooth ferry flight from Austria to Australia. Again, the Centurion engines were able to demonstrate their reliability and safety. The DA42 was also used for some trips over the Atlantic Ocean and a flight around the world. The Centurion engines have already notched up over 400,000 accumulative flight hours in a whole range of General Aviation aircraft in the short space of four years

The start of production for the second engine model Centurion 4.0 meant that the operational division had a further large task to cope with. The launch of the engine for various Cessna models was pushed forward. The EASA certification, which was expected in the spring, came at the start of the second quarter. The integration into further models of other manufacturers was also pushed forward and on February 12, 2007 EASA gave its approval for the Centurion 4.0 to be used in the Cirrus SR 22. These two approvals opened the market for the delivery of the 4.0 engine and above all for further intensification of our co-operation with the two largest manufacturers of piston aircrafts.

Following the expansion of the worldwide service center network, Thielert has succeeded in acquiring further aviation companies. Meanwhile, there are 186 especially trained service center under contract to carry out maintenance and repair on the Centurion kerosene piston engines. Compared to the previous year that means an increase of 104 percent – in the first quarter 2006 the network included 91 service center. The increase is due to the expansion with a focus on important countries like USA and France

### ***Technology & Prototyping***

The development of the Technology & Prototyping segment went according to expectations. In the first quarter, the developmental resources of the company were focused on aircraft engines. This was



necessary in order to expand the market potential of aircraft engines for general aviation through certification. This meant that the development orders for special applications had to take a back seat and that these will only start having an effect on revenues in the second quarter.

In the first quarter, the Technology & Prototyping segment was also affected by the activities of the US subsidiary Superior Air Parts, Inc. Here the focus remained on the restructuring and integration of Superior into the company. With traditionally low margins as a reseller, special attention was paid to the quality and price of the suppliers. A further focus was the reduction of marketing costs and product liability insurance which, together with logistics and quality assurance, have a high potential for cost reduction. A very positive development was shown for engine construction and sales for the experimental market. The Superior engines of the XP-Series sold far better than expected.

## Risk Report

No further significant risks have arisen since the publication of the 2006 financial statements. A detailed account of the significant risks can be found in the current annual report.

## Outlook

As already announced at countless international trade show launches, the company is pressing ahead with the integration of the 350-PS jet fuel piston aircraft engine Centurion 4.0 in other aircraft. In April 2007, the company received supplemental type certification for retrofitting in the Cessna 206 Stationair after receiving the same for retrofitting in the Cirrus SR22 in March. In both cases, certification plays an important role in stepping up business relations with the two biggest aircraft manufacturers worldwide. As early as March 2007, the company was able to announce the certification of the Centurion 2.0, the successor of the tried and tested Centurion 1.7 model, in a majority of Cessna 172 models and in Piper PA28. This once again considerably increased the sales potential for modern jet fuel piston aircraft engines on the US market and around the globe.

Against this backdrop, the Thielert Group believes it is well on the way to achieving the goals it set itself for 2007. The broadened customer base, in particular, bodes well for positive development.

## Financial Statements

### 1.1 Consolidated Balance Sheet

<i>Assets</i>	<b>Mar 31, 2007</b> <b>EUR '000</b>	<b>Dec 31, 2006</b> <b>EUR '000</b>
<b>A. Non-Current assets</b>	<b>65.585</b>	<b>66.958</b>
I. Intangible assets	9.661	9.930
II. Property, plant and equipment	55.362	54.396
III. Deferred tax assets	562	2.632
<b>B. CURRENT ASSETS</b>	<b>110.974</b>	<b>104.427</b>
I. Inventories	46.123	41.324
II. Receivables and other current assets	64.211	57.895
1. Trade receivables	55.991	48.947
2. Other assets	8.220	8.948
III. Cash and bank balances	640	5.208
<b>Total Assets</b>	<b>176.559</b>	<b>171.385</b>

<i>Equity and liabilities</i>	<b>Mar 31, 2007</b> <b>EUR</b>	<b>Dec 31, 2006</b> <b>EUR</b>
<b>I. Equity</b>	<b>104.324</b>	<b>103.645</b>
1. Subscribed capital	19.892	19.892
2. Capital reserves	64.364	64.364
3. Revenue reserves	606	606
4. Consolidated retained earnings	19.462	18.783
<b>II. Liabilities</b>	<b>72.235</b>	<b>67.740</b>
1. Provisions	4.399	3.839
2. Other liabilities	56.773	50.613
a) Non-current liabilities	29.253	27.915
b) Current liabilities	27.520	22.698
3. Tax liabilities	11.063	13.288
<b>Total equity and liabilities</b>	<b>176.559</b>	<b>171.385</b>

## 1.2 Consolidated Income Statement

	Q1 2007 EUR '000	Δ in %	Q1 2006 EUR '000	Δ in %
Revenue	16.050	100,0	10.041	100,0
Cost of sales	9.036	56,0	3.955	39,0
<b>Gross profit</b>	<b>7.014</b>	44,0	<b>6.086</b>	61,0
Marketing and selling expenses	2.576	16,0	1.061	11,0
General administrative expenses	2.538	16,0	1.301	13,0
Other operating income [+], expenses [-] and taxes	255	2,0	-1.814	-18,0
<b>Operating profit [EBIT]</b>	<b>2.155</b>	14,0	<b>1.910</b>	19,0
Interest result	-889	-6,0	-54	-1,0
Other income and expenses	48	0,0	-100	-1,0
<b>Profit before tax [EBT]</b>	<b>1.314</b>	8,0	<b>1.756</b>	17,0
Income taxes	510	3,0	684	7,0
<b>Consolidated net profit after tax</b>	<b>804</b>	5,0	<b>1.072</b>	10,0

### Earnings per share

Weighted average number of outstanding shares	19.891.530	19.891.530
Dilutive effects of potential ordinary shares	0	0
Basis earnings per share	0,04 EUR	0,05 EUR
Diluted earnings per share	0,04 EUR	0,05 EUR

## 1.3 Consolidated Statement of Changes in Equity

	Subscribed capital	Capital reserves	Revenue reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
<b>Jan 1, 2006</b>	19.891.530	64.363.813	606.475	14.293.088	99.154.906
Comprehensive income					
Consolidated net profit for the year	0	0	0	1.071.815	1.071.815
Other comprehensive income	0	0	0	0	0
<b>Total Comprehensive Income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1.071.815</b>	<b>1.071.815</b>
<b>Mar 31, 2006</b>	<b>19.891.530</b>	<b>64.363.813</b>	<b>606.475</b>	<b>15.364.903</b>	<b>100.226.721</b>
Comprehensive income					
Consolidated net profit for the year	0	0	0	4.158.243	4.158.243
Other comprehensive income	0	0	0	0	0
Foreign currency differences from net investments and translation	0	0	0	-1.247.324	-1.247.324
Result from cash flow hedging	0	0	0	33.014	33.014
Deferred taxes on other comprehensive income	0,00	0,00	0,00	473.983	473.983
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3.417.916</b>	<b>3.417.916</b>
<b>Dec 31, 2006</b>	<b>19.891.530</b>	<b>64.363.813</b>	<b>606.475</b>	<b>18.782.819</b>	<b>103.644.637</b>
<b>Jan 1, 2007</b>	<b>19.891.530</b>	<b>64.363.813</b>	<b>606.475</b>	<b>18.782.819</b>	<b>103.644.637</b>
Comprehensive income					
Consolidated net profit for the year	0	0	0	803.795	803.795
Other comprehensive income	0	0	0	0	0
Foreign currency differences from net investments and translation	0	0	0	-232.121	-232.121
Result from cash flow hedging	0	0	0	19.007	19.007
Deferred taxes on other comprehensive income	0	0	0	88.206	88.206
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>678.887</b>	<b>678.887</b>
<b>Mar 31, 2007</b>	<b>19.891.530</b>	<b>64.363.813</b>	<b>606.475</b>	<b>19.461.706</b>	<b>104.323.524</b>

## 1.4 Consolidated Cash Flow Statement

	2006 EUR '000	2005 EUR '000
<b>Cash flow from operating activities</b>		
Profit before tax and profit transfer	1.314	1.756
Adjustments for:		
Depreciation, amortization, impairment losses	1.236	894
Profit (-) / Loss (+) on disposal of fixed assets	-15	100
Exchange rate gains	2	224
Interest income	-10	-267
Interest expense	899	321
Increase in trade and other receivables	-5.025	-4.703
Translation difference	109	0
Change in inventories	-4.893	-3.631
Increase in trade and other payables	3.396	-702
Cash generated from operating activities	-2.987	-6.008
Interest paid	-397	-154
Income taxes paid	0	-44
<b>Net cash from operating activities</b>	<b>-3.384</b>	<b>-6.206</b>
<b>Cash flow from investing activities</b>		
Investment in group expansion	0	-6.897
Purchase of property, plant and equipment	-4.335	-1.444
Proceeds from the disposal of long term assets	2.311	0
Interest received	0	53
<b>Net cash used for investing activities</b>	<b>-2.024</b>	<b>-8.288</b>
<b>Cash flow from financing activities</b>		
Loans taken up and silent participations	3.206	0
Repayment of loans	-2.366	-250
<b>Net cash used for financing activities</b>	<b>840</b>	<b>-250</b>
Net increase in cash and cash equivalents	-4.568	-14.744
Cash and cash equivalents at the beginning of the reporting period	5.208	18.213
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>640</b>	<b>3.469</b>

## 1.5 Segment Reporting

<i>Aircraft Engines</i>	Q1 2007		Q1 2006	
	EUR '000	%	EUR '000	%
Revenues	9.607	100	6.357	100
Cost of sales	4.852	51	2.792	44
<b>Gross profit</b>	<b>4.755</b>	<b>49</b>	<b>3.565</b>	<b>56</b>
Marketing and selling expenses	1.035	11	697	11
General administrative expenses	1.623	17	824	13
Other operating income (+), expenses (-) and taxes	247	3	-950	-15
<b>Operating profit (EBIT)</b>	<b>2.344</b>	<b>18</b>	<b>1.094</b>	<b>47</b>
Operating profit (EBIT)	2.344	24	1.094	17
Depreciation and amortization	780	8	566	9
<b>Operating profit before depreciation/amortization [EBITDA]</b>	<b>3.124</b>	<b>32</b>	<b>1.660</b>	<b>26</b>

<i>Prototyping &amp; Technology</i>	Q1 2007		Q1 2006	
	EUR '000	%	EUR '000	%
Revenues	6.443	100	3.684	100
Cost of sales	4.183	65	1.163	32
<b>Gross profit</b>	<b>2.260</b>	<b>35</b>	<b>2.521</b>	<b>68</b>
Marketing and selling expenses	1.542	24	364	10
General administrative expenses	915	14	477	13
Other operating income (+), expenses (-) and taxes	8	0	-864	-23
<b>Operating profit (EBIT)</b>	<b>-189</b>	<b>-3</b>	<b>816</b>	<b>22</b>
Operating profit (EBIT)	-189	-3	816	22
Depreciation and amortization	456	7	328	9
<b>Operating profit before depreciation/amortization [EBITDA]</b>	<b>267</b>	<b>4</b>	<b>1.144</b>	<b>31</b>

## Notes to the Interim Report

### Information on the Group and the Company

The Thielert group develops and manufactures jet fuel piston aircraft engines for General Aviation (GA) and components for heavy duty engines and special parts of complex shapes as well as hardware and software for digital engine controls. The group operates, in particular, in the global market for piston aircraft engines.

The parent company is Thielert AG (joint-stock company), entered in commercial register B of Hamburg District Court under entry No. 77 997 since 28 November 2000, with its registered office in Helbingstr. 64-66 in Hamburg in the Federal Republic of Germany.

### Principles according to which the financial statements have been prepared

The interim consolidated financial statements for the period from 1 January until 31 March 2007 have been prepared in compliance with IAS 34 "Interim Financial Reporting". The interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the period ending 31 December 2006.

### Reporting and Valuation Methods

The valuation principles of the International Financial Reporting Standards (IFRS) have been applied to this interim financial report. The same accounting policies apply as in the consolidated financial statements for the period ending 31 December 2006. The interim financial report has not been reviewed by the auditor.

### Transactions with Related Parties

In the period under review, no material transactions with related parties that extend beyond the scope of the activities listed in the consolidated financial statements as of December 31, 2006 have taken place since these statements were prepared.

### Corporate Governance

The updated declaration of conformity in accordance with section 161 AktG is published on the Company's homepage and appears the Annual Report 2007.

## Significant Changes in Shareholdings

Thielert AG publishes notices on changes in shareholdings made to it in accordance with § 21 (1a) of the WphG (German Securities Trading Act) on its company homepage [www.thielert.com](http://www.thielert.com) and in accordance with § 26 through a European media group.

## Events after the Balance Sheet Date

There were no events after the balance sheet date, that have a significant effect on the business performance of the Thielert Group.



Frank Thielert, Chief Executive Officer



Roswitha Grosser, Chief Financial Officer

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Financial Calendar:  
Aug. 01, 2007: Annual General Meeting  
Aug. 15, 2007: Publication of Interim Report, January  
01 - June 30, 2007

This report was published in German and English on May 16, 2007. Both versions are available as Internet downloads.



