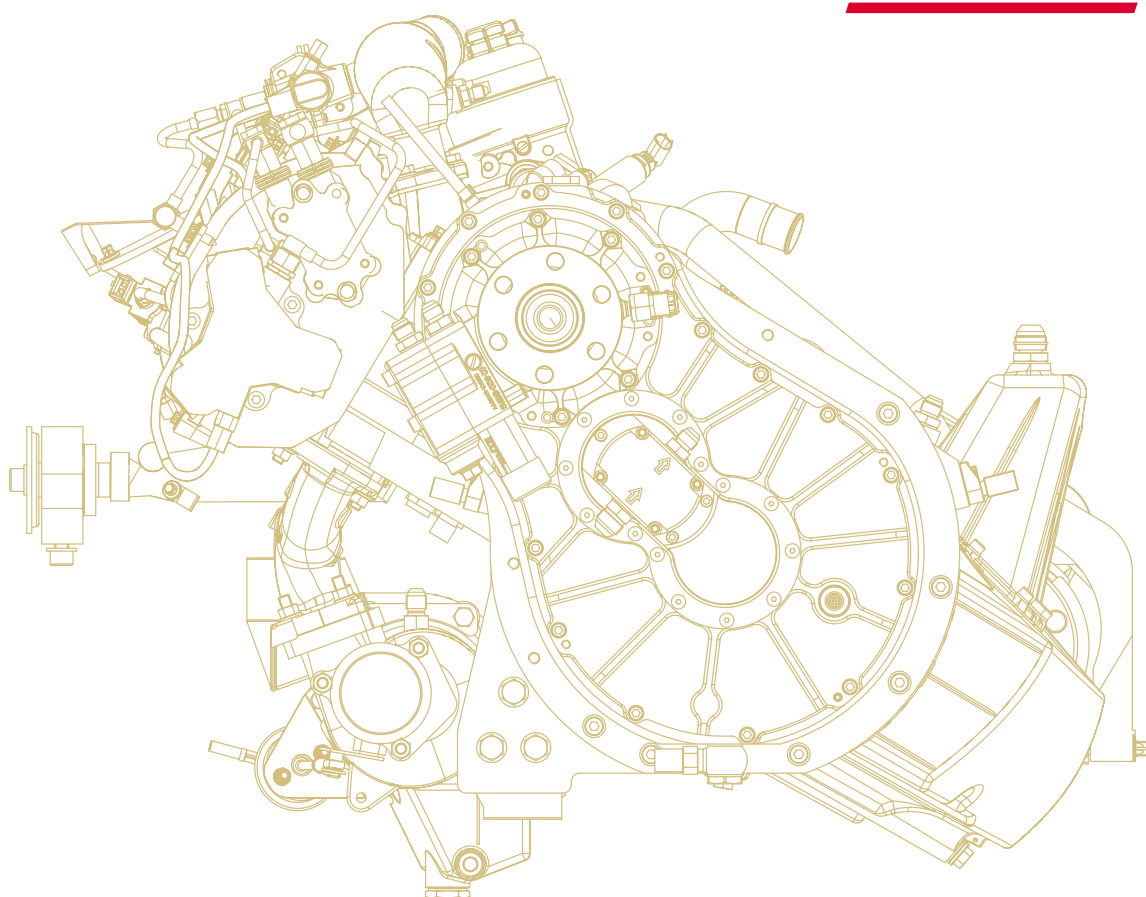


ANNUAL REPORT 2005

THIELERT



IMPORTANT FIGURES

ACCORDING TO IFRS

in EUR '000

| | 2005 | 2004 | Δ in % |
|---|---------|--------|--------|
| THIELERT AT A GLANCE | | | |
| Revenues | 37,579 | 24,205 | 55.2 |
| > Germany | 3,879 | 6,515 | -40.5 |
| > EU | 9,209 | 7,159 | 28.6 |
| > USA & rest of the world | 24,491 | 10,531 | 132.6 |
| EBITDA | 16,116 | 11,329 | 42.3 |
| EBIT | 13,143 | 8,709 | 50.9 |
| EBT | 9,109 | 5,350 | 70.3 |
| Consolidated net profit for the year | 7,666 | 3,708 | 106.7 |
| Balance sheet total | 123,410 | 83,507 | 47.8 |
| Equity | 99,155 | 20,990 | 372.4 |
| Capital expenditures | 7,194 | 7,521 | -4.4 |
| Depreciation, amortization | 2,974 | 2,621 | 13.5 |
| Liquid funds ¹ | 18,213 | 10 | >1000 |
| Debt ² | 12,213 | 50,045 | -75.6 |
| Net debt ³ | -6,000 | 50,035 | -112.0 |
| Net working capital ⁴ | 60,889 | 39,743 | 53.2 |
| Capitalized development cost | 5,250 | 1,490 | 252.3 |
| EBITDA, adjusted for capitalized R&D expenses | 10,866 | 9,839 | 10.4 |
| EBIT, adjusted for capitalized R&D expenses | 7,893 | 7,247 | 8.9 |
| SHARE DATA | | | |
| Earnings per share (EUR) | 0.55 | 0.47 | 17.0 |
| Issue price as of Nov. 17, 2005 (EUR) | 13.50 | - | |
| High (Febr. 28, 2006) (EUR) | 18.90 | - | |
| Low (Nov. 17, 2005) (EUR) | 13.42 | - | |

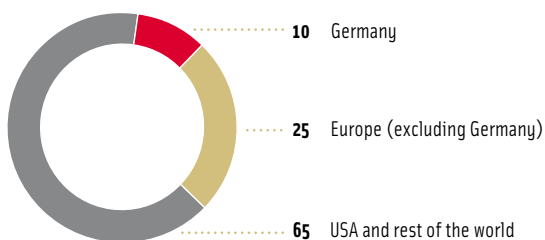
For the entire Annual Report percentage figures refer to unrounded Euro values.
Figures have been rounded off where appropriate.

1_Cash and bank balances_2_Liabilities against banks, silent shareholders, shareholders and group companies as well as finance leases_3_Debt less liquid funds_
4_Inventories less trade receivables, payments on account and trade payables

REVENUE DISTRIBUTION ACCORDING TO REGION

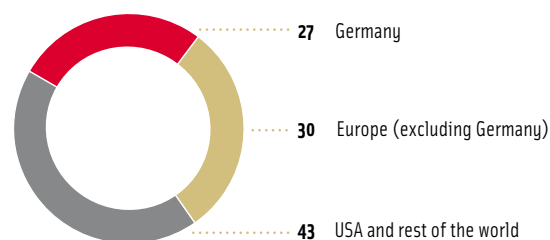
2005

in %



2004

in %



KEY SEGMENT DATA

AIRCRAFT ENGINES

in EUR '000

| | 2005 | 2004 |
|----------|--------|--------|
| Revenues | 22,221 | 14,287 |
| EBITDA | 9,540 | 6,717 |
| EBIT | 7,780 | 5,170 |

The Aircraft Engines segment develops and manufacturers certified jet fuel/diesel engines for aircraft in general aviation. In the reporting period EBIT expanded by a good 50 percent compared to the previous year's figure.

TECHNOLOGY & PROTOTYPING

in EUR '000

| | 2005 | 2004 |
|----------|--------|-------|
| Revenues | 15,358 | 9,918 |
| EBITDA | 6,577 | 4,611 |
| EBIT | 5,362 | 3,538 |

Order-related development services and production of engine components for general aviation, the automotive and military industry are focal points of the Technology & Prototyping segment. With an EBIT rise of more than 51 percent, the segment also showed a convincing performance.

2005

HIGHLIGHTS

- // **AMERICAN AUTHORIZATION TO INSTALL THE CENTURION 1.7 IN THE CESSNA 172**
- // **ASSEMBLY AND INITIAL FLIGHTS OF THE CENTURION 4.0 IN TT62 AND BEECH DUKE B60**
- // **SUCCESSFUL IPO**
- // **INCORPORATION OF THE CENTURION 1.7 INTO THE US DEPARTMENT OF DEFENSE'S ER/MP PROGRAM**
- // **110 ADDITIONAL TYPE CERTIFICATES FOR THE CENTURION 1.7 IN CHINA AMONG OTHERS**
- // **MORE THAN 50 PERCENT REVENUE GROWTH**

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FOREWORD BY THE MANAGEMENT BOARD



Dear shareholders,

2005 was an extremely good and successful financial year for Thielert AG. Thanks to our globally unique technology, our high quality and the comprehensive service network for CENTURION engines, we maintained the speed of the prior year's growth in the period under review at a high level: Group revenues climbed 55.2 percent to EUR 37.6 million and earnings improved by 106.7 percent.

The repeated jump in growth was primarily due to the great interest in our core product, the CENTURION 1.7 jet fuel/diesel engine. Compared to 2004, unit sales of this engine for general aviation aircraft expanded by 100 percent. Furthermore, the internally developed Cessna and Piper aircraft equipment enjoyed rising popularity and higher number of units sold. Renowned customers commissioned us with new developments, which prompted us to enhance our development capacities. Finally, demand on the part of American military technology customers for technology made by Thielert has increased over-proportionately.

Both NATO and thus also the US armed forces have decided to operate with only one type of fuel in the field: namely jet fuel (kerosene)/diesel – a decision that gives our company a sustainable and long-term boost, and one that has already benefited us in the year under review. As the technology leader in the field of piston aircraft engines, which can be fuelled with both jet fuel and diesel, we are also an attractive partner in the field of military technology.

As such, we were able to successfully conclude long-standing negotiations with the internationally operating US military technology company General Atomics Aeronautical Systems in 2005.

In the good overall business performance, our IPO in November 2005 was a special highlight of the period under review. Our tried and tested, durable business model and our sustainable, deep-rooted growth potential have impressed the capital markets. Our share, which is listed in the Prime Standard, was oversubscribed several times at the issue price of EUR 13.50. Including the greenshoe, the issue volume amounted to EUR 142 million.

This yielded gross cash inflows of EUR 62 million for the Group. A portion of the issue proceeds was used to reduce a substantial percentage of our financial liabilities in the year under review. This enhances our financial flexibility and gives us the necessary leeway to take important strategic steps. Moreover, the raised capital enables us to accelerate our growth path. For this reason we aim to strictly enhance our product portfolio, our production capacities and our US presence, the latter with a strong American partner.

When looking back on 2005, Thielert AG's optimism for the future is very well founded. Our development of the CENTURION 1.7 is currently the only jet fuel/diesel aircraft engine in mass production which is approved by both European and American air traffic control authorities as an engine and installation in different aircraft types. The engine has meanwhile been certified in 42 countries around the globe as an aircraft engine. CENTURION 4.0, which is currently entering into mass production, has already received certification in 29 countries. We are therefore well prepared to open up new markets.

But there is more: Certification processes are time-consuming, complex and require high costs. They represent high market entry barriers for potential new competitors. As a consequence, our existing approvals give us a strong position in the market as well as considerable competitive advantages. In the next few years the company will consistently make use of that. Our stated goal is to become the leading manufacturer of aircraft piston engines in the area of general aviation.

Our excellent perspective and good operating performance should continue to have a positive impact on the company's figures in 2006. In more concrete terms, this means that we want to grow over-proportionately profitable compared to the market. From our perspective the necessary prerequisites are in place.

We would like to express our thanks to our business partners and investors for the confidence they have placed in us as well as to our employees for their exemplary dedication to the good of the company.

Hamburg, March 2006
The Management Board



Frank Thielert
Chief Executive Officer



Roswitha Grosser
Chief Financial Officer

REPORT BY THE SUPERVISORY BOARD



Dear shareholders,

2005 was an eventful and highly successful year for Thielert AG. As in the previous year, the company managed to grow considerably and further expand its good market position. The company has been listed in the Prime Standard of the Frankfurt Stock Exchange since November 17, 2005. The share price performance to date fully meets our expectations. The share price increases show that the capital market is convinced of our company.

The Supervisory Board was in close contact with the Management Board in regard to all important decisions in the period under review. Every important business transaction was discussed with the Management Board and potential action alternatives were analyzed intensively. In regard to affairs requiring by law the involvement of the Supervisor Board, articles of association, German Corporate Governance Code or rules of procedure, we passed the necessary resolutions.

At three Supervisory Board meetings we were informed on the business developments, the Group's situation and essential individual measures in detail. At the meeting of the annual financial accounts, the Management Board presented its financial, investment and personnel strategy of the coming years in detail to the Supervisory Board. A focus was put on the Group's growth strategy. The Management Board addressed all of the questions by the Supervisory Board in a comprehensive, clear and unambiguous manner. A decision was made in the scope of a circulation procedure.

The Management Board also informed me as the Chairman of the Supervisory Board on an ongoing basis on significant business developments outside of the Supervisory Board meetings. The overall Board was fully informed on important affairs with which I as the Chairman was acquainted outside of the Supervisory Board meetings.

The Group financial statement, the annual financial statements of Thielert AG and the consolidated management report of the Group and the management report of the AG were audited by the auditor appointed at the Annual General Meeting - BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft - and were unreservedly approved.

The annual financial statements and the consolidated management report of the Group and the management report of the AG as well as the auditor's reports were presented to all members of the Supervisory Board. The responsible auditors participated in the balance sheet meeting of the Supervisor Board. There they reported on all essential results of the audit and offered further explanation to the Supervisory Board. The Supervisory Board approves the result of the audit.

The Group financial statement, the annual financial statements of Thielert AG, the consolidated management report of the Group and the management report of the AG as well as the proposal for the appropriation of the balance sheet profit were analyzed by the Supervisory Board. No objections were raised. The financial accounts prepared by the Management Board were approved by the Supervisory Board. The annual financial statements have therefore been assessed. We as the Supervisory Board agree with the report on the situation of the Group, above all with the assessment of its development in the future.

The Supervisory Board would like to express its thanks to the Management Board and to all Thielert AG employees for the services rendered in the 2005 fiscal year.

Hamburg, March 2006

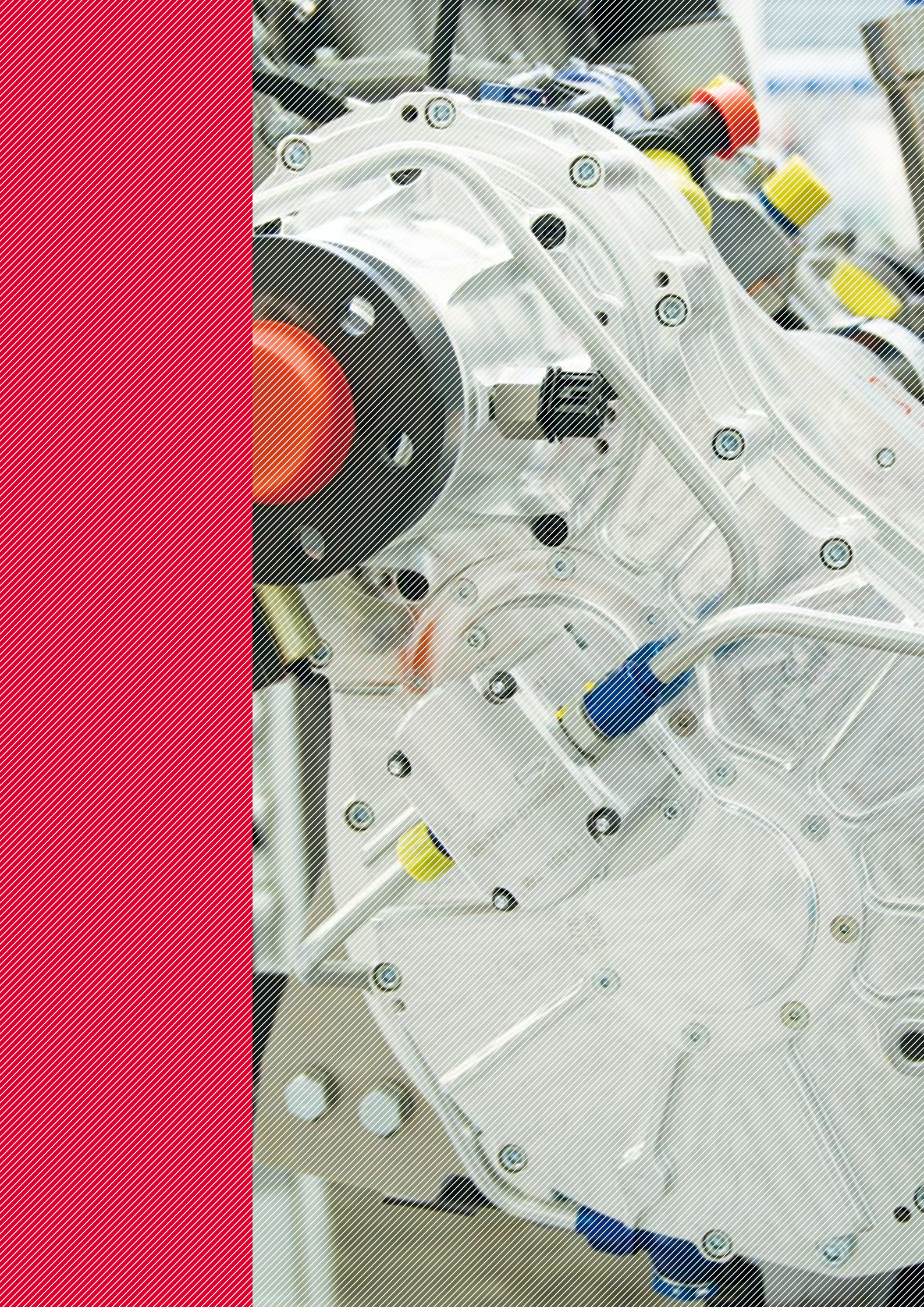
The Supervisory Board



Chairman of the Supervisory Board

THIELERT AG

**WE AIM TO ACHIEVE A MARKET SHARE
IN PISTON AIRCRAFT ENGINES OF OVER
50 PERCENT IN THE MEDIUM TERM.
THE NECESSARY DEMAND AND CUSTOMER
BASE ARE ALREADY IN PLACE.**



A LOOK BEHIND THE SCENES – DEVELOPMENT

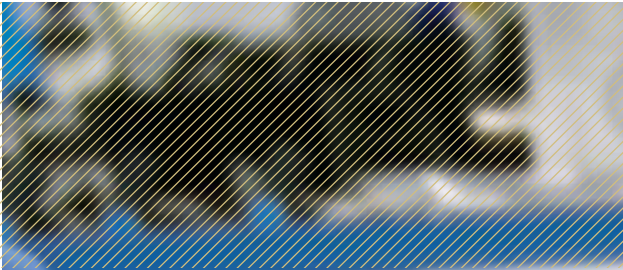
STATE-OF-THE-ART AND RELIABLE ENGINES based on the perfect interaction of the mechanical and electronic components. A decisive role in achieving this perfection is played by the development department – both in terms of new design and in terms of optimising existing engine concepts and adapting them to special applications.

At Thielert, this development is regarded as an integrative task. After all, besides the coordination and enhancement of the various engine components in the initial stage of a project, the development department accompanies a product throughout its entire life cycle.

This same is true of the CENTURION aircraft engine. At the outset, the development department performs the theoretical preparatory work, checks the feasibility and designs the engine. The production department receives technical documentation and 3D models, from which the programs for the CNC production and target data are derived for quality assurance. Experience from the entire production process and subsequent practical use flows back into the development department, which then optimises the product and processes. Ultra-modern development software and a wealth of know-how ensure an extremely high capacity for integration coupled with the utmost flexibility in terms of development.

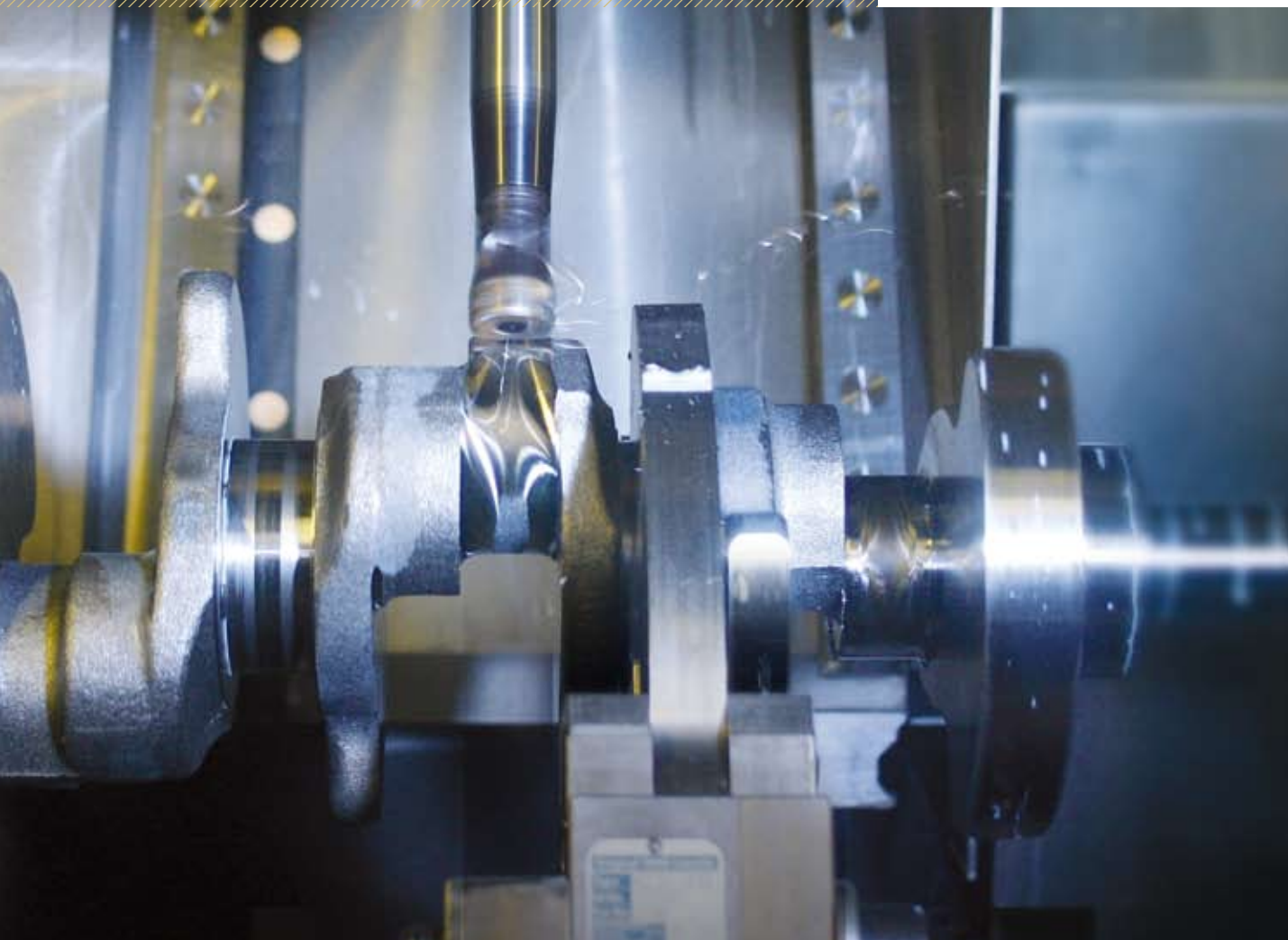
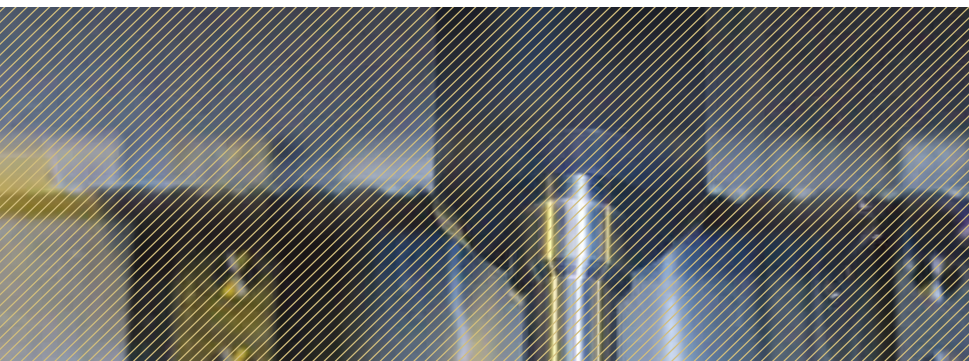
The development process constitutes the basis of all the services and products from a technology firm. The integrative development expertise, which has been built up with sheer determination since the company was set up, is the foundation for our success.





The development department is integrated into the activities of all business segments and into all the technical assignments, where it makes a major contribution to the ongoing improvement of our products and production processes.





At Thielert, machining is one of the central manufacturing processes. Engine components such as camshafts and crankshafts – particularly with highly intricate geometries – are produced for CENTURION engines and to customer order.



Whether we are dealing with a job lot or prototype components – exacting requirements call for maximum commitment. Our machinery is constantly adapted to meet new challenges and always corresponds to the state of the art with regard to production engineering.

A LOOK BEHIND THE SCENES – MACHINING PROCESSES

WHEN MANUFACTURING engine components such as crankshafts, camshafts, con rods, splined shafts, gears, cylinders and cylinder heads as well as crankcases, the machining processes are at the centre of attention. From the machining of the billet through to the grinding of the most intricate of contours, Thielert performs all the process steps in-house. Turning, milling, gun drilling and grinding – Thielert has mastered all these disciplines at the highest technological level.

As a rule, Thielert can process all standard types of steel and alloys, both from solid stock and also from forged or cast billets. Our ultra-modern, highly efficient machinery includes 4 to 7-axis controlled CNC machining centres. These provide a versatile and efficient means of producing components with highly intricate geometries. A post-processor is used for transmitting the production data from the engineering

department directly to the machine. Production based on a 3D model supplied by a customer can be realised with ease.

Our machine operators and machines master a wide production spectrum, ranging from circular milling on slanted surfaces, rotary milling of crank pins and imbalance components, B-axis milling such as, for instance, for turbine wheels, shaping internal splines and grooves, gun drilling and hobbing of gears, plus the milling and grinding of cam contours. Thanks to their dual spindles, the CNC machining centres permit six-sided complete machining in one set operation. Due to the certification requirements from the Aircraft Engines business segment and the quality requirements from the Technology & Prototyping business segment, production at Thielert is notable for its all-embracing process control and documentation.

A LOOK BEHIND THE SCENES – LOGISTICS AND ASSEMBLY

THE CENTURION AIRCRAFT ENGINES are Thielert's core product. Their strong competitive position is based on a simple concept. Firstly, they benefit from the fuel efficiency and durability of modern diesel technology. Secondly, Thielert uses highly-advanced, reliable basic components from the automotive industry in order to minimise design and production costs. Thirdly, Thielert is capable of producing all the other components to meet aviation standards itself.

Accordingly, every Centurion aircraft engine is assembled from purchased parts, basic components and in-house produced parts that have been modified in line with aviation standards.

Prior to assembly, all the component parts are commis-

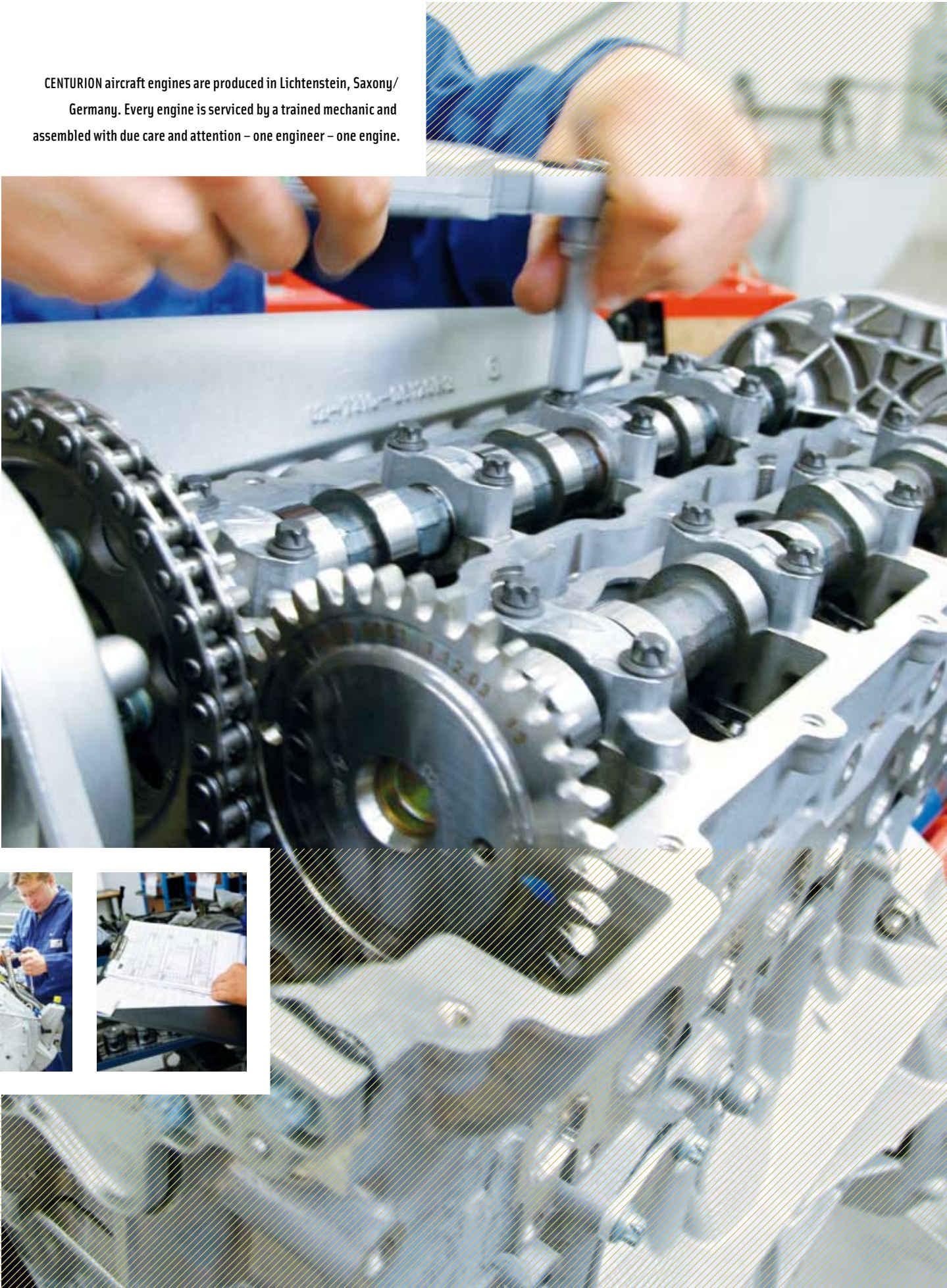
sioned in accordance with their respective batches and lots. During this process, each component part of the engine is electronically documented and archived in full. The engine is handed over to the assembly department as a commissioned package of parts, where an individual assembly technician takes over the responsibility for this engine. He is fully responsible for this engine from the initial handling through to the finished product.

As an aviation product, assembly is carried out in a series of operations, the sequence of which is defined in a manual. Each of these steps is documented with a stamp and signature. This ensures that all the components in the engine and the engine itself have a clear history.

All the components produced in-house, as well as those purchased, which become part of our **CENTURION** aircraft engines are inspected, documented and prepared before the assembly stage.



CENTURION aircraft engines are produced in Lichtenstein, Saxony/
Germany. Every engine is serviced by a trained mechanic and
assembled with due care and attention – one engineer – one engine.





Assuring quality and constantly improving it at the same time is vitally important for a technology company. To this end, we use our scanning electron microscope to analyse the structure of the materials used.



Contours, surfaces, roughness and roundness are quality features that are precision-checked in our products. Before shipment, all the engines are tested as a complete system on the dynamometer to remove any faults and assure the quality of manufacture.

A LOOK BEHIND THE SCENES – QUALITY ASSURANCE

OUTSTANDING QUALITY is a key feature of all products and services from Thielert. This is ensured by making quality assurance and enhancement an ongoing task for all employees.

Quality assurance includes all the process chains in the company. By working together with external quality assurance experts, all the processes involved in the material logistics and production are analysed and optimised at regular intervals. Internally, the best possible measurement techniques and quality management systems (e.g. Six Sigma) are employed. The documentation of all the materials and work steps ensures that the components produced can be fully traced. Fitting checks, and interim and final inspections, which accompany production both during and after machining processes, are not only performed by the quality assurance department, but also by each of the qualified employees at their workplaces. This operator self inspection, which is a matter of course for employees,

document the responsibility which each individual employee assumes for his work throughout the process.

Some quality assurance checks are performed on CNC-controlled 3D coordinate measuring machines. They apply 3D models which have been prepared by the engineering department and which are already in use for production. Accuracies of less than 0.0004 mm are checked using form testers. Depending on the requirements, surfaces are magnified up to 50,000 times and examined with a scanning electron microscope. In addition, materials and heat treatments are inspected with metallographic procedures such as spectral and conductivity analysis, hardness testing and micrographic analysis and by means of various non-destructive material testing methods. This enables Thielert to ensure compliance with the requirements of all dimensional, geometrical and positional tolerances as well as the required material properties throughout the entire process.

THIELERT – PRECISION TECHNOLOGY FOR DYNAMIC NICHE MARKETS

The name Thielert has become synonymous with precision and quality in engine development in both development and production. With its multi-faceted services and products and above all its jet fuel/diesel engines, the company has become the first choice in many attractive growth markets around the world.

FROM A ONE-MAN BUSINESS TO AN INTERNATIONAL GROUP The roots of today's Thielert Group date back to the company Thielert Motoren, founded by Frank Thielert in 1989. The company developed from a one-man business to a limited company engaged in the development of high-performance engines and components for precision engines. In the years that followed, the company emerged to become an international provider of racing engines and engine components. At the end of the 90s, business in the development of prototypes and engine components for the international automotive industry rapidly gained in significance.

The formation of Thielert Aircraft Engines GmbH some seven years ago represented an important milestone in the company's 16-year history. The goal of this company was to transfer approved, innovative diesel technology from the automotive to the aviation industry. The company achieved its technological breakthrough shortly thereafter by producing the world's first fluid-cooled and turbo-charged jet fuel/kerosene piston engine.

AIRCRAFT ENGINES AND TECHNOLOGY & PROTOTYPING The Thielert Group operates in two segments: Aircraft Engines and Technology & Prototyping. Tailor-made development services and the production of engine components for the aircraft, automobile and defense industries are the focus of the Technology & Prototyping segment. In the Aircraft Engines segment, Thielert develops and manufactures certified jet fuel/kerosene piston engines for general aviation

as well as for unmanned aircraft (so-called "Unmanned Aerial Vehicles – UAV").

INTEGRATED PRODUCTION CREATES SYNERGIES Both segments work together closely. The Group generates significant synergy effects thanks to the integrated, multi-site production in Saxony and Hamburg as well as the networked development activities. For the manufacture of aircraft engines relating to production processes and strategies, the company utilizes its long-standing experience and know-how drawn from automotive activities. This ensures that production is always state-of-the-art, thus yielding significant cost savings. Finally the Aircraft Engines segment is also making use of the know-how and experience about process steps and engine adaptation gained in the Technology & Prototyping segment.

In turn, the Technology & Prototyping segment benefits from the strict international legal requirements of aviation, which apply to the Aircraft Engines segment. The necessary documentation of all production steps and the high process stability are fundamental elements of quality control in the Technology & Prototyping segment. Moreover, the multi-site production always guarantees excellent utilization of production capacities. Consequently, order fluctuations in one segment have no negative effects for the Group.

MARKETS WITH ATTRACTIVE GROWTH PERSPECTIVES The Thielert Group develops, certifies and produces engines and engine components for the general aviation sector on a

THIELERT



VERKAUF
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ESKACOM
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large scale. The general aviation is comprised of all aeronautic activities outside of commercial scheduled air traffic and military aviation, which therefore represent separate markets.

In the general aviation sector, Thielert distributes its own jet fuel/kerosene piston engines, primarily in the OEM and retrofit market.

// The **OEM market** (Original Equipment Manufacturer) refers to the selling market of aircraft engines, which are installed by aircraft producers such as Cessna, Aircraft Corporation, Cirrus Design Corporation, Diamond Aircraft Industries, Piper and Apex Aircraft in mass production of their engines. These manufacturers delivered 20.2 percent more engines in the period under review. This represents a growth trend which has primarily been triggered and reinforced by launching new technologies such as jet fuel/diesel engines from Thielert.

// The **retrofit market** is a market for replacement engines. In this segment, new engines are installed in used aircraft. Due to the fact that the life span of an aircraft engine is always limited due to approval requirements, customers must regularly replace engines at fixed points in time.

Thielert therefore operates in a dynamic niche market with its engines and engine components for general aviation. This market will also offer high growth rates for innovations in the future. The same holds true for the remaining markets in which the company is active: military technology and the automotive industry.

AIRCRAFT ENGINES: A MARKET LIKE NO OTHER The market for aircraft engines has special and unique characteristics which have considerable consequences for all market participants. All aircraft engine manufacturers and their products (aircraft engines and components) must be approved by the respective national and international air traffic control agencies. This requires that the companies and their products always comply with all necessary safety and performance standards. Furthermore, all suppliers must take the

quality and safety standards of their customers, particularly aircraft producers (OEMs), into account.

There are three basic types of authorizations and approvals:

1_Approvals of the company: companies which develop, produce and maintain aircraft engines or other aircraft equipment requiring type certification must first be certified and thus approved as a developing, producing or maintenance enterprise. Receiving approval as a producing enterprise represents the greatest hurdle.

2_Type certifications: The aircraft engines and related components produced must be approved by the responsible agency. The aircraft engines and related components produced must be approved by the responsible agency, whereby EASA and FAA approvals are the most important.

3_Supplementary type certifications: The installation of an aircraft engines or components in a certain type of aircraft requires additional approval. This installation approval must be awarded for each aircraft type separately and is called "supplementary type certification" or "extension of type certifications".

HIGH MARKET ENTRY BARRIERS The certification processes of the different national and international air traffic control agencies of general aviation together with considerable development costs for a new aircraft engine and its time-consuming testing represent high barriers for all potential competitors attempting to enter the market. Not only is Thielert the world's first supplier of a jet fuel/diesel engine, but the company has also completed the drawn-out and complex certification process. The CENTURION 1.7 is currently a certified aircraft engine in 42 countries – among others in the European Union, the US and China. The CENTURION 4.0 is currently approved in 29 European countries. The Group thus holds a strong market position and has a considerable competitive edge over potential competitors. Thielert is the leading supplier of certified piston engines for general aviation on a world-wide basis in terms of technology.

PROFITABLE GROWTH TAKES PRIORITY Thielert aims to further expand its excellent market position in general aviation within the next few years and to clearly strengthen its position in the military technology market. Both revenue growth and earnings power are to be consequently increased by way of a value-oriented management of the company.

The product range is a fundamental element of these growth plans. Thielert aims to complement the already certified CENTURION 1.7 and CENTURION 4.0 engines with another medium-class jet fuel/diesel engine. The company will cover the entire general aviation market of piston engines with these three engines. This encompasses all aircraft with performance between 130 hp and 350 hp.

REGIONAL DIVERSIFICATION: US MARKET IN FOCUS

Regional diversification is also on the company's agenda. Here the focus lies above all on the US aviation market, as this market covers roughly three-quarters of the entire global market. In the US, Thielert aims to acquire an approved manufacturer of certified aviation parts and components. The goal should also possess the necessary sales structures. In addition, Thielert plans to gradually extend its presence in growth markets that are of strategic importance to the aviation industry. These regions include Asia, Latin and South America, New Zealand and Australia.

MILITARY TECHNOLOGY SECTOR SHOULD CONTINUE TO EXPAND

The most promising growth perspectives are borne by the military technology business. This assessment is primarily based on the fact that piston engines are currently used in a number of UAV and are mostly powered by AVGAS (aviation gasoline) or MOGAS (motor gasoline). However, these fuels no longer comply with the goals of NATO and US forces of only using one fuel type in the future: kerosene or diesel raffinates. This goal has become known under the slogan "single fuel for the battlefield". As a consequence, jet fuel and diesel should be used as standard gasoline for all military aircraft in NATO countries from 2008. Manufacturers already rely on the use of diesel engines to an ever increasing extent.

Thielert benefits from this trend as the only company in

the world that supplies certified diesel aircraft engines which are tested in the market. If one were to take the higher budget (2006: plus 7 percent) adopted by the American Department of Defense (DOD) as a basis, the market potential would show dynamic growth through 2010. Suitable candidates for a refitting are the Predator of General Atomics (as UAV) as well as diverse All Terrain Vehicles (ATV)

In addition to the OEM market, the company also expects further impulses from the refitting of UAV already in operation.

AIRCRAFT ENGINES SEGMENT – POWERFUL, COMPETENT AND RELIABLE

Within the Thielert Group, Aircraft Engines stand for powerful, efficient and reliable aircraft engines. Not to mention the fact that the CENTURION engines produced in this segment are sought after around the world and have made Thielert the number one provider of certified jet fuel/diesel engines.

HIGH-QUALITY PRODUCTS AND FIRST-CLASS SERVICE

The Aircraft Engines segment develops and produces certified jet fuel/diesel engines for both aircraft in general aviation and unmanned aircraft used for military purposes. Furthermore, the sector develops and produces certified engine components, for example digital engine controls and high-pressure pumps for use with jet fuel. Thielert has a comprehensive service network for CENTURION engines at its disposal, which is consistently being expanded. In 2005, there were 76 service centers compared to 60 in the previous year.

CONVINCING SELLING POINT: THE APPLICATION POSSIBILITIES AND EFFICIENCY OF CENTURION ENGINES

Contrary to other piston engines, Thielert engines are not powered by traditional, AVGAS leaded fuel. They can in fact be fuelled by both standard aviation kerosene (jet fuel) and diesel – and this in every mixture ratio. Furthermore, CENTURION engines have the decisive advantage of being more efficient and are therefore much more economical in terms of consumption.

Combined with the higher flying range as a result and given the rise in oil prices, these are convincing arguments for the jet fuel/kerosene piston engine. Prices of AVGAS have been far above those of kerosene in all important world markets for decades. In addition to the general oil price trend, this development was also attributable to high production costs as well as extremely low production output compared to kerosene. The significance of AVGAS will noticeably diminish due to its

high price and the fact that it is a leaded fuel which harms the environment. This will in turn stimulate demand for kerosene piston engines.

Furthermore, AVGAS is either unavailable or hard to obtain in some markets such as China, South-East Asia and Africa, as well as Southern and Eastern Europe. In addition to the price and volume trends of AVGAS, this is primarily attributable to the fuel's modest durability at high ambient temperatures, which is the result of the high fugacity of some additives.

Important for Thielert is the NATO strategy of a uniform fuel. This strategy is based on a directive of the American Department of Defense (DoD 4041), which states that primary fuel support for all air and ground forces in all theaters is to be accomplished using a single kerosene-based fuel. Fuel support for ground forces may also be accomplished using commercially available diesel fuel when supplying jet fuel is not practicable or cost effective. The decision in favor of kerosene or diesel fuels enabled Thielert to conclude





CENTURION technology
finally achieved its breakthrough
in general aviation.





several agreements on the delivery of CENTURION engines and related development services in the period under review. The projects initiated in 2006 will be expanded in 2007 and give planning security until 2012.

CENTURION 1.7 – THE SUCCESSFUL CORE PRODUCT

The CENTURION 1.7 piston engine is currently Thielert's core product and has been developed on the basis of an automotive engine. As such, development and production costs have managed to be kept at a low level. The performance of the CENTURION 1.7 reaches 135 hp with a cubic capacity of 1.7 liters. It is approved to be powered by both jet fuel and diesel. German civil aviation authorities granted type certification for the German market in May 2002. American type certification followed in October 2003 and Chinese type certification in February 2005. The CENTURION 1.7 is now certified in 42 nations. This allows aircraft manufacturers in these countries to integrate and certify the CENTURION 1.7 in their aircraft. Furthermore, Thielert possesses type certificates for Australia, New Zealand and Europe.

With Diamond Aircraft Industries and Apex Aircraft, there are currently two European OEMs which install Thielert's piston engines in their aircraft. The market launch in the US, which is the world's largest sales market for piston engines, is earmarked for 2006 in close collaboration with one of the leading and largest OEMs of general aviation in the world. A letter of intent was signed with this OEM in October 2004 regarding collaboration in the future. This particularly comprised the delivery of aircraft engines and engine components as well as a master agreement to regulate contract and delivery conditions.

CENTURION 4.0 – PROPULSIVE FORCE OF THE FUTURE

CENTURION 4.0 is based on a passenger car diesel engine with eight cylinders and four liters of cylinder capacity. It was developed as a jet fuel engine with 310 hp. The engine was approved by the EASA (European Aviation Safety Agency) in October 2004. Several OEMs are currently testing prototypes. The engine's first flight took place in February 2005.

Thielert produced a more powerful variant of the CENTURION 4.0 due to the high demand for high-performance

piston engines. Mass manufacturing of the 350-hp engine can now begin. This jet fuel/diesel engine represents the peak power of piston engines in the field of general aviation.

FADEC – ELECTRONIC CONTROL SYSTEMS MADE BY THIELERT FADEC (Full Authority Digital Engine Control) is a fully redundant 32 bit motor and propeller control for CENTURION engines which lowers maintenance costs, simplifies handling and increases safety. Thielert develops all hardware and software for this control system, which complies with all international aviation standards and simultaneously meets the relevant lightning and electromagnetic compatibility criteria for aviation.

The digital engine control enables an authentic single-lever control, which replaces the three levers in the cockpit (throttle, mixture, propellers). The base functionality includes among others the control of high-pressure injection valves, pressure ratios in the high-pressure pump, the turbo loader and the variable pitch propeller. Additional special integrated functions are sensor monitoring and a diagnosis interface for simplifying the analysis of repairs and maintenance. FADEC also facilitates simplified test procedures and checks before take-off. Only one button needs to be pushed and the system runs a self-check. FADEC continuously monitors more than 30 internal and external sensors during the flight, the data for which are stored in an electronic event log for later diagnosis.

FADEC is offered together with electronic displays also developed and certified by Thielert according to international aviation standards. These digital cockpit instruments display diverse engine parameters such as engine speed, temperature, pressure, fuel consumption and voltage of the electric system. The instruments visualize the data via LED technology, whose brightness is controlled automatically. These data are directly transferred via interface from the FADEC on the electronic displays.

CENTURION RETROFIT KIT – COST AND QUALITY ADVANTAGES FOR OUR CUSTOMERS Thielert offers a retrofit kit together with the CENTURION 1.7 for market-relevant aircraft types such as Cessna 172 and Piper PA28 whose engine du-

rability has expired. Since 2004, deliveries have exclusively been conducted as a full “firewall forward”, a pre-assembled and approved kit. This kit can be added as an assembly unit consisting of engine, frame, electronic, and all cooling units on the “firewall” of the respective aircraft. For safety reasons, the firewall separates the engine compartment and the passenger compartment.

As a pre-assembled unit, the retrofit kit yields the following advantages for customers:

- 1_Shorter idle times of the aircraft:** The standing time of customer aircraft is reduced, as the pre-assembled firewall forward kit can be installed faster by aircraft engine distributors. The complete assembly process requires only one week.
- 2_Certification:** The firewall forward kit with the CENTURION 1.7 has been certified for the Cessna 172 according to requirements of European and American air traffic agencies EASA and FAA (Federal Aviation Administration). The Piper PA28 has been certified by EASA.
- 3_Higher quality:** Prior to delivery, Thielert tests the entire system including the engine, electrical system, cooling unit, heating and charge air cooler at test stands. As a certified manufacturer, we thereby assure the quality of assembly and testing of the overall firewall forward-kit as one unit.

TECHNOLOGY & PROTOTYPING SEGMENT – SERVICE AT THE HIGHEST LEVEL

Technology & Prototyping embodies the Thielert Group's development and manufacturing expertise. Individual, customer-specific solutions are characteristics of this segment in general aviation as well as the automotive industry and military technology markets.

TAILOR-MADE DEVELOPMENTS AS ORDERED BY CUSTOMERS

In the Technology & Prototyping segment, Thielert primarily develops engine and precision parts for general aviation, the defense technology market and the automotive industry. Engine adaptations are furthermore offered, in which engines are optimized for special usage. Contrary to the products and solutions of the Aircraft Engines segment, this segment renders special order-related solutions. Thielert supports its customers from the conceptual idea to start of production. Moreover, it supports the manufacturing of prototypes and small series.

In addition to the automotive industry, Thielert is currently a preferred development partner of the aviation industry and defense technology.

DIVERSIFIED CUSTOMER STRUCTURE – AUTOMOTIVE, AVIATION, DEFENSE TECHNOLOGY

The most important customers include Superior Air Parts Inc. and automotive manufacturers such as DaimlerChrysler AG, Volkswagen AG, Toyota Racing Development USA Inc. and Dr. Ing. H.C.F. Porsche AG. Customers in the field of defense technology include General Atomics Aeronautical Systems Inc., Sierra Nevada Corporation and Rheinmetall Defence Electronics GmbH among others.

Superior is a world-wide leading supplier of PMA parts

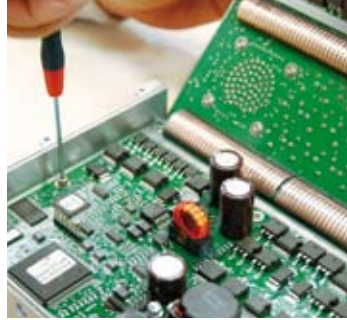
(Parts Manufacturer Approval) for piston engines in the field of general aviation. In 2001, Thielert signed a framework agreement with Superior according to which Superior became the single-source supplier for crankshafts, camshafts, cylinders and piston rods.

The American Department of Defense granted a partial order to General Atomics Aeronautical Systems and its partners AAI Corporation and SPARTA in the framework of the ER/MP project in August 2005. This order had a volume of USD 214 million and earmarks the delivery of the Warrior type UAV. Thielert is the sole supplier of General Atomics for the drive system of this UAV. The order represents the first part of a total budget of around USD 1.04 billion available to the American Department of Defense for the ER/MP until 2011.

DEVELOPMENT SERVICES AS A CORE AREA OF EXPERTISE

The development and optimization of engine components for the automotive industry are among Thielert's core areas of expertise, which dates back to the roots of the company. Since then the company has rendered high-quality development services for the aviation industry and defense technology as well. As such, the Group adapts its certified aviation engines to specifically defined purposes of defense technology such as ATV. The internally developed software of digital engine control systems allows the engines to be used as air and ground-supported systems.

The design and development of the installation of aircraft engines in existing or new aircraft prototypes as well



Thielert is the only single source supplier of crankshafts and additional components for globally leading manufacturers of PMA.

as for helicopters and drones are typical development services in the aviation industry.

ENGINE AND PRECISION PARTS FOR THE AVIATION INDUSTRY AND HIGH-PERFORMANCE ENGINE COMPONENTS FOR THE AUTOMOBILE INDUSTRY

Thielert produces engine components and precision parts such as crankshafts, camshafts, cylinder and piston rods for different aircraft engines, including those of Lycoming and Continental. The Technology & Prototyping segment manufactures high-performance engine components for prototypes and small automotive series such as special crankshafts, camshafts, piston rods, integrated waves, cylinder heads and exhaust manifolds.

THIELERT – A FAMILIAR NAME IN MOTORSPORTS

Thanks to its expertise in engine development and adaptation, Thielert built a reputation in international motorsports in the early years of the firm's existence. In the past, a number of development units of renowned motorsport teams have benefited from the company's specific development and production know-how at championships, long-distance races and FIA world championship races of Formula 1, Indy Car series, and in Le Mans.





Thielert continuously invests in a target-oriented fashion in the qualification of its employees.



EMPLOYEES – HIGHLY QUALIFIED AND COMMITTED

Successful companies need motivated and highly qualified employees. Thielert sets the standard here: know-how is the most important resource for the Group. As a consequence, the company's success is the result of a human resource policy that promotes know-how and commitment.

HIGHLY QUALIFIED EMPLOYEES ASSURE A LEADING POSITION IN COMPETITION Thielert greatly emphasizes the know-how of all its employees, as this represents the Group's strategic resource which gives the company the decisive edge in international competition.

The company actively supports the commitment of its employees to further enhance their abilities and qualifications. Vocational training therefore takes on a significant role: in 2005, some 12 percent of personnel costs went to training and education measures. This included among others continuous technical training, for example in the Six-Sigma program as a central management tool of quality control, and management training and seminars to improve communication.

PARTICIPATION IN THE SUCCESS OF THE COMPANY The company initiated an employee participation program in 2002, which has been managed by Mitarbeiter Beteiligungs GmbH. The participation in the company's success strengthens its identification with the company and cements the relationship. Since the program's start, the company has sold 520,800 shares to employees. All employees of the Group excluding the Board members were offered another 224,000 shares on the basis of a preferred offer in the scope of the IPO. The number of shares allocated was a function of the duration of employment in the company and the amount of income.

CREATION OF NEW JOBS Thielert feels a commitment to its locations in Hamburg and Saxony, which is also clearly reflected in the company's human resources policy. In the last few years, the Group has created new jobs primarily in Saxony and has trained young staff to later take them on as employees.

The company also maintained this policy in 2005. In the year under review the group employed an average of 231 employees, up from 191 in 2004. The workforce was made up of an average of 124 industrial workers and 65 salaried employees, constructors, and engineers. A further approx. 11 staff were employed as interns.

LOW AVERAGE AGE OF EMPLOYEES Thielert AG is a young company, as the age structure shows. In 2005, around 43 percent of employees were between the ages of 20 and 30 years and 34 percent were between 30 and 40. The low average age is due to the targeted recruitment of employees during their studies ("training on the job") or directly thereafter. For this reason, Thielert AG works closely together with several universities.

The Group's success is therefore also a result of a successful human resources policy. Young, enthusiastic employees with high educational standards and state-of-the-art expertise shape the company's identity.

THE SHARE – A SOLID SHARE WITH ATTRACTIVE GROWTH PERSPECTIVES

Thielert AG successfully went public in a good and somewhat very bullish year of the stock markets. The stock, which was oversubscribed several times, has been listed in the Prime Standard segment of the Deutsche Börse since November 2005. The high demand early on in the run-up to the IPO is a sign of the capital market's confidence: Thielert, a growth stock with a proven successful performance and promising positioning for the future.

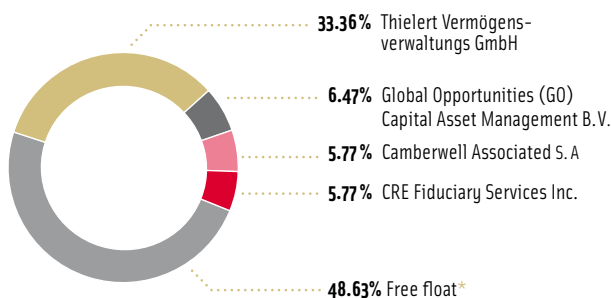
BULLISH STOCK MARKET After several years of disappointment, the German stock market showed considerably positive performance with the exception of a few periods of weakness. By mid-year the stock markets had witnessed such a strong rally that stock market indices returned to the high prices seen in 2001 and 2002. The DAX rose by 25 percent in 2005. Improved earnings of major export companies,

also supported by the appreciation of the dollar, led to high expectations of investors.

This also had a positive impact on the IPO and transaction business. While this remained at a relatively low level in the first half-year, it saw considerable stimulation in the second half. German listed companies made use of the positive stock market environment by implementing capital increases and issued new shares worth EUR 3.5 billion in the third quarter alone. In November, German companies placed new shares with a market value of EUR 4.9 billion. Furthermore, the year 2005 witnessed a stimulation of the IPO business.

SHAREHOLDER STRUCTURE

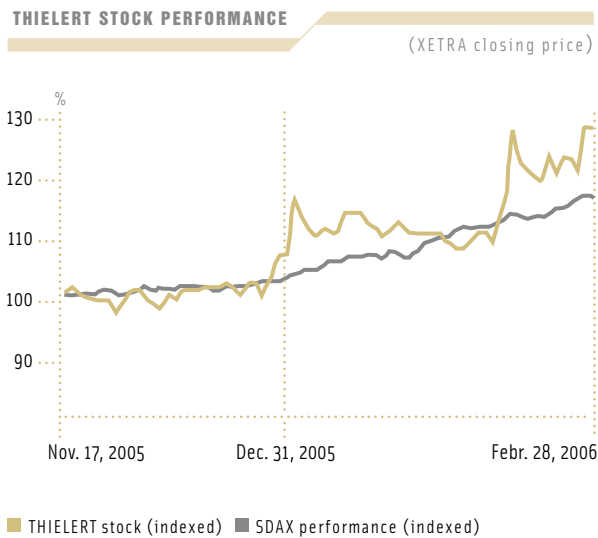
(as of Febr. 28, 2006)



* Including all shareholders with a stake of less than five percent:
 Thielert Mitarbeiter Beteiligungs GmbH 1.41%, Claus Christensen 0.74%.

HIGH FREE FLOAT AFTER SUCCESSFUL IPO Thielert AG shares (Security Identification Number: 605 207) have traded on the Prime Standard since the successful IPO on November 17, 2005. The issue price, which was derived by a book building procedure, was EUR 13.50 per share. This was in the upper third of the price range of EUR 12 to 14. The IPO was subscribed more than five times. The share price performed positively following its successful start. From its issue price, the share price climbed to EUR 15.35 by the end of 2005. The share price saw a low of EUR 13.42 and a high of EUR 15.35 in the period under review.

Due to the high demand the bank consortium consisting of Dresdner Bank, Cazenove and Landesbank Baden-



growth strategy, direction and company targets. The website www.thielert.com with its separate IR section offers comprehensive insight into the company.

Attempts at an intensive dialogue with capital market participants have been well accepted, as was the share price performance as well as the stated interest in the company and the published analyst reports.

The presence of Thielert AG on the stock market is supported by both Dresdner Kleinwort Wasserstein and Equinet AG in their function as designated sponsors.

Württemberg, the fully executed greenshoe of 957,577 shares was issued a price of EUR 13.50 (from previous shareholdings). The company's free float is predominantly owned by international institutional investors, predominantly those from Anglo-Saxon countries. Thielert Vermögensverwaltung GmbH remains the major single shareholder of the company with around 33 percent of the shares.

The stock issue had a total volume of approximately EUR 142 million including the shares made available for the greenshoe. The company received gross proceeds of ca. EUR 62 million from this. After deducting the direct transaction costs the net IPO proceeds of EUR 55.5 million should be used equally to repay financial liabilities and finance further growth of the Group.

COMPREHENSIVE INVESTOR RELATIONS ACTIVITIES

In the year under review, the company was in contact with German and international capital market participants in the framework of numerous investor relations activities. Shareholders of the company as well as potential investors, analysts and business press have been regularly informed on all important occurrences and developments in an open and transparent fashion. At one road show, selected IR addresses by managers of investment funds, one-on-one meetings and press and telephone conferences demonstrated Thielert's

DATA ON THE THIELERT SHARE

| | |
|----------------------------------|--|
| // WKN/ISIN: | 605 207/DE0006052079 |
| // Stock exchange code : | T3C (Deutsche Börse) |
| // Bloomberg symbol: | T3C GY (XETRA), T3C GF (floor trading) |
| // Reuters symbol: | T3CGn.DE (XETRA), T3CGn.F (floor trading) |
| // Main trading exchange: | XETRA |
| // Additional stock exchanges: | Berlin-Bremen, Düsseldorf, Frankfurt am Main, Hamburg, Munich, Stuttgart |
| // Share capital: | 19,891,530 EUR |
| // Number of shares outstanding: | 19,891,530 |

PERFORMANCE IN THE 2005 FISCAL YEAR (in EUR)

| | |
|--|---------------|
| // Opening price on the first trading day Nov. 17: | 13.50 |
| // Share price on Dec. 30: | 15.35 |
| // Market capitalization on Dec. 3:0 | 305.3 million |
| // Highest price: | 15.35 |
| // Lowest price: | 13.42 |
| // Earnings per share: | 0.55 |

CORPORATE GOVERNANCE – MORE STRINGENT MANAGEMENT AND CONTROL OF THE COMPANY

The confidence of the capital market, business partners and employees is based on the responsible management of the company. Transparent reporting and efficient corporate control are therefore of great significance to the Thielert Group.

DECLARATION OF CONFORMITY ACCORDING TO § 161 STOCK CORPORATION ACT (AKTG) The Management and Supervisory Boards of the company declare that Thielert AG has conformed to the recommendations of the German Corporate Governance Code as amended on June 2, 2005, which have been made public in the electronic Federal Gazette. The company will also continue to comply with the following exceptions in the future:

- // The Management and Supervisory Boards have no deductible for the D&O insurance. The company deems this appropriate in light of the compensation structure.
- // The Supervisory Board has formed no committees, as it consists of only three members.
- // No audit committee has been formed, as the Supervisory Board consists of only three members.
- // The company displays the remuneration of Supervisory Board members in a lump sum in the Notes to the Annual Report. Given the amount of compensation and the regulations included in the articles of association, the company sees no additional use for publication from an investor's perspective.
- // Purchases and sales of Thielert AG shares by members of the Management and Supervisory Boards are published as

far as § 15a Securities Trade Act requires. A publication of shareholdings of Board members in the company beyond this as well as of associated derivative financial instruments has not been implemented and is not intended in the future.

- // The single entity financial statements of Thielert AG are not published on the Internet due to the negligible significance.

REMUNERATION AND STOCK OPTION PLAN Frank Thielert currently receives an annual fixed salary of EUR 350,000. The respective compensation of Roswitha Grosser amounts to EUR 250,000. In addition, both Board members receive a performance-based management bonus of up to 100 percent of their fixed salary. Decisions on the payment of the management bonus are subject to approval by the Supervisory Board. 50 percent of the management bonus should be paid wherever certain company figures determined by the Supervisory Board have been achieved. The Supervisory Board decides the payment of the other 50 percent at its sole discretion.

Frank Thielert indirectly holds 6,636,504 company shares via his 100 percent holding in Thielert Vermögensverwaltung GmbH. This represents a stake of 33.36 percent in the share capital. Frank Thielert is furthermore the sole partner of Thielert Mitarbeiter Beteiligungs GmbH, which holds a 1.41 percent stake in the share capital of Thielert AG. Roswitha Grosser currently holds 28,000 company shares via Thielert

Mitarbeiter Beteiligungs GmbH. These shares are bound to a six-month blocking period starting from the date of the IPO.

With resolution of the Annual General Meeting on September 19, 2005, the Management Board has been authorized in the scope of the 2006 stock option plan to issue a maximum of 800,000 stock options with subscription rights on shares of Thielert AG through December 31, 2008 with the approval of the Supervisory Board. These stock options have a term of up to five years and each option includes the right to purchase one share of Thielert AG. In the scope of the 2006 stock option plan, the Supervisory Board is authorized to grant a maximum of 150,000 stock options to members of the Management Board of Thielert AG. Members of the management of associated Group companies (pursuant to §15 Stock Corporation Act) can likewise receive up to 150,000 stock options. The Management Board can grant a maximum of 500,000 stock options to employees of the Group.

MANAGEMENT AND CONTROL STRUCTURE The Group's management and control structure and the collaboration of the company's Boards comply with the conditions of the German Stock Corporation Act.

In addition, the Supervisory Board passed new rules of procedure for the Management Board on September 26, 2005. According to these rules, the Management Board jointly conducts businesses. Nevertheless, each member of the Board is assigned to several fields of business, which the respective member manages independently and at its own responsibility.

A vote by the Board members is to be arranged in the case of measures affecting several fields of business. Affairs affecting the Management Board as a whole are to be resolved by the overall Board, as long as there is no other majority bound by law or the company's articles of association. In such cases the Management Board decides with the simple majority of its members. The Chairman of the Management Board has the deciding vote in the case of an even number of votes.

With the resolution from September 16, 2005, the Supervisory Board resolved new rules of procedure for itself. According to these rules, the Supervisory Board convenes once every calendar quarter and must hold meetings twice per calendar half-year.

IFRS AND GERMAN GAAP (HGB) ACCOUNTING Thielert AG prepares the financial statement of the Group and the interim reports according to the guidelines of International Financial Reporting Standards (IFRS). As required by law, the annual financial statements of Thielert AG are prepared according to the guidelines of German GAAP (HGB).

CONSOLIDATED MANAGEMENT REPORT

THE CONSOLIDATED FINANCIAL STATEMENTS OF THIELERT AG ARE PREPARED ACCORDING TO IFRS STANDARDS. IFRS CONSOLIDATED FINANCIAL STATEMENTS WERE PREPARED FOR THE FIRST TIME IN THE FISCAL YEAR 2004.



MANAGEMENT REPORT OF THE GROUP FOR THE 2005 FISCAL YEAR

In a once again dynamically developing world economy, the Group has continued uninterrupted on its growth path. The figures are proof of fundamentally solid, high growth and above all a profitable company. The Thielert Group increased revenues by 55.2 percent.

2005 WORLD ECONOMICS: ROBUST GLOBAL ECONOMY The global economy was relatively robust in the 2005 fiscal year. Although it fell short of the previous year's high dynamic, growth still amounted to 4.3 percent. The somewhat weaker growth rates were primarily a result of the surging oil price, which greatly reduced the purchasing power of oil-importing countries in the course of the year.

When looking at the individual regions, a very heterogeneous development of the global economy similar to previous years is seen. While China (plus 9.2 percent) and the US (plus 3.6 percent) made a major contribution to world-wide growth, European growth rates of 1.3 percent were rather moderate. Japan recovered from its low in the second half of 2004 and expanded 2.2 percent in 2005. The most important economies of Latin America continued to grow significantly by 4.0 percent, while the emerging Southeast Asian countries expanded by 4.1 percent.

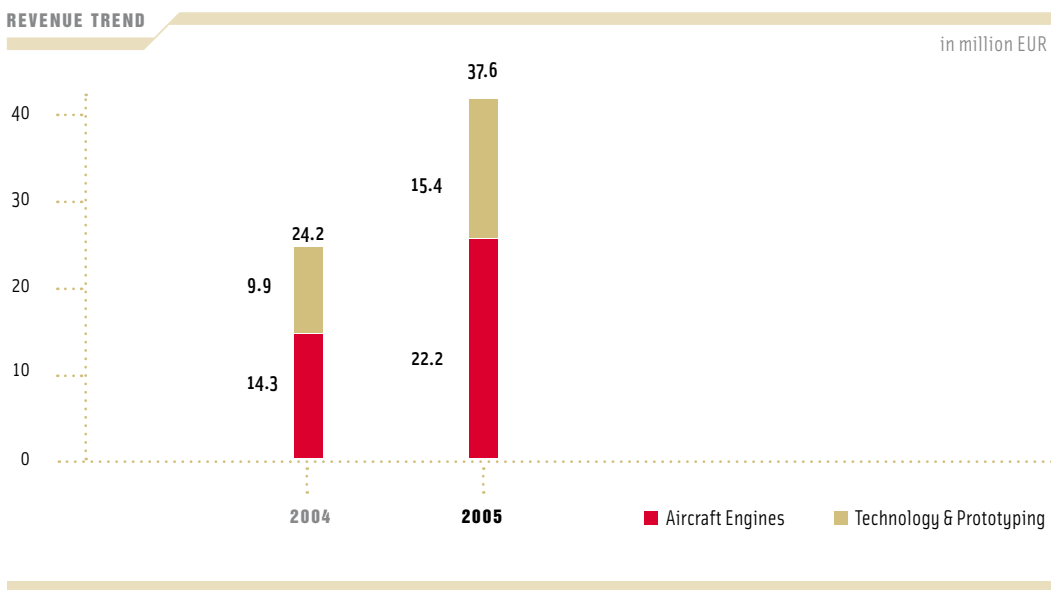
In contrast, Germany again missed out on a wide economic recovery in 2005. The GDP increased a mere 0.9 percent, while growth was 1.6 percent in the previous year. As in the past, exports remained the main pillars of growth. Exports rose by 6.2 percent in 2005. Due to the general economic situation, private consumption stagnated with 0.0 percent growth at the level of the previous year. Investments in equipment only increased at a very moderate rate of 4.0 percent, as weak consumption and last but not least the high oil price burdened the earnings of many companies.

GENERAL AVIATION CONSTANTLY ON THE RISE In the period under review, the market of general aviation continued its very positive trend of the past year. According to a study by the General Aviation Manufacturers Association (GAMA) revenues increased by 27.2 percent compared to 2004. Unit sales expanded 20.8 percent. The Thielert Group's relevant market segment of piston aircraft also witnessed growth of 20.2 percent.

GROUP REVENUES INCREASED SIGNIFICANTLY In the FY 2005, the Group continued on its growth path with considerable expansion. Compared to the previous year, revenues rose 55.2 percent to EUR 37.6 million (24.2). The Aircraft Engines segment, whose revenues increased 55.5 percent to EUR 22.2 million (14.3), played a major part in this.

First, Thielert's Aircraft Engines segment delivered many more CENTURION 1.7 type serial engines in 2005 than in the previous year with 810 engines in 2005 compared to 405 engines in the 2004 fiscal year. Thanks to additional distributors, more retrofit kits were sold in the segment.

Compared to 2004, the Technology & Prototyping segment expanded by 54.9 percent to EUR 15.4 million (9.9). This was primarily due to the increased production of PMA parts for Superior Air Parts Inc. and higher demand for development services in the field of military technology.



GLOBAL PRESENCE AND SUCCESS The German market contributed 10.3 percent of total revenues with EUR 3.9 million (6.5). In Europe (excluding Germany), Thielert generated revenues of EUR 9.2 million (7.2), which equals a revenue share of 24.5 percent. The remaining 65.2 percent of EUR 24.5 million (10.5) was generated in the US and the rest of the world (excl. Europe).

Particularly, the North American market developed above average. Revenues in that region more than doubled over 2004 (plus 133 percent) due to the growing military technology and PMA business. European revenues (excl. Germany) increased 28.6 percent over the previous year.

The Group's distribution network comprised 76 Service Centers world-wide as of December 31, 2005, 24 thereof in Germany and 52 abroad. As a consequence, the total number of Service Centers increased by 16 year-on-year. New distribution locations were established in Thailand, South Africa, Australia and the Caribbean region among others.

POSITIVE EARNINGS TREND Revenue growth also caused a 22.5 percent rise in the gross profit from EUR 19.1 million in 2004 to EUR 23.4 million in the period under review. However, the gross margin declined from 79 percent in 2004 to 62 percent, which is attributable to the over-proportionate revenue increase in the retrofit market: Retrofit kits have a lower margin than pure engine production, as a higher share of purchased

parts for engine kits, for example propellers, results in a lower value-added ratio.

The mentioned revenue increase in the retrofit market and the general rise in business volume resulted in an almost tripling of cost of sales to EUR 14.1 million (5.1) in the year under review.

As a result of the revenue jump, sales and marketing as well as general administration expenses rose to EUR 2.1 million (1.0) and EUR 8.0 million (5.2), respectively.

The Group's key figure of operating profit before depreciation/amortization (EBITDA) improved from EUR 11.3 million to EUR 16.1 million in 2005 and thus rose 42.3 percent year-on-year. Correspondingly, EBIT rose by 50.9 percent to EUR 13.1 million (8.7).

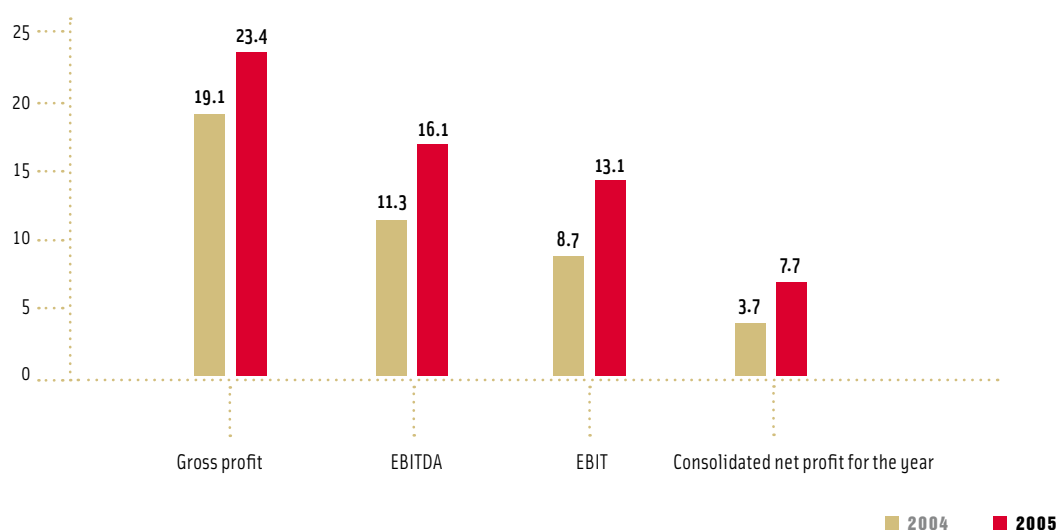
The financial result saw a slight relief from the IPO proceeds as of the end of November. A significant relief of the financial result is anticipated in Q1 2006. This is due to the reclassification of financial liabilities implemented at the end of the fiscal year.

Consolidated net profit amounts to EUR 7.7 million (3.7) with a slightly over-proportionate rise in tax expenses. This equals a plus of 106.7 percent.

In the year under review, basic earnings per share reached EUR 0.55 (0.47).

SELECTED PROFIT FIGURES

in million EUR



SEGMENTS: AIRCRAFT ENGINES WITH SIGNIFICANT EARNINGS PLUS Aircraft Engines generated EBITDA of EUR 9.5 million (6.7). This represented a significant rise of 42.0 percent. EBIT of the segment increased 50.5 percent year-on-year to 7.8 million (5.2).

Technology & Prototyping expansion was similarly strong. A solid plus of 42.6 percent was achieved in terms of EBITDA with EUR 6.6 million (4.6). EBIT increased 51.6 percent to EUR 5.4 million (3.5).

PRODUCT APPROVALS – INTERNATIONAL BREAKTHROUGH OF CENTURION TECHNOLOGY_

On January 31, 2005, the American Federal Aviation Administration (FAA) issued approval certificates for the CENTURION 1.7 of the Cessna 172 in the US to Thielert Aircraft Engines GmbH. This included the Cessna 172 K, L, M, N, R and S prototypes. The type certification of the CENTURION 1.7 by the Civil Aviation Administration of China (CAAC) was awarded on February 3, 2005, a few days following the American approval.

Both approvals are of great importance to the Group's market success in North America and Asia. They represent significant milestones in the international diversification strategy and are proof of the final breakthrough of the CENTURION technology in general aviation.

In July 2005 the European Aviation Safety Agency (EASA) granted Thielert Aircraft Engines GmbH the installation certificate for the CENTURION 1.7 for Robin DR-400RP, 120D, 140B, 180R and 200R aircraft by the manufacturer Apex Aircraft. The extended installation approvals of the CENTURION 1.7 followed in September 2005 for the Cessna 172 type series F, G, H and I. All essential prototypes of the Cessna 172 are therewith covered by installation approvals.

MARKETING AND SALES – PRESENT AT IMPORTANT FAIRS_The company intensified the marketing of its products at trade fairs from the beginning of the 2005 flight season. Its appearance in Friedrichshafen at the AERO in spring – the most important fair in general aviation – was particularly successful. Attendance at the press conference was very good with nearly 70 journalists and resulted in a doubling of press coverage and new cover stories. The outdoor booth featuring several aircraft equipped with CENTURION engines also attracted a lot of attention by fair visitors.

Together with its distribution partners, Thielert was present at the following selected fairs of the automotive and aviation industry as well as international exhibitions of the military technology sector in the 2005 fiscal year:

- // EngineExpo in Stuttgart
- // Paris Air Show in Le Bourget, Paris
- // AAAA (Army Aviation Association of America) in Orlando, Florida
- // EAA (Experimental Aircraft Association) AirVenture in Oshkosh, Wisconsin
- // AERO Friedrichshafen
- // US-SOCOM (Special Operations and Command) in Tampa, Florida
- // AUVSI (Association for Unmanned Vehicle Systems International) in Baltimore
- // Fly! in London
- // Sun-N-Fun in Lakeland

The company began chartering its own purchased aircraft fleet in the fourth quarter of 2004. This was successfully continued in 2005. Thielert is successfully winning over new customers in Germany and inspiring new pilots for diesel engines with its "Train and Charter" campaign.

SOLID ASSETS AND FINANCIAL SITUATION The balance sheet as of December 31, 2005 is strongly affected by the IPO.

The balance sheet total rose from EUR 83.5 million to EUR 123.4 million. Non-current assets amounted to EUR 39.4 million (38.0) and current assets reached EUR 84.0 million (45.5). Compared to the previous year, equity increased to EUR 99.2 million (21.0). The equity ratio climbed to 80.3 percent (25.1).

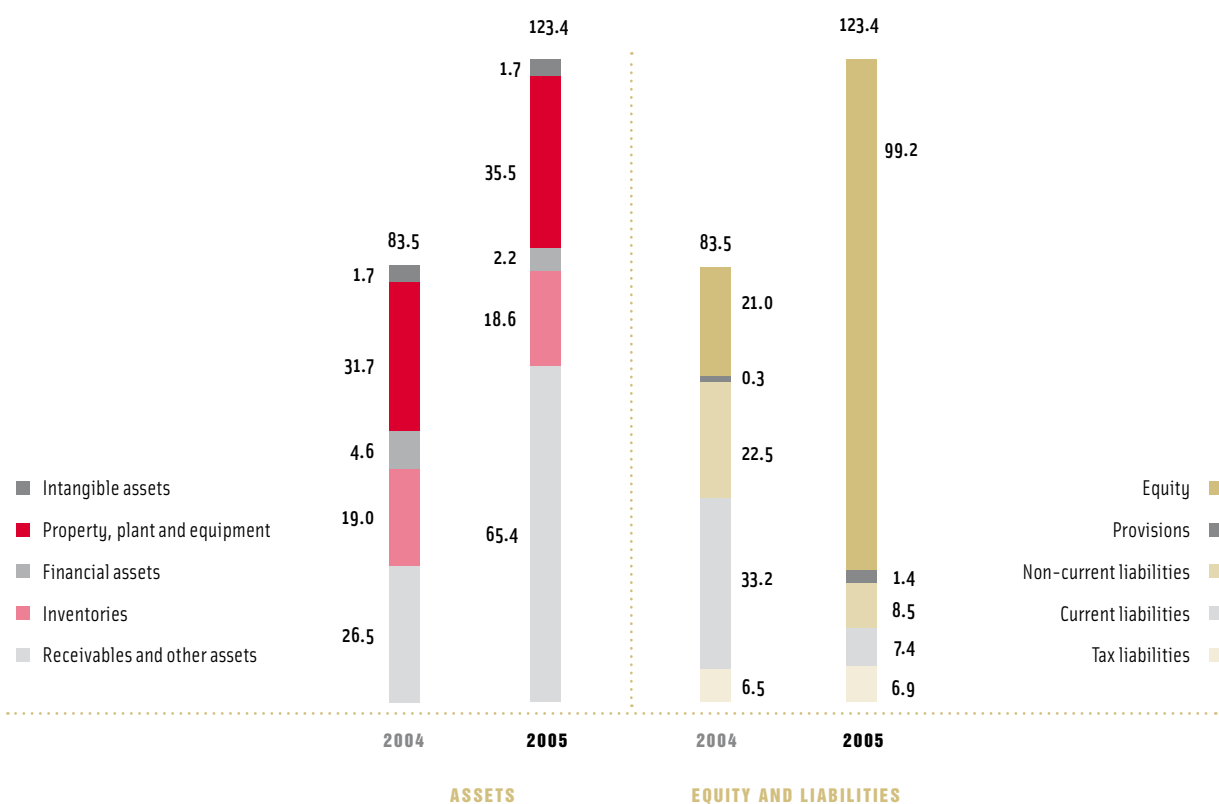
With EUR 18.6 million (19.0), inventories remained at the high level of the previous year. This was due to high inventories of finished and unfinished goods, particularly of CENTURION 1.7 type engines.

Receivables and other assets increased from EUR 26.5 million to EUR 65.4 million. This was primarily due to higher trade receivables, mostly affecting the military technology sector. According to the receivable's aging structure and the resulting contingency risk, risk provisions graded according to the age structure were allocated.

The company had initially covered its financial needs through a syndicated loan, which was repaid in full after the successful IPO. On the balance sheet date, the Group recorded payables to banks of EUR 8.4 million: 80.2 percent less than on the same date in 2004. Overall, liabilities declined by 69.6 percent.

BALANCE SHEET STRUCTURE

in million EUR



CASH FLOW AFFECTED BY OPERATING GROWTH The positive cash flow from financing activities more than compensated for the company's negative cash flow from operating activities. This resulted in positive cash and cash equivalents of EUR 18.2 million (-24.3) at the end of the fiscal year.

Cash flow from operating activities in 2005 amounted to EUR -11.1 million and thus declined compared to the figure of the previous year of EUR -5.4 million. This is primarily due to long debtor terms of development projects which have not yet resulted in a corresponding cash inflow. At the same time, trade payables were lowered by EUR 2.9 million.

The cash flow from investing activities is affected by the strong growth of the company. This amounted to EUR -3.6 million (-6.3). Direct investments of EUR 7.0 million (4.5) have almost doubled due to the capitalization of the company's own work on the CENTURION 4.0.

The cash flow from financing activities primarily reflects the repayment of loans and silent shareholdings with a total amount of EUR 13.4 million as well as the IPO proceeds of EUR 55.5 million and cash inflow of EUR 15.0 million from the capital increase.

The company anticipates a further relief in the operating cash flow in 2006 as a result of stronger customer retention and the shorter terms of payment.

CAPITAL EXPENDITURES: MACHINERY AND FIXED ASSETS IN FOCUS In the first quarter 2005, the Group concluded the GA 4 investment project after a construction period of five years. This was on schedule in terms of costs and time. Overall, the company invested a total of EUR 27.8 million in the scope of four investment projects for the Lichtenstein location. Two new production halls, one administrative building and modern machinery for precision manufacturing were established. Overall, the company has a production and utilization surface of 6,135 sqm in Lichtenstein at its disposal.

Capital expenditures amounted to EUR 7.2 million (7.5) in the period under review, and were primarily financed through finance leases and the working capital loan.

The investment rate was 6 percent.

New turning and milling centers in Hamburg and Lichtenstein as well as purification plants and varnishing machines, extensions of monitoring and measurement systems and an expansion of the IT-infrastructure were among the investment focal points in 2005.

RESEARCH AND DEVELOPMENT The Thielert Group is a technology-driven company competing in a global high tech market. Innovations combined with high quality are the drivers and, at the same time, the strengths of the company.

The company has time and again proven its ability to develop and market new technologies faster than its competitors. Thielert is the technology leader in the field of kerosene/diesel piston engines for general aviation aircraft.

Primarily, company-specific research and development is conducted in the Aircraft Engines segment. The focus lies in the adaptation of passenger car diesel engines to aircraft construction applications and unmanned aviation. This includes the development of the entire engine periphery necessary through to engine controls and electronic displays.

Development services of the Technology & Prototyping segment are order-related and mostly customer-financed. They represent a major part of the segment's service range, which is why they are not considered as

development services in terms of accounting.

In the 2005 fiscal year, different components of the CENTURION 1.7 underwent a reengineering in order to minimize manufacturing and assembly costs. Furthermore, the company concentrated on the further development of CENTURION 4.0, which successfully underwent a test phase in 2005. Its installation and deployment was tested in aircraft by various OEMs.

In the year under review, Thielert capitalized a total of EUR 5.3 million (1.5) for development activities, which is 252 percent more than in the previous year.

EMPLOYEES In the year under review, Thielert AG created 50 new jobs at Thielert Aircraft Engines GmbH in Lichtenstein (Saxony). Including this number, the Group had a total of 252 (202) employees as of December 31, 2005, 13 of which are still apprentices.

The distribution of the existing workforce is as follows: 191 employees at Thielert Aircraft Engines GmbH in Lichtenstein (Saxony), 40 at Thielert Motoren GmbH in Hamburg and 21 at the AG. In the period under review, personnel expenses totaled EUR 8.6 million (6.8), EUR 1.3 million (1.0) of which referred to social insurance contributions. The share of personnel costs changed 5 percentage points to 23 percent (28).

The current remuneration of Board members Frank Thielert and Roswitha Grosser amounts to EUR 350,000 and EUR 250,000, respectively. In addition, both Board members may receive a performance-based management bonus of up to 100 percent of their fixed salary. Decisions on the payment of the management bonus are subject to approval by the Supervisory Board.

ENVIRONMENTAL PROTECTION AND JOB SAFETY Thielert AG is well aware of its economic and ecologic responsibility. Consequently, the Group has committed itself to acting responsibly in regard to natural resources and to proving as little of a burden on the environment as possible. Thielert products and production are subject to strict environmental guidelines. Ecological aspects take high priority in the manufacturing process. Energy, water and raw materials are used sparingly, air and water emissions are cleaned with the help of state-of-the-art technology and waste is recycled. Furthermore, the company has very good environmental protection facilities at its disposal which are constantly monitored, modernized and expanded.

Thielert views social responsibility as one of the major pillars of its sustainable development. The Group aims for modern and ergonomic workplaces on top of legal job safety requirements. Furthermore, production methods and processes are subject to an ongoing quality control.

RISK REPORT

CONTROL SYSTEMS GUARANTEE SAFETY_The company traditionally manages its risks in the scope of its internal monitoring and control system. This system signals early on whether adverse effects threaten the operating efficiency and performance of the company. The system is primarily comprised of comprehensive planning, detailed reporting, approved methods and tools of quality control and diverse early-warning systems. Risks threatening the existence of the Group are thereby recognized early on, thus allowing for a direct implementation of counter-measures. The system's effectiveness is constantly monitored and, wherever necessary, updated.

Early recognition as well as a strict and professional handling of potential risks guarantees the operating efficiency, performance and continuity of the company. Management consistently makes decisions on investments, participations and cooperations on the basis of detailed analyses of financial and other entrepreneurial risk.

IDENTIFIED RISKS_As an internationally operating company, the Thielert Group is exposed to general entrepreneurial and industry-specific risks. These include capacity and utilization risks as well as strategic, political, operational, quality, purchasing, information, financial and treasury risks.

OPERATING RISKS_Operating risks refer to possible losses due to human or technical failure, deficient systems or processes and external events. Thielert constantly develops its systems, regularly monitors all processes and adjusts them wherever necessary in order to limit these risks. Wherever possible, the Group's technical systems are redundantly designed to maintain their functionality.

MARKET RISKS_The customer structure of the Thielert Group is primarily comprised of companies from the aviation industry, automotive manufacturing and the automotive supplying sector. These customer groups are exposed to the general economic situation, albeit to different extents. Although the Group's customers almost entirely include well-known, international companies with high creditworthiness, their order intakes still depend on the economic environment and are subject to fluctuations.

FINANCING RISKS_Companies from the automotive and aviation industry will continue to lower their level of vertical integration in the next few years and increasingly outsource parts of the value-added chain and development activities to the supplier industry. A supplying and development company such as Thielert must, therefore always research, develop and produce at the highest level.

Furthermore, there is a higher need for financing of start-up costs and capital expenditures. In order to relieve the cash flow, all investments of the entire Group are efficiently planned and implemented, thereby making use of subsidies. Planned investments which do not meet the underlying strict monitoring criterion do not receive a green light.

Interest and currency risks that could emerge due to the international direction of Group activities are centrally recorded at the parent company Thielert AG and, if possible and economically sensible, are hedged through financial derivatives. The company has anticipated a rising exchange rate of the US dollar, which is why the use of such a financing instrument has not been deemed appropriate due to the billing of

development services in Euro.

The long, mid and short-term debt financing via banks is regularly reviewed together with house banks of the Thielert Group and is adjusted to changing market conditions. Neither financing nor liquidity shortages affected the previous year due to the existing sufficient lines of credit. Furthermore, there is no dependency on individual banks. The IPO of the company further strengthened the equity base. The financing of the Group and its subsidiaries is therefore assured in a sustainable fashion.

LEGAL RISKS Legal or liability risks could result from contractual agreements, which cannot be enforced in favor of the Thielert Group, or from (amended) basic legal conditions. In order to limit these risks, all contracts are intensively scrutinized by employees of the company and/or external legal advisors prior to signing.

There is an adequate insurance coverage of risks stemming from natural hazards and the resulting breakdown of operations as well as warranty, product liability and risks of recalls. The existing insurance coverage is subject to regular reviews and possible adjustments. The process stability is simultaneously monitored at regular intervals and optimized when necessary. Furthermore, the Group has implemented extensive measures of quality control.

Further risks could arise from tax field audits. All undisputed risks already known were considered in the annual financial statements. In addition, there are legal risks of ca. EUR 0.7 million. However, the company assumes that its legal position will succeed and that no financial charge will be incurred.

In addition to the risks mentioned, there are no essential risks foreseeable which could endanger the going-concern of the Group as a whole or certain parts of it. No economic, legal or other threats having a fundamental impact on the asset, financial and earnings situation of the company are existent.

SPECIAL OCCURRENCES DURING THE FISCAL YEAR Thielert AG was first listed in the Prime Standard of the Frankfurt Stock Exchange on November 17, 2005. A total of 10,533,347 no-par shares were offered in a bookbuilding procedure with a share price range between EUR 12 and EUR 14. Pre-marketing had already shown a high interest, causing a determination of the issue price of EUR 13.50 in the upper third of the range. The offer was oversubscribed more than five fold at this price. Including the greenshoe, the issuing volume was EUR 142 million. After deducting direct transaction costs, a total of EUR 55.5 million remained for the company.

The consortium banks fully executed the greenshoe on December 9 due to the strong demand. A total of 957,577 shares were placed from holdings of existing shareholders. This lifted the free float to 55.10 percent.

OUTLOOK – THE GROUP REMAINS ON ITS GROWTH PATH In light of the robust global economic trend, the Thielert Group will remain on its growth path. The CENTURION 4.0 will enter serial production in 2006 after successful test flights and will then be delivered to OEM customers.

Superior Air Parts Inc., which is delivered by Thielert as a single-source-supplier with crankshafts, camshafts, cylinders and piston rods, received new production certifications in November 2005. Consequently, the American company increased its order volume and ordered higher quantities from Thielert.

The company also anticipated a slightly higher investment activity this year. This would form the basis of a continuation of rapid growth for the company's subsidiaries. The focus of capital expenditures in 2006 will be on a new operating site for manufacturing and assembly activities at the regional airport in Altenburg-Nobitz.

The Thielert Group is optimistic for the future. The company is well positioned based on its products, sale regions and competitors. 2006 should, therefore, be another successful fiscal year. An improvement in the dynamic growth trend of revenues and earnings is planned.

Hamburg, March 3, 2006



Frank Thielert
Chief Executive Officer



Roswitha Grosser
Chief Financial Officer

CONSOLIDATED FINANCIAL STATEMENTS

THE CONSOLIDATED FINANCIAL STATEMENTS OF THIELERT AG ARE PREPARED ACCORDING TO IFRS. IFRS CONSOLIDATED FINANCIAL STATEMENTS WERE PREPARED FOR THE FIRST TIME IN THE FISCAL YEAR 2004.



CONSOLIDATED BALANCE SHEET

ASSETS

| | Notes | Dec. 31, 2005 | Dec. 31, 2004 |
|---|-------|-----------------------|----------------------|
| in EUR | | | |
| I. NON-CURRENT ASSETS | | 39,420,442.60 | 37,965,958.89 |
| 1. Intangible assets | | | |
| Software licenses and internally produced intangible assets | F.1. | 1,694,802.79 | 1,684,201.94 |
| 2. Property, plant and equipment | F.2. | 35,521,238.86 | 31,667,248.28 |
| 1. Land, land rights and buildings including buildings on third-party land | | 5,062,647.43 | 1,907,421.28 |
| 2. Technical equipment and machines | | 12,361,476.76 | 13,630,514.28 |
| 3. Other equipment, factory and office equipment | | 17,911,919.67 | 12,314,956.17 |
| 4. Payments on account and assets under construction | | 185,195.00 | 3,814,356.55 |
| 3. Financial assets | F.3. | | |
| Loans | | 2,204,400.95 | 4,614,508.67 |
| II. CURRENT ASSETS | | 83,989,756.44 | 45,541,380.83 |
| 1. Inventories | F.4. | 18,622,485.13 | 19,035,558.17 |
| a) Raw materials and supplies | | 1,604,490.14 | 631,670.05 |
| b) Work-in progress | | 6,140,127.95 | 9,621,187.00 |
| c) Finished goods and merchandise | | 10,814,267.04 | 8,465,606.98 |
| d) Payments on account | | 63,600.00 | 317,094.14 |
| 2. Receivables and other current assets | F.5. | 65,367,271.31 | 26,505,822.66 |
| a) Trade receivables | | 45,306,137.39 | 24,035,740.68 |
| b) Receivables from group companies | | 0.00 | 18,069.29 |
| c) Receivables from shareholders | | 565,818.09 | 375,899.50 |
| d) Other current assets | | 1,057,680.72 | 1,653,122.03 |
| e) Accruals | | 224,541.45 | 413,130.71 |
| f) Cash and bank balances | | 18,213,093.66 | 9,860.45 |
| TOTAL ASSETS | | 123,410,199.04 | 83,507,339.72 |

EQUITY AND LIABILITIES

in EUR

| | Notes | Dec. 31, 2005 | Dec. 31, 2004 |
|--|-------|-----------------------|----------------------|
| I. EQUITY | | 99,154,905.68 | 20,989,791.56 |
| 1. Subscribed capital | F.6. | 19,891,530.00 | 13,006,000.00 |
| 2. Capital reserves | F.7. | 64,363,812.87 | 750,052.16 |
| 3. Revenue reserves | | 606,475.11 | 606,475.11 |
| 4. Consolidated retained earnings | | 14,293,087.70 | 6,627,264.29 |
| II. LIABILITIES | | 24,255,293.36 | 62,517,548.16 |
| 1. Provisions | F.8. | 1,413,100.00 | 293,000.00 |
| Current provisions | | 1,413,100.00 | 293,000.00 |
| 2. Other liabilities | F.9. | | |
| a) Non-current liabilities | | 8,477,244.93 | 22,493,507.05 |
| i. Liabilities to banks | | 7,277,575.92 | 16,632,738.94 |
| ii. Payables to shareholders | | 0.00 | 942,758.94 |
| iii. Payables to silent shareholders | | 0.00 | 3,266,937.82 |
| iv. Other liabilities | | 1,199,669.01 | 1,651,071.35 |
| b) Current liabilities | | 7,431,747.38 | 33,228,798.59 |
| i. Liabilities to banks | | 1,118,016.30 | 25,804,140.58 |
| ii. Receipts on account for orders | | 320,727.86 | 142,464.87 |
| iii. Trade payables | | 2,718,439.28 | 3,184,697.22 |
| iv. Payables to shareholders | | 0.00 | 207,257.23 |
| v. Payables to silent shareholders | | 2,080,000.00 | 775,225.84 |
| vi. Other liabilities | | 1,194,563.94 | 3,115,012.85 |
| thereof social security contributions: | | | |
| EUR 342,302.03 (previous year: EUR 223,923.16) | | | |
| 3. Tax liabilities | F.9. | 6,933,201.05 | 6,502,242.52 |
| i. Tax provisions and liabilities | | 2,635,340.90 | 3,301,187.37 |
| ii. Deferred taxes | | 4,297,860.15 | 3,201,055.15 |
| TOTAL EQUITY AND LIABILITIES | | 123,410,199.04 | 83,507,339.72 |

CONSOLIDATED INCOME STATEMENT

| | | in EUR | | | |
|--|-------------|----------------------|-------------|----------------------|-------------|
| | Anhang | 31.12.2005 | % | 31.12.2004 | % |
| Revenues | G.1. | 37,578,749.32 | 100.0 | 24,205,338.18 | 100.0 |
| Costs of sales | G.2. | 14,208,909.47 | 37.8 | 5,135,002.37 | 21.2 |
| Gross profit | | 23,369,839.85 | 62.2 | 19,070,335.81 | 78.8 |
| Marketing and selling expenses | G.3. | 2,074,379.20 | 5.5 | 1,017,678.25 | 4.2 |
| General administration expenses | G.4. | 8,022,645.59 | 21.4 | 5,162,033.34 | 21.3 |
| Other operating income | G.5. | 3,089,358.08 | 8.2 | 264,163.53 | 1.1 |
| Other operating expenses | G.5. | 3,104,793.22 | 8.3 | 4,434,837.64 | 18.3 |
| Other taxes | | 114,770.66 | 0.3 | 11,344.10 | 0.0 |
| Operating profit [EBIT] | | 13,142,609.26 | 35.0 | 8,708,606.01 | 36.0 |
| Interest income | | 504,729.00 | 1.3 | 154,196.41 | 0.6 |
| Interest expenses | | 4,118,612.94 | 11.0 | 4,038,694.14 | 16.7 |
| Interest result | G.6. | -3,613,883.94 | -9.7 | -3,884,497.73 | -16.1 |
| Other income and expenses | G.7. | -419,608.01 | -1.1 | 525,568.00 | 2.2 |
| Profit before tax [EBT] | | 9,109,117.31 | 24.2 | 5,349,676.28 | 22.1 |
| Income taxes | G.8. | 1,443,293.90 | 3.8 | 1,641,894.74 | 6.8 |
| Consolidated net profit for the year | | 7,665,823.41 | 20.5 | 3,707,781.54 | 15.3 |
| Retained earnings | | 6,627,264.29 | 17.6 | 11,830,141.06 | 48.9 |
| Allocation to revenue reserves ¹ | | 0.00 | 0.0 | -8,910,658.31 | -36.8 |
| Consolidated profit | | 14,293,087.70 | 38.0 | 6,627,264.29 | 27.4 |
| Earnings per share | G.9. | | | | |
| Weighted average number of outstanding ordinary shares | | 13,892,630 | | 7,835,688 | |
| Dilutive effects of potential ordinary shares | | 0 | | 0 | |
| Basic earnings per share | | 0.55 EUR | | 0.47 EUR | |
| Diluted earnings per share | | 0.55 EUR | | 0.47 EUR | |

¹ According to the resolution of the Annual General Meeting from August 13, 2004

CONSOLIDATED CASH FLOW STATEMENT

| | in EUR '000 | |
|--|-------------|---------|
| | 2005 | 2004 |
| Cash flow from operating activities | | |
| Profit before tax and profit transfer | 9,109 | 5,349 |
| Adjustments for: | | |
| Depreciation, amortization, impairment losses | 2,974 | 2,620 |
| Exchange rate gains | -890 | 0 |
| Interest income | -197 | -154 |
| Interest expense | 4,139 | 4,039 |
| | 15,135 | 11,854 |
| Increase in trade and other receivables | -20,261 | -5,680 |
| Change in inventories | 413 | -6,503 |
| Increase in trade and other payables | -2,949 | 475 |
| Cash generated from operating activities | -7,662 | 146 |
| Interest paid | -3,311 | -3,447 |
| Income taxes paid | -139 | -2,120 |
| Net cash from operating activities | -11,112 | -5,421 |
| Cash flow from investing activities | | |
| Purchase of property, plant and equipment | -7,013 | -4,451 |
| Proceeds from the sale of property, plant and equipment | 355 | 636 |
| Interest received | 393 | 154 |
| Loans granted | 0 | -2,856 |
| Repayment of loans granted | 2,708 | 231 |
| Net cash used for investing activities | -3,557 | -6,286 |
| Cash flow from financing activities | | |
| Loans taken up and silent participations | 0 | 0 |
| Proceeds from capital increase | 70,500 | 0 |
| Repayment of loans | -13,355 | -2,481 |
| Net cash used for financing activities | 57,145 | -2,481 |
| Net increase in cash and cash equivalents | 42,476 | -14,188 |
| Cash and cash equivalents at the beginning of the reporting period | -24,263 | -10,075 |
| Cash and cash equivalents at the end of the reporting period | 18,213 | -24,263 |

Cash and cash equivalents comprise cash and bank balances less current bank liabilities included in the daily liquidity management.

CONSOLIDATED STATEMENT OF CHANGES IN FIXED ASSETS

| | Acquisition and production costs | | | | | Dec. 31, 2005 | thereof capital lease |
|--|----------------------------------|--------------|-------------------------|------------------|--------------|---------------|--------------------------|
| | Jan. 1, 2005 | Additions | Currency translation | Reclassification | Disposals | | |
| 1. Intangible assets | | | | | | | |
| Software licenses and internally produced intangible assets | 2,375,786.44 | 230,997.10 | | - | 29,864.15 | 2,576,919.39 | 57,151.31 |
| 2. Property, plant and equipment | | | | | | | |
| a) Land, land rights and buildings including buildings on third-party land | 2,299,984.60 | 34,414.50 | | 3,221,824.51 | - | 5,556,223.61 | 19,838.12 |
| b) Technical equipment and machines | 19,300,864.36 | 306,672.68 | | 450,394.84 | 3,860.49 | 20,054,071.39 | 3,199,248.52 |
| c) Other equipment, furniture and fixtures | 13,628,887.82 | 6,536,208.80 | | 42,319.06 | 361,043.36 | 19,846,372.32 | 753,990.94 |
| d) Payments on account and assets under construction | 3,814,356.55 | 85,376.86 | | -3,714,538.41 | - | 185,195.00 | - |
| | 39,044,093.33 | 6,962,672.84 | | - | 364,903.85 | 45,641,862.32 | 3,973,077.58 |
| 3. Financial assets | | | | | | | |
| Loans | 4,614,508.67 | - | 297,850.01 | - | 2,707,957.73 | 2,204,400.95 | - |
| | 46,034,388.44 | 7,193,669.94 | 297,850.01 | - | 3,102,725.73 | 50,423,182.66 | 4,030,228.89 |

| Accumulated amortization/depreciation | | | | | Net book values | | |
|---------------------------------------|--------------|-----------|---------------|-----------------------|-----------------|-----------------------|---------------|
| | | | | | in EUR | | |
| Jan. 1, 2005 | Additions | Disposals | Dec. 31, 2005 | thereof capital lease | Dec. 31, 2005 | thereof capital lease | Dec. 31, 2004 |
| 691,584.50 | 195,486.01 | 4,953.91 | 882,116.60 | 13,455.93 | 1,694,802.79 | 43,695.38 | 1,684,201.94 |
| 392,563.32 | 101,012.86 | - | 493,576.18 | 12,068.21 | 5,062,647.43 | 7,769.91 | 1,907,421.28 |
| 5,670,350.08 | 2,022,874.04 | 629.49 | 7,692,594.63 | 1,168,480.81 | 12,361,476.76 | 2,030,767.71 | 13,630,514.28 |
| 1,313,931.65 | 654,328.44 | 33,807.44 | 1,934,452.65 | 235,648.04 | 17,911,919.67 | 518,342.90 | 12,314,956.17 |
| - | - | - | - | - | 185,195.00 | - | 3,814,356.55 |
| 7,376,845.05 | 2,778,215.34 | 34,436.93 | 10,120,623.46 | 1,416,197.06 | 35,521,238.86 | 2,556,880.52 | 31,667,248.28 |
| - | - | - | - | - | 2,204,400.95 | - | 4,614,508.67 |
| 8,068,429.55 | 2,973,701.35 | 39,390.84 | 11,002,740.06 | 1,429,652.99 | 39,420,442.60 | 2,600,575.90 | 37,965,958.89 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | in EUR | | | | |
|--|----------------------|----------------------|-------------------|--------------------------------|----------------------|
| | Subscribed capital | Capital reserve | Revenue reserves | Consolidated retained earnings | Total |
| January 1, 2004 | 4,645,000.00 | 750,052.16 | 56,816.80 | 11,830,141.06 | 17,282,010.02 |
| Comprehensive Income | | | | | |
| Consolidated net profit for the year | 0.00 | 0.00 | 0.00 | 3,707,781.54 | 3,707,781.54 |
| Other comprehensive income | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Allocation to revenue reserves | 0.00 | 0.00 | 8,910,658.31 | -8,910,658.31 | 0.00 |
| Capital increase from company funds | 8,361,000.00 | 0.00 | -8,361,000.00 | 0.00 | 0.00 |
| December 31, 2004 / January 1, 2005 | 13,006,000.00 | 750,052.16 | 606,475.11 | 6,627,264.29 | 20,989,791.56 |
| Allocation to revenue reserves | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Capital increase from company funds | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Allocation to equity from the conversion of silent shareholdings | 2,295,176.00 | 12,704,824.00 | 0.00 | 0.00 | 15,000,000.00 |
| Allocation to equity from capital increase | 4,590,354.00 | 50,908,936.71 | 0.00 | 0.00 | 55,499,290.71 |
| Comprehensive Income | | | | | |
| Consolidated net profit for the year | 0.00 | 0.00 | 0.00 | 7,665,823.41 | 7,665,823.41 |
| Other comprehensive income | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| December 31, 2005 | 19,891,530.00 | 64,363,812.87 | 606,475.11 | 14,293,087.70 | 99,154,905.68 |

REVENUES PER SEGMENT

in EUR '000

| | Total | | Aircraft Engines | | | Technology & Prototyping | | |
|---|---------------|------------|------------------|-----------|-----------|--------------------------|-----------|-----------|
| | Dec. 31, 2005 | % | Dec. 31, 2005 | % | % | Dec. 31, 2005 | % | % |
| Revenues | 37,579 | 100 | 22,221 | 59 | 100 | 15,358 | 41 | 100 |
| Cost of sales | 14,209 | 100 | 8,467 | 60 | 38 | 5,742 | 40 | 37 |
| Gross profit | 23,370 | 100 | 13,754 | 59 | 62 | 9,616 | 41 | 63 |
| | | | | | 0 | | | 0 |
| Marketing and selling expenses | 2,074 | 100 | 1,252 | 60 | 6 | 822 | 40 | 5 |
| General administration expenses | 8,023 | 100 | 4,744 | 59 | 21 | 3,279 | 41 | 21 |
| Other operating income, expenses and taxes | 130 | 100 | -22 | -17 | 0 | 153 | 117 | 1 |
| Operating profit [EBIT] | 13,143 | 100 | 7,780 | 59 | 35 | 5,362 | 41 | 35 |
| Operating profit [EBIT] | 13,143 | 100 | 7,780 | 59 | 35 | 5,362 | 41 | 35 |
| Depreciation and amortization | 2,974 | 100 | 1,760 | 59 | 8 | 1,215 | 41 | 8 |
| Operating profit before depreciation/amortization [EBITDA] | 16,116 | 100 | 9,540 | 59 | 43 | 6,577 | 41 | 43 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. GENERAL INFORMATION

The following comments relate to the consolidated financial statements of Thielert Aktiengesellschaft. The consolidated financial statements for the year ending on December 31, 2005 have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB). The consolidated profit and loss statement is prepared on the cost of sales basis. The company prepared IFRS consolidated financial statements for the first time in 2004.

B. DETAILS OF THE GROUP STRUCTURE

PARENT COMPANY

The parent company is Thielert Aktiengesellschaft, filed in the commercial register B at the District court in Hamburg under the number 77 997 since November 28, 2000. The company's offices are located in Hamburg at Helbingstrasse 64-66.

SCOPE OF CONSOLIDATION

The consolidated financial statements include the single entity financial statements of Thielert AG and the following companies:

| Name, registered office | Abbreviation | Share in % |
|---|--------------|------------|
| Thielert Aircraft Engines GmbH, Lichtenstein / Saxony | TAE | 100.0 |
| Thielert Motoren GmbH, Hamburg | TM | 100.0 |

There are no additional holdings.

C. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS)

The consolidated financial statements of Thielert AG for the year ending on December 31, 2005 have been prepared according to the IFRS, effective on the balance sheet date. The IFRS description also includes the International Accounting Standards (IAS), which are still valid and have been implemented by the European Union. All interpretations of the International Financial Reporting Interpretations Committee (IFRIC),

which were mandatory as of December 31, 2005, have also been applied. There have been no significant impacts from new or amended standards. The IFRS financial statements also comply with the 7th EU guideline. Supplementary information mandatory according to HGB is included in the notes.

D. ACCOUNTING POLICIES

In the scope of the preparation of the consolidated financial statements, **assumptions** have been made and **estimates** have been used which have had an impact on the amount and value of assets and liabilities of the balance sheet, income and expenses as well as contingent liabilities. The assumptions and estimates primarily refer to the Group-wide determination of economic lives of property, plant and equipment, the valuation of manufacturing orders or the accounting and valuation of provisions and the probability of occurrence of future tax burdens. The actual results may differ from these assumptions and estimations in isolated cases. Changes to these results are recognized with an effect on profit upon better notice thereto.

Intangible Assets are capitalized in accordance with IAS 38 ("Intangible Assets"), if there is a probable future economic benefit from the use of the assets and if the costs of the asset can be determined reliably. These are valued at acquisition costs and amortized on a straight-line basis from the time they are ready to be used. A useful economic life of two to ten years is assumed, unless a different period is applicable.

Property, plant and equipment are valued at purchasing or manufacturing costs. With the exception of prototype engines, they are depreciated over the following useful lives:

- // 21 years for airplanes
- // 10 years for other technical equipment
- // 10 years for office and factory equipment
- // 10 years for machines
- // 10 years for testing and measuring systems
- // 5 years for vehicles

Low-value assets are depreciated on a straight-line basis over a period of five years.

Land and buildings held for production or administration purposes are recorded in the balance sheet at historical costs less straight-line depreciation.

Investment subsidies reduce the historical costs. Loan interest is not included in manufacturing costs. Repair costs are expensed immediately.

The manufacturing costs for prototype engines are capitalized as intangible assets from the time of application for certification of the relevant prototype engine. Depreciation of prototype engines is charged based on volume; that is in relation to the number of engines sold during the fiscal year based on the planned total number of sales of such engines.

Financial assets are classified as loans and measured at adjusted carrying amount according to the effective interest method and reduced by amounts repaid.

Inventories are measured at the lower of costs and net realizable value. Provisions are made against inventories where the acquisition or manufacturing costs are higher than the expected net realizable value.

Receivables and other current assets are measured at the fair value on the balance sheet date. A risk provision is made when required according to the ageing structure of receivables or a discounting is applied. Some receivables in the military technology area are recorded in accordance with the percentage of completion method under IAS 11. In the reporting period there were no new orders valued according to the percentage of completion method. Foreign currency receivables are measured at the official rate as of the balance sheet date.

Provisions are set up in accordance with IAS 37 ("Provisions, Contingent Liabilities and Contingent Assets") when an obligation exists, its settlement is probable and the amount of the provision can be reliably estimated. In valuing provisions the best estimate is applied.

Liabilities are initially recognized at their historical costs, which represent the fair value of the consideration received for them. Transaction costs are also accounted for here. Liabilities are measured at their adjusted carrying values. Foreign currency liabilities as of the balance sheet date are translated at the middle exchange rate valid on this date. Exchange gains and losses resulting from this are included in income for the fiscal year.

Leasing contracts are all agreements which transfer the right to the use of a certain item of property, plant and equipment for a fixed term. This is also valid for agreements in which a transfer of such a right is not explicitly described.

IAS 17 ("Leases") includes provisions according to the basis of rewards and risks whether the leased assets are to be allocated to the lessee ("finance lease") or to the lessor ("operating lease"). For a concrete distinction, the Thielert Group uses appropriate criteria based on IAS 17 to qualify a leasing relationship as a finance lease:

- a) Ownership the asset is transferred at the end of the lease.
- b) A "more favorable" purchase option is agreed upon.
- c) The lease term amounts to at least 75% of the economic life of the asset.
- d) The present value of the minimum lease payments amounts to at least 90% of the fair value.

Finance Lease assets are capitalized at the present value of the minimum lease payments plus the guaranteed residual value.

The Thielert Group uses the implicit interest rate of the leasing transaction as the discount rate for calculating the present value. The capitalized present value is matched by a corresponding liability for the leasing commitment on the liabilities side of the balance sheet. The leased assets are depreciated over their economic useful lives on the same basis as own assets. Other leased assets are classified as operating leases and the lease payments are recorded as expenses.

Derivative financial instruments such as e.g. forward contracts, swaps, options, futures, options on interest swaps, forward interest transactions, caps and floors were not used during the past financial year.

Revenues are disclosed after deducting discount, price reductions and rebates. Freight and shipping costs are disclosed in cost of sales of the relevant period. Revenues are recorded when the goods or services agreed upon contractually have been delivered or performed, the compensation agreed upon and determinable as well as its receipt can be expected.

For long-term contracts and development services, revenues are generally recorded after contractually agreed milestones have been reached or after performance has progressed.

Sales deductions are recorded when revenues are recognized or utilized.

For the companies a corporation tax rate of 25% was applied at December 31, 2005 for calculating deferred taxes (2004: 25% for the deferred taxes which will reverse in 2005 and 25% for deferred taxes which will reverse after 2005). Furthermore, a solidarity levy of 5.5% on corporate tax and an effective trade tax rate of 15.05% are also accounted for. Accounting for the solidarity levy and trade tax on income, a tax rate of 38% was determined for the calculation of deferred taxes of the companies (2004: 38% for deferred taxes which will reverse in 2005 and 38% the deferred taxes which will reverse after 2005). Deferred taxes mainly relate to the accounting effects caused by the capitalization of finance leases, changes in depreciation methods, capitalization of internal services for the development of prototype engines as well as earnings of the prior year which had been valued according to the percentage of completion method. Deferred taxes are released over the term of the lease or over the useful lives of non-current assets. After completion of the project, earnings which have been capitalized according to the percentage of completion method will be realized with effect on taxes and the related deferred taxes will be released accordingly.

The functional **currency** of companies included in the scope of consolidation is the Euro. The translation of balance sheet items into foreign currency is carried out at the reporting date exchange rate (1.1835 Euro/USD). The items of the income statements are recorded at the average rate.

E. CONSOLIDATION PRINCIPLES

The consolidated financial statements are prepared as of the balance sheet date of the financial statements of the parent company Thielert AG on December 31, 2005. The annual financial statements of the subsidiaries included are also prepared at the year end of the consolidated financial statements. No changes in the scope of consolidation occurred in the reporting period.

CONSOLIDATION OF CAPITAL

The capital consolidation of the subsidiaries is performed in accordance with the purchase method. As part of this, the book values of the investments are compared to the proportional equity to be consolidated at the time of acquisition of the shares, or in cases where the shares are purchased at different times, at the time the company became a subsidiary.

CONSOLIDATION OF INTRAGROUP BALANCES

All loans, receivables and liabilities between the companies included in the Thielert AG consolidated financial statements are eliminated. Contingent liabilities are similarly consolidated.

CONSOLIDATION OF INCOME AND EXPENSES

All revenues, expenses and income between companies included in the group are eliminated.

ELIMINATION OF INTRAGROUP PROFITS

Any intragroup profits are eliminated from the merchandise inventories and non-current asset items to the extent that they arise from deliveries in periods during which these companies belonged to the group.

F. NOTES TO THE BALANCE SHEET

1. INTANGIBLE ASSETS

Intangible assets related exclusively to software licenses (EUR 850k) and the group's internally generated instruction for the Retrofit Kit (EUR 845k). The installation manual is amortized based on the volume of Retrofit Kits sold in the fiscal year.

2. PROPERTY, PLANT AND EQUIPMENT

The development of non-current group assets is displayed in the non-current asset movement schedule at the end of the Notes.

Expenses as a part of own work capitalized for the development of CENTURION sample engines as well as for the installation kits have been capitalized in non-current assets. The manufacturing costs capitalized for these amounted to EUR 5,250k in the year under review.

Finance lease assets are included in the non-current asset movement schedule. The corresponding liabilities are displayed in the liability movement schedule.

Depreciation and amortization on non-current assets (incl. intangible assets) amounted to EUR 2,974k in the reporting period (EUR 2,620k).

3. FINANCIAL ASSETS

The other loans disclosed under financial assets relate to a non-interest-bearing loan amounting to USD 3,025k to finance the manufacture of production tools for the airplane motor parts production for Superior Air Parts, Inc. (SAP), USA. The Thielert Group has concluded a contractual agreement, according to which the services invoiced are repaid in line with the normal future deliveries of parts. For each part-delivery, a fixed amount of the loan is repayable. The loan will be maintained until due at the end of 2007, whereby market fluctuations are excluded. Furthermore, SAP has committed itself to paying any remaining receivables. Exchange rate fluctuations resulted in an increase of the amount of the loan by EUR 298k with effect on profits.

4. INVENTORIES

Inventories are comprised of raw materials, consumables and supplies (EUR 1,604k), works in progress (EUR 6,140k), finished goods and merchandise (EUR 10,814) and payments on account (EUR 64k). Works in progress relate to manufacturing costs incurred for the continuation of contract work to produce aircraft engines, cylinders, crankshafts and camshafts. Manufacturing costs are recorded based on a mark-up calculation of direct costs plus overheads. Write-downs of EUR 300k were accounted for against finished goods.

5. RECEIVABLES AND OTHER ASSETS

The increase in receivables and other assets to EUR 47,154k is mainly due to the increase in trade receivables by EUR 21,270k. The collection risk resulting from this is accounted for as follows: Risk provisions of 10% were made for open items older than half a year, 25% for those older than one year, 50% for those older than one and a half years and 100% for those older than two years. Overall, a risk provision of EUR 1,605k (previous year: EUR 2,394k) was accounted for. Amounts due by military technology customers with a term of more than one year were written-down with a lump-sum allowance of EUR 1,250k. There were no trade receivables with a term of more than one year as of the balance sheet date.

In the previous year military technology orders had been accounted for according to the percentage of completion method. The net balance sheet value of revenues recognized and costs accrued amounts to EUR 2,915k. The orders are completed and will be finally settled as soon as the outstanding official approvals have been granted.

Other assets amounting to EUR 1,058k are mainly comprised of an amount due from the tax authorities (EUR 364k), suppliers with debit balances (EUR 139k), customer claims from contestable warranty issues (EUR 359k) and an amount due from a silent partner (EUR 80k).

6. EQUITY

The nominal capital of Thielert AG amounts to EUR 19,891,530.00 and is divided into 19,891,530 no-par value bearer shares. It developed in the fiscal year as follows:

| | Number | EUR |
|---|------------|---------------|
| Balance on January 1, 2005 | 13,006,000 | 13,006,000.00 |
| Capital increase in return for goods-in-kind based on the authorized capital resolved by the shareholders' meeting dated March 9, 2005 with resolution of the Management and Supervisory Board as of September 26, 2005 | 2,295,176 | 2,295,176.00 |
| Capital increase in return for cash Resolution of the shareholders' meeting dated September 26, 2005 | 4,590,354 | 4,590,354.00 |
| Balance on December 31, 2005 | 19,891,530 | 19,891,530.00 |

Based on the resolution of the shareholders' meeting dated March 9, 2005 and filed in the commercial register on April 26, 2005, the Management Board is authorized in agreement with the Supervisory Board to increase the nominal capital of the company by up to EUR 2,295,176.00 by way of one or several issues of up to 2,295,176 new, no-par value bearer shares in return for a cash contribution or good-in-kind through to March 8, 2010. The Management Board with the approval of the Supervisory Board decides on the further contents of the respective rights attached to a share and the remaining conditions of the issue of shares. The subscription right of shareholders as stipulated by law is excluded regarding the utilization of authorized capital.

On September 26, 2005, the Management and Supervisory Boards of the company resolved to increase the company's nominal capital by an amount of EUR 2,295,176.00 from EUR 13,006,000.00 from authorized capital as of March 9, 2005 to EUR 15,301,176.00 in return for goods-in-kind. The authorized capital was therewith fully used. The capital increase was performed by issuing a total of 2,295,176 new, bearer ordinary shares. CRE Fiduciary Services, Inc. as a trustee for CRE Trust, Wyoming, USA and Camberwell Associated S.A. by abandoning its entire claims from their silent partnerships are each entitled to the issuance and acquisition of 1,147,588 new, bearer ordinary shares of the company.

According to the resolution of the shareholders' meeting dated September 26, 2005, the nominal capital of the company was increased by up to EUR 4,590,354.00 to up to EUR 19,891,530.00 in return for a cash contribution. The shareholder's subscription right was excluded. The issue of the 4,590,354 new shares was conducted at an issue price of EUR 13.50.

The capital increases became effective upon filing in the commercial register HRB 77997 on November 15, 2005.

8. CAPITAL RESERVE

| | in EUR |
|--|----------------|
| Balance on January 1, 2005 | 750,052.16 |
| Capital increase by conversion of the silent partnership of Camberwell Associated S.A. as of November 15, 2005 | 6,352,412.00 |
| Capital increase by conversion of the silent partnership of CRE Fiduciary Services Inc. as of November 15, 2005 | 6,352,412.00 |
| Cash-inflow from capital increase in the scope of the public offer of 4,590,354 new bearer ordinary shares as of November 17, 2005 | 57,379,425.00 |
| less direct costs related to the IPO | - 6,470,488.29 |
| Balance on December 31, 2005 | 64,363,812.87 |

7. PROVISIONS

| in EUR '000 | | | | |
|------------------|---------------------|--------------------|---------------------|--------------------|
| | 2005 | | 2004 | |
| | Due within one year | Due after one year | Due within one year | Due after one year |
| Tax provisions | 1,039 | 0 | 1,462 | 0 |
| Deferred taxes | 4,298 | 0 | 3,201 | 0 |
| Other provisions | 1,413 | 0 | 293 | 0 |
| | 6,750 | 0 | 4,956 | 0 |

Tax provisions include the income tax provisions for TM, TAE and Thielert AG. The tax provision includes undisputed charges from the current tax audit. The disputed tax charges of EUR 740k relating to TAE's 2000 loss carried forward are not accounted for in the provisions due to the low probability of their occurrence. Other provisions are mainly set up for holiday claims, employee accident insurance subscriptions, guarantee claims, outstanding supplier invoices and year-end financial statement expenses.

The development of provisions (excl. deferred taxes) is shown in the following table:

| in EUR '000 | | | | | |
|-----------------------------|--------------|--------------|-------------|------------|---------------|
| | Jan 1, 2005 | Additions | Utilization | Releases | Dec. 31, 2005 |
| Corporation tax | 600 | 0 | 33 | 270 | 297 |
| Trade tax | 862 | 200 | 320 | 0 | 742 |
| Personnel expenses | 0 | 600 | 0 | 0 | 600 |
| Holiday provision | 28 | 12 | 12 | 0 | 28 |
| Employee accident insurance | 27 | 19 | 19 | 0 | 27 |
| IHK (Chamber of Commerce) | 14 | 5 | 5 | 0 | 14 |
| Guarantees | 100 | 100 | 0 | 0 | 200 |
| Year-end audits | 61 | 90 | 61 | 0 | 90 |
| Outstanding invoices | 51 | 153 | 51 | 0 | 153 |
| Other risks | 12 | 301 | 8 | 4 | 301 |
| | 1,755 | 1,480 | 509 | 274 | 2,452 |

8. LIABILITIES (PREVIOUS YEAR AMOUNTS IN BRACKETS)

| | in EUR '000 | | | |
|--|--------------------------------|--------------------|-------------------------------|----------------------|
| | Of which with a remaining term | | | |
| | Dec. 31, 2005 | less than one year | between one and five years | more than five years |
| Liabilities to banks | 8,396 (42,437) | 1,118 (25,804) | 3,948 (11,966) | 3,329 (4,667) |
| Receipts on accounts for orders | 321 (142) | 321 (142) | 0 (0) | 0 (0) |
| Trade payables | 2,718 (3,185) | 2,718 (3,185) | 0 (0) | 0 (0) |
| Payables to shareholders | 0 (1,150) | 0 (207) | 0 (0) | 0 (943) |
| Payables to silent shareholders | 2,080 (4,042) | 2,080 (775) | 0 (767) | 0 (2,500) |
| Other liabilities | 2,394 (4,766) | 1,195 (3,115) | 1,082 (1,444) | 118 (207) |
| thereof finance lease | 1,737 (2,416) | 537 (765) | 1,082 (1,444) | 118 (207) |
| Tax liabilities | 1,596 (1,839) | 1,596 (1,839) | 0 (0) | 0 (0) |
| | 17,505 (57,561) | 9,028 (35,068) | 5,030 (14,176) | 3,447 (8,317) |
| Minimum lease payments on present values of finance lease | | | | |
| Minimum lease payments | | 651 | 1,207 | 127 |
| Discounted value | | 114 | 125 | 9 |
| Present value | | 537 | 1,082 | 118 |

LIABILITIES TO BANKS The liabilities with a remaining term of more than five years primarily include the loan liabilities taken up to finance the investment projects of TAE. In order to secure the liabilities to banks, various land charges, mortgages, guarantees, assignments and collateral assignments amounting to a total of EUR 23.8 million have been granted.

LIABILITIES TO SILENT SHAREHOLDERS As of the balance sheet date there are two silent shareholdings within TAE with Mittelständische Beteiligungsgesellschaft Sachsen GmbH dated March 2002 and August 2003 for a total of EUR 1,000k each. Mittelständische Beteiligungsgesellschaft Sachsen GmbH receives annual fixed interest of 7.5 % and a profit share amounting to a maximum of 4 % of the contribution p. a. Both shareholdings were cancelled by TAE effective December 31, 2006.

TAX LIABILITIES _Deferred tax assets and liabilities from temporary differences are composed as follows:

| | in EUR '000 | | | |
|-------------------------------|--------------|------------|--------------|------------|
| | 2005 | % | 2004 | % |
| Liability side: | | | | |
| Property, plant and equipment | 3,333 | 77 | 2,163 | 68 |
| Financial assets | 113 | 3 | 0 | 0 |
| Receivables | 851 | 20 | 1,038 | 32 |
| | 4,298 | 100 | 3,201 | 100 |

There were no deferred tax assets.

G. NOTES TO THE PROFIT AND LOSS ACCOUNT

1. REVENUES

| | in EUR '000 | | | |
|---------------------------|---------------|------------|---------------|------------|
| | 2005 | % | 2004 | % |
| Germany | 3,879 | 10 | 6,515 | 27 |
| Europe excluding Germany | 9,209 | 25 | 7,159 | 30 |
| USA and rest of the world | 24,491 | 65 | 10,531 | 43 |
| | 37,579 | 100 | 24,205 | 100 |

Sales revenues are split according to the location of the customer.

2. COST OF SALES

| | in EUR '000 | | | |
|-------------------------------|----------------|------------|---------------|------------|
| | 2005 | % | 2004 | % |
| Material expenses | -5,532 | 39 | -2,249 | 44 |
| Depreciation and amortization | -2,708 | 19 | -903 | 18 |
| Personnel expenses | -5,969 | 42 | -1,983 | 39 |
| | -14,209 | 100 | -5,135 | 100 |

3. SELLING EXPENSES

| | in EUR '000 | | | |
|------------------------|---------------|------------|---------------|------------|
| | 2005 | % | 2004 | % |
| Personnel expenses | -544 | 26 | -369 | 36 |
| Other selling expenses | -1,530 | 74 | -649 | 64 |
| | -2,074 | 100 | -1,018 | 100 |

Other selling expenses mainly include costs of advertising, trade fairs and selling goods.

4. GENERAL ADMINISTRATIVE EXPENSES

| | in EUR '000 | | | |
|----------------------------------|---------------|------------|---------------|------------|
| | 2005 | % | 2004 | % |
| Personnel expenses | -2,058 | 26 | -1,287 | 25 |
| Operating leasing for aircraft | -24 | 0 | -109 | 2 |
| Premises costs | -599 | 7 | -540 | 10 |
| Legal and consultancy fees | -722 | 9 | -764 | 15 |
| Repairs and maintenance expenses | -577 | 7 | -378 | 7 |
| Motor vehicle costs | -326 | 4 | -396 | 8 |
| Other administrative costs | -3,717 | 47 | -1,688 | 33 |
| | -8,023 | 100 | -5,162 | 100 |

5. OTHER OPERATING INCOME AND EXPENSES

| | in EUR '000 | | | |
|---------------------------------------|--------------|------------|------------|------------|
| | 2005 | % | 2004 | % |
| Other operating income resulting from | | | | |
| - Risk provisioning | 1,562 | 51 | 0 | 0 |
| - Insurance compensation amounts | 185 | 6 | 38 | 14 |
| - Settling-in assistance | 58 | 2 | 92 | 35 |
| - Disposals of non-current assets | 0 | 0 | 0 | 0 |
| Others | 1,284 | 41 | 134 | 51 |
| | 3,089 | 100 | 264 | 100 |

| | in EUR '000 | | | |
|---|-------------|-----|--------|-----|
| | 2005 | % | 2004 | % |
| Other operating income | 3,089 | 100 | 264 | 100 |
| Other operating expenses resulting from | | | | |
| - Risk provisioning | -1,846 | 59 | -2,591 | 58 |
| - Exchange differences | -110 | 4 | -679 | 15 |
| - Disposal of non-current assets | 0 | 0 | -94 | 2 |
| Others | -1,149 | 37 | -1,071 | 25 |
| | -3,105 | 100 | -4,435 | 100 |
| Other taxes | -114 | | -11 | |
| | -130 | | -4,182 | |

Other operating expenses primarily include prepayment penalties due to the premature repayment of liabilities.

6. NET INTEREST INCOME/EXPENSE

| | in EUR '000 | | | |
|---------------------------------------|-------------|-----|--------|-----|
| | 2005 | % | 2004 | % |
| Interest income | 505 | 100 | 151 | 98 |
| Other neutral incomes | 0 | 0 | 3 | 2 |
| | 505 | 100 | 154 | 100 |
| Interest on long-term loans | -1,753 | 43 | -1,738 | 43 |
| Interest on short-term loans | -1,910 | 46 | -1,334 | 33 |
| Other payments to silent shareholders | -456 | 11 | -350 | 9 |
| Other neutral expenses | 0 | 0 | -617 | 15 |
| | -4,119 | 100 | -4,039 | 100 |
| Net interest income/expense | -3,614 | | -3,885 | |

7. OTHER INCOME AND EXPENSES

| | in EUR '000 | | | |
|-----------------------|-------------|-----|------|-----|
| | 2005 | % | 2004 | % |
| Income from recharges | 98 | -23 | 98 | 19 |
| Other income | 200 | -48 | 428 | 81 |
| Other expenses | -718 | 171 | 0 | 0 |
| | -420 | 100 | 526 | 100 |

8. TAXES ON INCOME

| | in EUR '000 | | | |
|-----------------|---------------|------------|---------------|------------|
| | 2005 | % | 2004 | % |
| Corporation tax | -683 | 47 | -675 | 41 |
| Trade tax | -723 | 50 | -871 | 53 |
| Solidarity levy | -37 | 3 | -96 | 6 |
| | -1,443 | 100 | -1,642 | 100 |

The effective tax expense according to international accounting rules is calculated as follows:

| | in EUR '000 | | | |
|---------------------------------------|---------------|------------|---------------|------------|
| | 2005 | % | 2004 | % |
| Tax expenses at a tax rate of 38% | -3,461 | 240 | -2,033 | 124 |
| Tax-exempt expenses | 2,459 | -170 | 392 | -24 |
| Non-deductible operating expenditures | -94 | 7 | -1 | 0 |
| Tax expenses of the fiscal year | -1,097 | 76 | -1,642 | 100 |
| Tax expenses from previous years | -346 | 24 | 0 | 0 |
| Effective tax expenses | -1,443 | 100 | -1,642 | 100 |

9. EARNINGS PER SHARE

| | 2005 | 2004 |
|--|--------------------|--------------------|
| Net income | EUR 7,666k | EUR 3,708k |
| Weighted average number of outstanding common shares | 13,892,630 | 7,835,688 |
| Dilutive effect | 0 | 0 |
| Basic earnings per share | 0.55 EUR per share | 0.47 EUR per share |
| Diluted earnings per share | 0.55 EUR per share | 0.47 EUR per share |

H. SEGMENT REPORTING

Segment information is subject to the same disclosure and valuation methods as in the consolidated financial statements.

| AIRCRAFT ENGINES | in EUR '000 | | | |
|---|-------------|-----|--------|-----|
| | 2005 | % | 2004 | % |
| Revenues | 22,221 | 100 | 14,287 | 100 |
| Cost of sales | -8,467 | 38 | -2,983 | 21 |
| Gross profit | 13,754 | 62 | 11,304 | 79 |
| Selling expenses | -1,252 | 6 | -619 | 4 |
| Administration costs | -4,744 | 21 | -3,047 | 21 |
| Other operating income and expenses | 22 | 0 | -2,468 | 17 |
| Earnings before interest and tax [EBIT] | 7,780 | 35 | 5,170 | 36 |
| Depreciation and amortization | 1,760 | 8 | 1,547 | 11 |
| Earnings before interest, tax, depreciation and amortization [EBITDA] | 9,540 | 43 | 6,717 | 47 |

| TECHNOLOGY & PROTOTYPING | in EUR '000 | | | |
|---|-------------|-----|--------|-----|
| | 2005 | % | 2004 | % |
| Revenues | 15,358 | 100 | 9,918 | 100 |
| Cost of sales | -5,742 | 37 | -2,152 | 22 |
| Gross profit | 9,616 | 63 | 7,766 | 78 |
| Selling expenses | -822 | 5 | -399 | 4 |
| Administration costs | -3,279 | 21 | -2,115 | 21 |
| Other operating income and expenses | -153 | 1 | -1,714 | 17 |
| Earnings before interest and tax [EBIT] | 5,362 | 35 | 3,538 | 36 |
| Depreciation and amortization | 1,215 | 8 | 1,073 | 11 |
| Earnings before interest, tax, depreciation and amortization [EBITDA] | 6,577 | 43 | 4,611 | 46 |

A separation of assets per segment is not possible due to the close link between production capacities, building, inventories and liabilities.

I. OTHER INFORMATION

CONTINGENT LIABILITIES

There were no contingent liabilities as of December 31, 2005.

OTHER FINANCIAL COMMITMENTS

In addition to liabilities, provisions and contingent liabilities other financial commitments exist in particular from rental and leasing contracts for buildings, machines, tools, IT, motor vehicles and aircraft. The contracts have a term of up to 9 years and some include extension options and purchase options as well as price adjustment clauses. Total future minimum payments from non-cancellable rental contracts and operating leases comprise the following:

| | in EUR '000 | | |
|-----------------------|------------------------|--------------------------------------|-----------------------------------|
| | Due within one year | Due between one and five years | Due in more than five years |
| Car leasing | 75 | 29 | 0 |
| Aircraft leasing | 208 | 242 | 114 |
| Machinery leasing | 81 | 275 | 0 |
| Rental contracts | 291 | 891 | 1,485 |
| Maintenance contracts | 30 | 88 | 68 |
| | 685 | 1,525 | 1,667 |

SHAREHOLDER STRUCTURE

| | Number of shares | % |
|--|---------------------|---------------|
| Thielert Vermögensverwaltung GmbH, Hamburg | 6,636,504 | 33.36 |
| Camberwell Associated S.A., British Virgin Islands | 1,147,588 | 5.77 |
| CRE Fiduciary Services Inc., USA | 1,147,588 | 5.77 |
| Free float | 10,959,850 | 55.10 |
| | 19,891,530 | 100.00 |

TRANSACTIONS WITH RELATED PARTIES

Legal transactions between the company, the shareholder and companies controlled by it are explained in greater detail in accordance with IAS 24.9 in the following sections.

RECHARGES_TM, TAE and Thielert AG concluded a “global contract for the recharges between enterprises within the Thielert Group and with Thielert Vermögensverwaltung GmbH” on December 3, 2003 with effect from January 1, 2003. In the period from January 1, 2005 to November 30, 2005, recharges were charged to Thielert Vermögensverwaltung GmbH on the basis of the global contract as follows:

//Thielert AG charged a total net amount of EUR 86k.

//TM charged a total net amount of EUR 3k.

A subsequent calculation is intended for each of the following fiscal years in which the value of the amount to be paid will be determined.

The costs affected by the recharges include use of the bookkeeping and controlling of Thielert AG by the above mentioned company, among others. In addition, use of the premises rented from TM by the above-mentioned company is also recharged.

LOANS AND CURRENT ACCOUNTS_In the reporting period, the Thielert Group repaid liabilities to Thielert Vermögensverwaltung GmbH less existing receivables in a total amount of EUR 5,827k. These liabilities included loans amounting to EUR 3,393k.

The receivables between Thielert AG and Thielert Vermögensverwaltung GmbH as of December 31, 2005 amounted to EUR 566k.

OTHER TRANSACTIONS WITH RELATED PARTIES_The usual motor vehicle and mobile telephone contracts exist between Thielert AG and the general managers of the subsidiaries of Board members of the Aktiengesellschaft (public limited company). Furthermore, there were no services or measures beyond the ordinary business transactions between the Group and related parties to the Group.

A contract stipulating general legal consultancy was signed in 2004 between the company and the law firm Huth Dietrich Hahn, Hamburg, whose partner is Dr. Georg Wittuhn. A total amount of EUR 171k was settled in 2005. Furthermore, a total of EUR 865k was charged in connection with the IPO legal and consultancy services.

The fixed-interest loan of EUR 250k granted by Achim von Quistorp was fully repaid in the period under review.

ANNOUNCEMENTS ACCORDING TO § 15A WPHG (SECURITIES TRADING ACT) Members of the Management Board and Supervisory Board of Thielert AG are bound by law under § 15a Wertpapierhandelsgesetz (Securities Trading Act) to disclose any Thielert share purchases or sales. The notification requirement relates to all transactions which exceed a total amount of EUR 5,000 per calendar year:

| | Legal relationship (Management Board, Supervisory Board, spouse, relatives) | Type of transaction (purchase, sales) | Price per share (EUR) | Number of shares | Total volume (EUR) |
|------------------------------|--|--|-----------------------|------------------|--------------------|
| Thielert Vermögensverwaltung | Frank Thielert, CEO of Thielert AG, is general manager and sole partner of Thielert Vermögensverwaltung GmbH | Loan (free of charge for the greenshoe option in the scope of IPO) | 0.00 | 286,511 | 0.00 |
| Thielert Vermögensverwaltung | Frank Thielert, CEO of Thielert AG, is general manager and sole partner of Thielert Vermögensverwaltung GmbH | Sales (in the scope of IPO) | 13.50 | 363,789 | 4,911,151.50 |
| Thielert Vermögensverwaltung | Frank Thielert, CEO of Thielert AG, is general manager and sole partner of Thielert Vermögensverwaltung GmbH | Sale (of shares already granted free of charge for the greenshoe option in the scope of IPO) | 13.50 | 286,511 | 3,867,898.50 |

CORPORATE BODIES

During the fiscal year, the following were appointed **Management Board members**:

- // **Frank Thielert**, businessman, Chief Executive Officer
- // **Roswitha Grosser**, businesswoman

On September 21, 2005 Frank Ripka received joint power of attorney together with one member of the Management Board.

The **Supervisory Board** is comprised of the following:

// **Dr. Georg A. Wittuhn LL. M.**, Chairman of the Supervisory Board
 Lawyer, partner of law firm Huth Dietrich Hahn, Hamburg.
 Advisory council chairman of Thielert Aircraft Engines GmbH
 Advisory council chairman of Thielert Motoren GmbH
 Supervisory Board of AVW Albrecht Vermögensverwaltung AG
 Supervisory Board of spot-media AG (Chairman)
 Supervisory Board of Verwaltung TOPHI Warenhandels-gesellschaft AG

// **Achim von Quistorp**, Supervisory Board Vice Chairman
 General manager of Norddeutsche Private Equity GmbH
 Advisory council vice chairman of Thielert Aircraft Engines GmbH
 Advisory council vice chairman of Thielert Motoren GmbH
 Advisory council of melvo Beteiligungs GmbH
 Advisory council of v. Saldern Transportbeton GmbH & Co. KG

// **Dr. Wolfgang Warnecke**
 Director Research & Development Deutsche Shell AG
 Advisory council of Thielert Aircraft Engines GmbH
 Advisory council of Thielert Motoren GmbH
 Supervisory Board of Choren Industries GmbH

TOTAL REMUNERATION OF THE MANAGEMENT BOARD

| | in EUR '000 | |
|---------------------|----------------------|------------------------------------|
| | 2005 Fixed salary | 2005 Performance- related bonus |
| Frank Thielert, CEO | 219 | 350 |
| Roswitha Grosser | 180 | 250 |

Furthermore, the Supervisory Board resolved in September 2005 to pay out a bonus of EUR 100k to Roswitha Grosser for her performance in the 2004 fiscal year. The bonus was paid in December 2005.

Through his wholly owned Thielert Vermögensverwaltung GmbH, Frank Thielert has an indirect holding of 6,636,504 shares of the company. This represents a stake of 33.36 % in the nominal capital. Furthermore, Frank Thielert is the sole partner of Thielert Mitarbeiter Beteiligungs GmbH, which holds a stake of 1.41 % in Thielert AG's nominal capital. Roswitha Grosser currently holds a total of 28,000 Thielert AG shares via Thielert Mitarbeiter Beteiligungs GmbH. These shares are subject to a blocking period of six months.

TOTAL REMUNERATION OF THE SUPERVISORY BOARD

For each full year of membership in the Supervisory Board, its members receive a fixed compensation of EUR 12,000.00 payable after the end of the fiscal year and a royalty in the amount of EUR 100.00 for each EUR 0.01 of distributed dividend exceeding an amount of EUR 0.10 per share, though with a maximum of EUR 8,000.00. The Chairman receives double the amount of fixed compensation and the Vice Chairman receives one and a half times the amount of fixed compensation.

EMPLOYEES

Personnel expenses of EUR 8,571k (2004: EUR 6,844k) accrued for the average number of 231 employees.

| | 2005 | 2004 |
|--------------------------------|------|------|
| Industrial staff | 124 | 95 |
| Clerical staff | 65 | 57 |
| Miscellaneous | 42 | 39 |
| | 231 | 191 |
| thereof trainees / re-trainees | 11 | 17 |

With resolution of the Annual General Meeting on September 19, 2005, the Management Board has been authorized in the scope of the 2006 stock option plan to issue a maximum of 800,000 stock options with subscription rights on shares of Thielert AG through December 31, 2008 with the approval of the Supervisory Board. These stock options have a term of up to five years and each option includes the right to purchase one share of Thielert AG. In the scope of the 2006 stock option plan, the Supervisory Board is authorized to grant a maximum of 150,000 stock options to members of the Management Board of Thielert AG. Members of the managements of associated Group companies (pursuant to § 15 Stock Corporation Act) can likewise receive up to 150,000 stock options. The Management Board can grant a maximum of 500,000 stock options to employees of the Group.

AUDIT FEES

The auditing costs of the fiscal year amounted to EUR 162k for the consolidated financial statements and EUR 138k for the single entity financial statements of Thielert AG and subsidiaries. Furthermore, EUR 25k was charged for other consultancy services as well as EUR 160k for the preparation of a comfort letter by the current auditor and EUR 40k by the former auditor.

SHAREHOLDER STRUCTURE

According to § 21 para. 1 WpHG (Securities Trading Act), the following announcements have been issued to Thielert AG. These were released in the Börsenzeitung newspaper on November 26, 2005 and existed in the same fashion as of the balance sheet date:

- 1_As of November 16, 2005, voting rights of Thielert Vermögensverwaltung GmbH, Hamburg in Thielert Aktiengesellschaft exceeded the thresholds of 5 %, 10 % and 25 % and amounted to 36.63 % of voting rights. According to § 22 para. 1 sent. 1 No. 2 WpHG, a total of 1.44 % of voting rights is attributable to Thielert Vermögensverwaltung GmbH.
- 2_As of November 16, 2005, Frank Thielert, Germany exceeded the thresholds of 5 %, 10 % and 25 % of voting rights in Thielert Aktiengesellschaft with 36.63 %. According to § 22 para. 1 sent. 1 No. 2 WpHG, a total of 35.19 % of voting rights are attributable to him and 1.44 % of voting rights according to § 22 para. 1 sent. 1 No. 2, sent. 2 WpHG.
- 3_As of November 16, 2005, Camberwell Associated S.A., Tortola/British Virgin Islands exceeded the thresholds of 5 % and 10 % of voting rights in Thielert Aktiengesellschaft with 11.79 %. Since November 21, 2005, the share of voting rights of Camberwell Associated S.A., Tortola/British Virgin Islands in Thielert Aktiengesellschaft has fallen below the 10 % mark and since amounts to 5.77 %.
- 4_As of November 16, 2005, Sputnik Group Limited, Nassau, Bahamas exceeded the thresholds of 5 % and 10 % of voting rights in Thielert Aktiengesellschaft with 11.79 %. Since November 21, 2005, the share of voting rights of Sputnik Group Limited, Nassau, Bahamas in Thielert Aktiengesellschaft has been fallen below the 10 % mark and since amounts to 5.77 %.
- 5_As of November 16, 2005, Field Nominees Limited, Hamilton, Bermuda exceeded the thresholds of 5 % and 10 % of voting rights in Thielert Aktiengesellschaft with 11.79 %. Since November 21, 2005, the share of voting rights of Field Nominees Limited, Hamilton, Bermuda in Thielert Aktiengesellschaft has been fallen below the 10 % mark and since amounts to 5.77 %.
- 6_As a trustee of CRE Trust, Cheyenne (Wyoming)/USA, the CRE Fiduciary Services Inc., Cheyenne (Wyoming)/USA had more than 5% of voting rights in Thielert with 5.77 % as of November 16, 2005.
- 7_As of November 16, 2005, the CRE Trust, Cheyenne (Wyoming)/USA had more than 5 % of voting rights in Thielert Aktiengesellschaft with 5.77 %, which is attributable to this entity according to § 22 para. 1 sent. 1 No. 2 WpHG.

CORPORATE GOVERNANCE

The declaration of conformity according to § 161 AktG will not be made available to shareholders prior to the release of the Annual Report in March 2006. It should be made available on the homepage of the company in the future.

J. EVENTS AFTER THE BALANCE SHEET DATE

In the scope of its growth financing, the Thielert Group intends to acquire other companies, particularly a manufacturer of certified aviation parts or components approved by the FAA (so-called PMA manufacturer; Parts Manufacturer Approval). The target company should also have a respective sales organization and sales channels at its disposal. The growth requiring finance also includes the further development and expansion of the CENTURION engine program including the serial introduction of new models, the expansion of production capacities to increase volumes and meet the higher demand as well as the recruiting and payment of highly skilled employees in line with the market.

In February 2006 the company was informed that Global Opportunities (GO) Capital Asset Management B.V. had exceeded the threshold of 5 % of voting rights in Thielert AG. The release according to § 21 para. 1 WpHG took place on February 4, 2006 in the *Börsenzeitung*.

Furthermore, there are no post balance sheet events to be disclosed

The Management Board assumes that Thielert AG will look forward for a successful year in 2006 once the forecasts are met.

Hamburg, March 3, 2006

The Management Board



Frank Thielert



Roswitha Grosser

AUDITOR'S REPORT

We have conducted our audit of the consolidated financial statements, comprising the balance sheet, the profit and loss account, the statement of changes in equity, the cash flow statement and the notes as well as the consolidated management report for the fiscal year from January 1, 2005 to December 31, 2005 prepared by Thielert Aktiengesellschaft. The preparation of the consolidated financial statements and consolidated management report according to IFRS in the form applied in the EU and the supplementary regulations of § 315a section 1 German Commercial Code (HGB) are the responsibility of the legal representative of the company. Our responsibility is to express an opinion about the consolidated financial statements and consolidated management report on the basis of our audit.

We have conducted our audit of the consolidated financial statements according to § 317 HGB and the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit with reasonable assurance that any incorrectness and material misstatements which significantly impact the asset, financial and earnings situation of the consolidated financial statements are detected. Knowledge of the business activity and the economic and legal environment of the Group and expectations of possible mistakes are considered in the determination of audit procedures. The effectiveness of the internal accounting-related control system and evidence supporting the amounts and disclosures in the consolidated financial statements and consolidated management report are examined on a test basis within the framework of the audit. The audit comprises assessments of the financial statements of the companies included in the consolidated financial statements, the extent of the scope of consolidation, the accounting and consolidation principles used and significant estimates made by legal representatives, as well as an evaluation of the overall presentation of the consolidated financial statements and consolidated management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our assessment and resulting from the knowledge gained during the audit, the consolidated financial statements comply with IFRS in the form applied in the EU and the supplementary regulations of § 315a section 1 German Commercial Code (HGB) and considering these regulations give a true and fair view of the net

assets, financial position and earnings situation of the Group. The consolidated management report complies with the consolidated financial statements, gives an overall true picture of the situation of the Group and provides a reasonable view of the opportunities and risks of its future development.

Hamburg, March 6, 2006

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

von Thermann
Auditor

by procuration Briese
Auditor

GLOSSARY

AAAA_Army Aviation Association of America – association representing interests of flying groups in the U.S. Army

AERO_Most important European trade fair for General aviation that takes place every 2 years in Friedrichshafen, Germany

ATV_All Terrain Vehicle

AVGAS_Aviation Gasoline

BAZL_Bundesamt für Zivilluftfahrt
Federal Office for Civil Aviation (Switzerland)

BMW_Bundesministerium für Wirtschaft und Arbeit (Federal Ministry for Economic Affairs and Employment)

CAAC_Civil Aviation Authority of China

CAD_Computer Aided Design

CAM_Computer Aided Manufacturing

CENTURION_Protected trademark in Europe and the United States for the jet fuel piston aircraft engines of Thielert Aircraft Engines

CNC-Machines_Computerized Numerical Control. Control of machines is done with the help of a computer, which is directly integrated into the controls of machine tools

Department of Defense_American defense ministry (Pentagon)

DNC_Distributed Numerical Control in manufacturing technology means the embedding of computer-controlled machine tools (CNC-Machines) into a computer network.

EASA_European Aviation Safety Agency – aviation authority of the European Union

ECU_Electronic Control Unit – electronic engine control

EMV criteria_Requirements for testing electromagnetic compatibility

Engine Expo_Important international automotive trade show focusing on engine construction and development that takes place every year in Stuttgart

ER/MP_see Extended Range/Multi-Purpose Program

ERP/PPS-System_Software which covers a company's entire information flow

Extended Range/Multi-Purpose PROGRAM_UAV system as per requirements of U.S Army with regard to flight altitude and range for long-term observation, as a communications station and in re-supply applications

FAA_Federal Aviation Authority

FADEC_see Full Authority Digital Engine Control

Firewall-Forward-Kit_Completely preassembled mounting unit for CENTURION engines. The engine can be bolted along with the entire motor periphery as one piece onto the aircraft's firewall

Full Authority Digital Engine Control_Fully electronic, redundant aircraft engine and propeller control unit with single-lever operation in the cockpit and an electronically recorded engine history for servicing and maintenance

General Aviation_Includes all aviation that is not military and not airline transportation service

Heavy Fuel_Generic term for diesel fuels such as automotive diesel, jet fuel, JB-8 etc.

Maintenance operation_Operation that is authorized by the aviation authority for maintenance of products used in aviation

Manufacturing operation_Operation that is authorized by the aviation authority for manufacture of products used in aviation

JAA_Joint Aviation Authorities – union of the aviation authorities of 37 European countries

JAR_Joint Aviation Requirements

Jet fuel_kerosene

JP-8_Military diesel fuel

Kerosene_Civil and military diesel fuel. Comprises 98.75 % of total aviation fuel around the world

Piston Aircraft Engine_Thermal power machine that by internal combustion of fuel performs mechanical work and is used in aircraft

LBA_Luftfahrt-Bundesamt – German aviation authority

Prototype engine_Engine which documents the then currently authorized construction stage of an engine model. A requirement for certification

NATO_North Atlantic Treaty Organization – military alliance of European and North American countries

OEM_Original Equipment Manufacturer – In general aviation, aircraft manufacturers, in the automotive area the vehicle manufacturers

PMA_Part Manufacturer Approval – Company licensed by the FAA as manufacturer of certified aircraft parts or components

Retrofit_Term generally used in aviation for replacement of an old engine with a new one

Self-ignition Principle_Fuel in a combustion chamber is injected with compressed and heated air and ignites on its own

“Single-Fuel-For-The-Battlefield”_Principle that goes back to DoD Directive 4041 of DoD and provides for standardization of military fuels on a “heavy fuel” basis

Single-Source-Supplier_Key supplier

Six-Sigma_Quality management method, which uses in particular an analysis of the current state in order to recognize important procedural parameters, possibilities for defects, and key process figures and make these available for statistical analysis

SMA_French aircraft engine manufacturer

SOCOM_Special Operations Command – U.S. military unit

STC_Supplementary Type Certification – Refers to the installation approval of an engine in an existing aircraft in Thielert's relevant market.

TAE 110_First Thielert Aircraft Engines engine that was authorized

TAE 125_Name under which the CENTURION 1.7 engine was authorized

Tracking_Name of technical process

UAV_Unmanned Aerial Vehicles

UGV_Unmanned Ground Vehicles

FINANCIAL CALENDAR 2006

// **May 2, 2006**

Publication of the interim report
for Q1 2006

// **May 24, 2006**

Ordinary Annual General Meeting

// **August 14, 2006**

Publication of the interim report
for H1 2006

// **November 13, 2006**

Publication of the interim report
for Q3 2006

CONTACT

// INVESTOR RELATIONS

Frank Ripka
Head of Finance
Tel.: +49 (40) 69 69 50 -11
Fax: +49 (40) 69 69 50 -50
Email: ir@thielert.com

// PRESS AND MEDIA

Sebastian Wentzler
Head of Corporate Communication
Tel.: +49 (40) 69 69 50-35
Fax: +49 (40) 69 69 50-50
Email: press@thielert.com

IMPRINT

// THIELERT AKTIENGESELLSCHAFT /

Helbingstraße 64-66 / D-22047 Hamburg /
Tel.: +49 (40) 69 69 50-0 /
Fax: +49 (40) 69 69 50-50 /

You can view the annual report as well
as interim reports and additional information
about Thielert online at www.thielert.com.

This annual report is also available in German

// Concept, text and production:

fischerAppelt, ziegler GmbH, Hamburg

// Design: Ligalux GmbH, Hamburg

// Pictures: Stefan Bungert, Thielert AG

// Printing: Dürmeyer GmbH, Hamburg

Printed with colors free of mineral oils on chlorine-free bleached paper.

