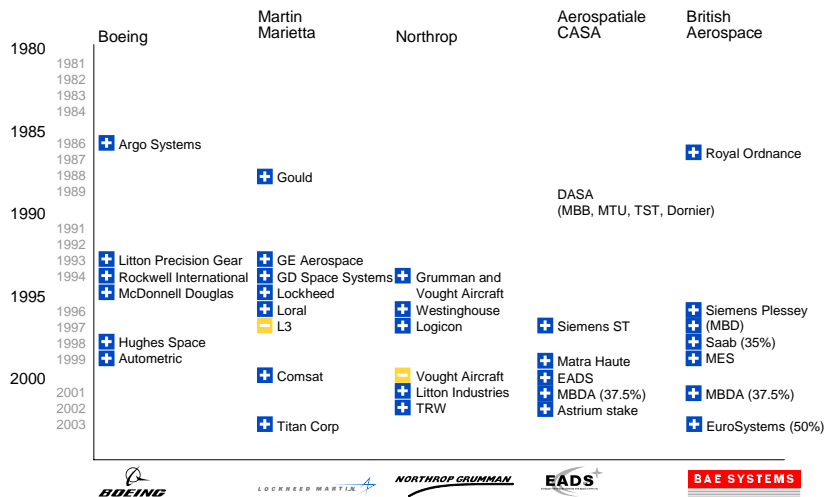


Crossing borders

Experience from the front lines of company M&A

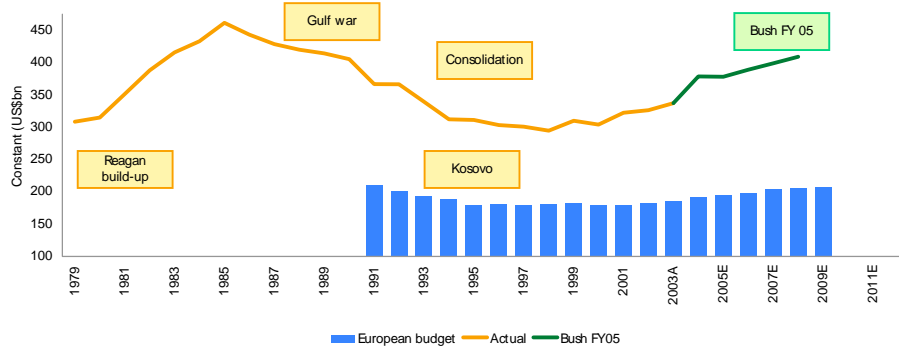


Aerospace & defence industry consolidation



Over US\$75bn of transactions involving over 35 companies

Global defence spending



Source: UBS research, Teal Group

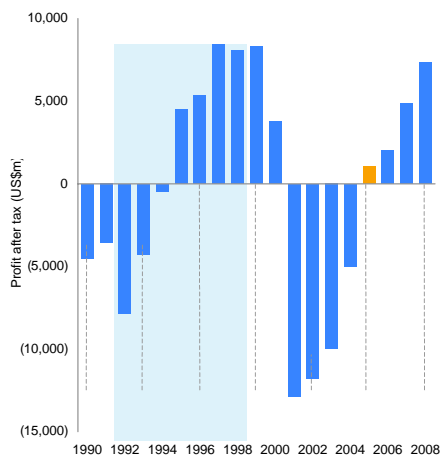
- ◆ Reduced defence budgets post-Cold War and post-first Gulf War
- ◆ More expensive technology—R&D costs spread / duplication eliminated

Defence spending has reduced over the last 15 years

2

Civil aerospace cyclicity

World airline profitability



Source: ICAO

- ◆ Recession in the early '90s produced large industry losses and low aircraft deliveries
- ◆ Array of aircraft platforms required to meet demand of global passenger traffic
- ◆ Large capital requirements to develop new aircraft platforms
- ◆ Customers focused on efficiency and cost-saving—strong demand for fleet standardisation
- ◆ Global support base required

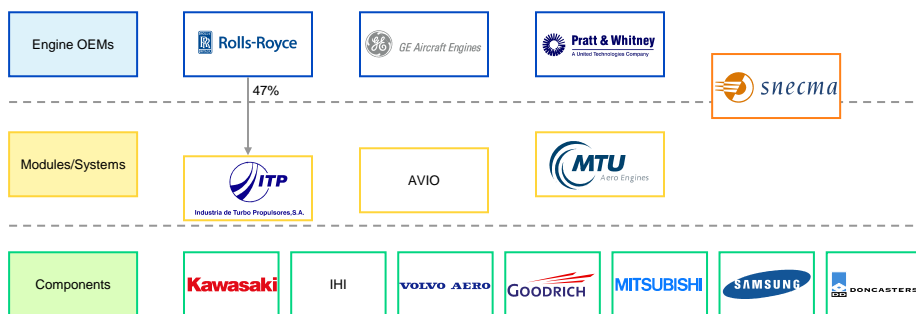
After a strong finish to the '90s, airlines are not expected to return to profitability again until 2005

3

Crossing borders



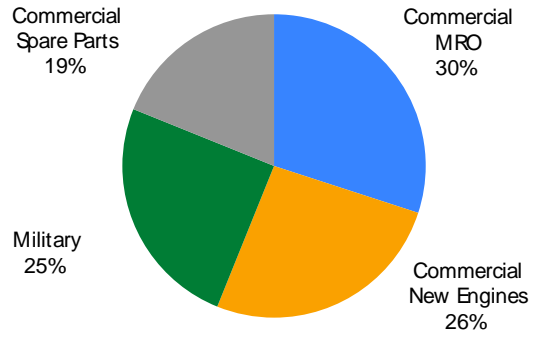
Aero engine industry



MTU is a full revenue and risk-sharing partner

MTU Aero Engines—overview

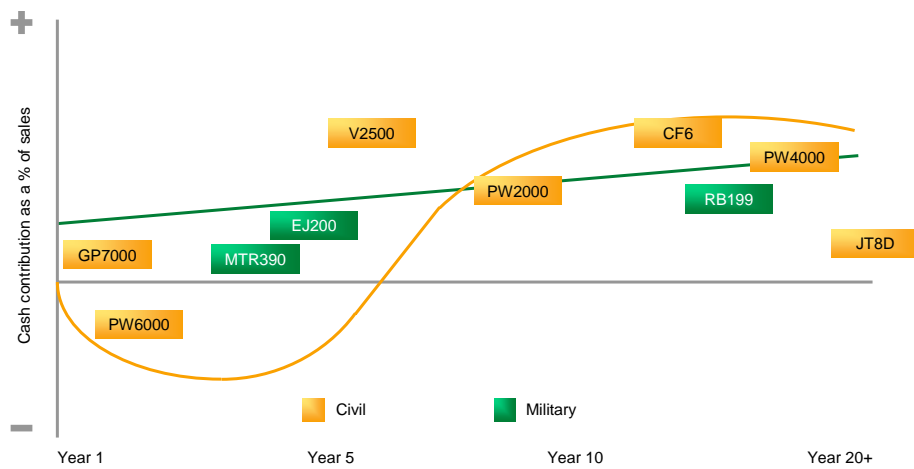
Sales—€1.9 billion



MTU has a diverse revenue stream

6

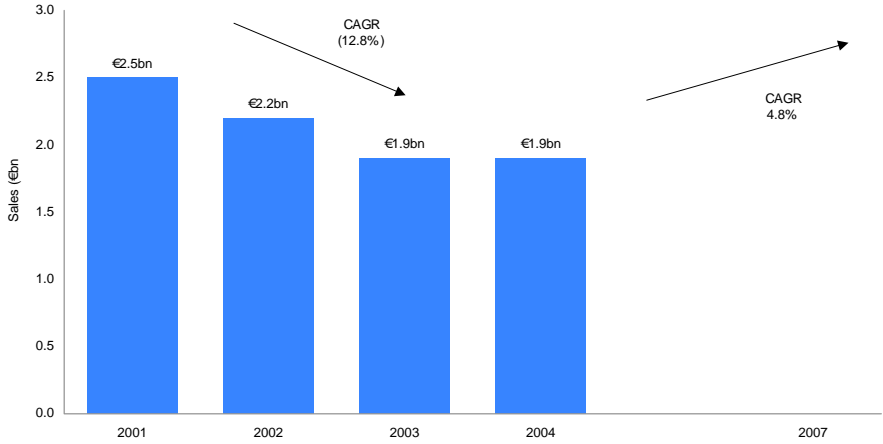
MTU Aero Engines—portfolio



MTU has a broad portfolio of engines

7

MTU Aero Engines Revenue



MTU revenues reached a cyclical low in 2003

Crossing borders



Summary

MTU

- ◆ High technology content and owned IP
- ◆ Repeat business and aftermarket
- ◆ Military exposure brings stability
- ◆ Visible growth drivers—cyclical rebound and aftermarket recovery
- ◆ Major investment has already occurred
- ◆ Room for operational improvements

Aerospace sector

- ◆ Valuations were low when compared to cyclical highs
- ◆ Civil aerospace remains a growth market
- ◆ Buying at the bottom of cycle

10

Crossing borders

KKR