



Annual General Meeting

MTU Aero Engines AG

Speech by the CEO

Reiner Winkler

April 21, 2021

Munich, Germany

– The spoken word is binding –

Dear Shareholders and
Shareholder Representatives,
Ladies and Gentlemen,

Welcome to the Annual General Meeting of MTU Aero Engines AG! Owing to the persistence of the coronavirus pandemic, this meeting will once again take place virtually. We are very fortunate that a virtual meeting is possible, because health protection continues to be our highest priority. Your rights as shareholders and our dialogue with you in this digital format is naturally also very important to us, for which reason we also are providing extensive information online, and will answer your questions as well as we can.

Today I would like first of all to report on last fiscal year. Afterward, I'll be looking ahead – to the fiscal year now underway and beyond. In the process, I want to describe our important focal points for the future.

Let's begin with last year. We will remember 2020 for a long time owing to the coronavirus pandemic. It catapulted the aviation industry into the worst crisis of its history.

Our shareholders were able to see that from our share prices: We started the year well, but the pandemic triggered a slump. Over the course of the year, the MTU share recovered, but overall last year it lost 16 percent of its value. As you can see on the chart, we performed better than the competition, but still well under the curve charted by the DAX. That is naturally unsatisfying, especially when we consider that MTU's business model proved to be solid and resilient during the crisis.

Naturally we were and still are affected by the unprecedented market collapse triggered by the pandemic, and our results did not correspond to our original expectations of 2020 as a record year. Instead, like so many other companies we had to revise our forecast during the year owing to the market. Nonetheless, we can be satisfied with our business figures: Our revenues for 2020 amounted to just under 4 billion euros. We achieved an operating profit of 416 million euros and an adjusted net income of 294 million euros. At 105 million euros, our free cash flow was clearly positive. These results show that MTU is able to hold its course and fulfill its goals even under the most difficult conditions.

We succeeded in this because we did everything that we could do ourselves to counter the crisis. In 2020, that included especially strict liquidity management and a special focus on our capacity. Let me explain these two points a little.

First, liquidity management: MTU built up its liquidity reserves significantly during 2020. We expanded an existing credit facility, took out a promissory note and placed a corporate bond. MTU was, by the way, one of the first companies to successfully place such a bond during the corona pandemic, and in my opinion it demonstrates once again how much the financial markets trust MTU. Among the measures to secure liquidity was a topic that affected all of you directly as shareholders – the widescale shortfall of the dividend payment for 2019. We also drove forward our cost control program vigorously, and in this context we postponed a number of projects in 2020, such as the development of our new repair facility in Serbia or the construction of a second plant in the Chinese city of Zhuhai. However, I want to stress that the expansion of our network of locations has merely been postponed; we are not abandoning it – and meanwhile, construction has been resumed. Moreover, we have significantly reduced our materials expenses, such as the costs of consulting and travel.

In terms of the topic of capacity, I want to mention the three-week suspension of operations in our German MTU plants and in Poland. We also used short-time working as a means of controlling our capacity. When managing our inventories, we pay attention to a healthy balance between capital commitment and optimal control of production. Capacity planning also requires that we adjust our personnel capacity by 10 to 15% by the end of 2021. We are doing this with prudence and care, relying primarily on voluntary programs such as partial retirement, avoiding operational layoffs and keeping the future viability of MTU in mind.

So much in brief for the levers and measures that are ensuring the financial stability of MTU.

We have weathered the crisis well to date. But I would like to emphasize one thing in particular at this point: We only master a crisis when we stand together. MTU's employees have performed outstandingly well during the pandemic, regardless of whether they worked from home, were physically present at our facilities or worked on-site for our customers. They went on delivering products to our customers and partners and supporting them with services even under the most difficult conditions – and thus kept the supply chains moving. This accomplishment deserves respect and recognition. I also want to mention the extremely disciplined implementation of our coronavirus measures. All this time, we have been able to keep MTU from becoming a kind of hotspot for infections. On behalf of the entire Executive Board, I would like to extend my sincere thanks to all our employees for their great commitment during fiscal year 2020 – for their flexibility, their discipline and their sense of responsibility.

Our common battle against the effects of the pandemic brought us even closer together last year. In this context, I'd like to mention our solidarity fund for hardship cases resulting from the corona crisis. With this money, we can provide fast, unbureaucratic financial help to employees who need it. I would like to thank the other members of the Executive Board and all the managers and members of the Supervisory Board of MTU for their generous contribution to this fund.

I would also like to thank our works council for its support. It has been and continues to be a reliable partner in our efforts to master the crisis.

In difficult times, good counsel is very important and very valuable, and I would like to thank you, Mr. Eberhardt, and the other members of the Supervisory Board for your advice! My particular gratitude goes to Professor Klaus Steffens, who stepped down at the end of 2020. Klaus, thank you for your suggestions, your inspiration, and a working relationship marked by great trust. On behalf of the entire Executive Board of MTU, I wish you all the best in the future. Today the Supervisory Board proposes in agenda item 6 to elect Dr. Rainer Martens to the Supervisory Board. Like Professor Steffens, Dr. Martens formerly worked for MTU and will bring valuable industry expertise to the board. The Executive Board would therefore be glad of your support for this proposal. Mr. Eberhardt will provide you with more information on this point, and Dr. Martens will introduce himself personally later on in a video message.

We would also like to thank our customers and partners for their trustful work with us. We look forward to continuing our good business relationships.

Last but not least, we would like to thank you, our shareholders, for your candid dialogue and your trust. Both are valuable to us – even more so in difficult times.

We would also like to express our thanks through our dividend proposal: For fiscal year 2020, the Executive Board and Supervisory Board propose a dividend of €1.25 per share. Fundamentally we will naturally continue to embrace the dividend strategy we have communicated to you. MTU's dividend policy envisages the payment of an attractive dividend, and moreover, we want to increase the payout ratio.

A look at our business performance in 2020 shows that MTU faced strong headwinds. But we demonstrated our strength and our crisis resistance, and showed that we can work profitably even in difficult times. Our task now is to stay on course and shape the future of aviation.

What does that mean concretely for fiscal year 2021? What are the topics on our agenda, and what goals have we set for ourselves?

Let me say first that 2021 is likewise a challenging year, because the pandemic is not over and we will have to deal with its economic effects for quite a while. However, we are well positioned. One example is the freight business, which turned out to be extremely robust during the crisis. Here we have two strong engines in our portfolio – the PW2000 and the CF6. The PW1100G-JM turbofan engine, which

powers the A320neo, will also be very important in 2021. In Hannover, we will be increasing our maintenance focus on this engine. In Munich, on the other hand, we will be emphasizing performance improvements. In all our turbofan engine programs, we are working intensively on strengthening reliability, quality and service life even further. These engines are used in regional and narrowbody aircraft. This makes them essential to moving out of the crisis, because this market segment is expected to recover more quickly than the long-haul business and to return to pre-crisis levels as early as 2023. In our military business, the Next European Fighter Engine will be a central topic in fiscal year 2021 for a future European fighter aircraft. And as I mentioned earlier, in 2021 we will be moving forward with the expansion of our site network – with the construction of our new repair facility in Serbia and the expansion of MTU Maintenance Zhuhai to include a second plant. With all these measures, we are naturally keeping an eye on MTU's liquidity by optimizing cost structures further and being very conscious about expenditures.

Overall, we have set ourselves the target of earning revenues of between 4.2 and 4.6 billion euros in 2021. The adjusted EBIT margin should reach between 9.5 and 10.5 percent. Adjusted net income is expected to develop in line with adjusted EBIT.

A fundamentally important element of all our plans is digitalization. The coronavirus also showed us impressively how important digitalization is for companies – for instance, when people work at home owing to health risks, instead of at the office. At MTU, we currently have a number of digitalization offensives. Their focus lies on digitalization along the value creation chain, from development to production control and all the way to maintenance. Allow me to mention two examples: Our IT is home to a number of projects that are driving forward process digitalization in various areas. We are also using digitalization to completely reposition our technology department, orienting it along the process chain in a program entitled “Reshape-T.” With this step, we are expanding our technology leadership and creating the structural and capacity-related preconditions for scaling up production again and for further growth.

Growth is being restricted at the moment by the coronavirus, but we are optimistic about the future because our prospects are good. The growth trends in our markets will be intact over the long term. Let's take a look at the forecasts: As you can see from the chart, numerous analyses assume that aviation is currently in a short phase of starting up again. Pre-crisis levels are expected as of 2024. Thereafter, aviation ought to pick up speed again – first in the short- and medium-haul segments and, somewhat later, in long-haul business as well. After all, the demand for exchanges of goods and services is just as unbroken as the wish to pursue cultural exchanges.

So I'd like to repeat now what I've said before during recent years, since it continues to be true: Mobility and globalization benefit us in every area – even in the fight against the coronavirus. They enable people to be supplied with the things they need for their everyday lives, and they help mitigate the economic consequences of the crisis – for example through stable supply chains and access to the global marketplace. Naturally, the coronavirus can be the source of changes in supply chains, for instance when manufacturers distribute their production geographically more strongly than before. But that means more global exchange, not less. We support this exchange with our products and services. And we are well positioned for above-average participation in its growth.

There is no question that this growth must be sustainable, because sustainability is a strategic success factor and an important driver of efficiency and innovation. MTU is committed to the Paris Climate Agreement. We want to contribute to restricting global warming by developing sustainable products for our customers and improving the ecological footprint of our production processes.

And that brings me to the first point, sustainable production. Together with Pratt & Whitney, we were early in pursuing sustainable aviation with a turbofan engine that uses fuel sparingly and is quieter. This engine has established itself extraordinarily well on the market. As I already mentioned, we are currently developing the turbofan engine further. We plan to reduce its fuel consumption by a total of 25 percent and cut its noise level in half in comparison with engines from the year 2000. Another important area is sustainable, regenerative fuels, which are indispensable for climate-friendly aviation. New, revolutionary

engine concepts are necessary on the path to zero-emission flying, and in this respect, we are working especially on the areas of hydrogen and flying fuel cells – concepts that could be launched on the market in the mid 2030s.

When it comes to the second point, production, we are doing everything we can to use resources as sparingly as possible. The key to this is more efficient energy use in order to reduce our consumption permanently and sustainably. We have made the greatest progress toward this aim here in Munich at MTU Group's largest facility, and similar projects will also be implemented at our other German sites and internationally. Decisions about these plans are on our agenda for the coming months.

Information on the full spectrum of our sustainability activities and the associated results is available in our sustainability report, where we also report on our contributions to other United Nations sustainability goals, such as those on "Decent work and economic growth" or "Peace, justice and strong institutions," and on our ethical responsibility. The sustainability report will be published at the end of May.

We plan to be measured by our results in the area of sustainability. The Executive Board's new remuneration system, which you will vote on today, is therefore no longer oriented exclusively to financial key figures, but rather also includes targets oriented toward sustainability.

Our aspiration is clear: We want to shape the future of MTU with innovative, technologically leading products that support the sustainable growth of our industry and enable us to enjoy above-average participation in that growth.

In the context of our growth targets, I want to talk briefly about agenda items 9 and 10 of today's Annual General Meeting. In these items, we are applying for authorization to issue new shares and bonds. Both are anticipatory resolutions intended to put the Executive Board in a position to initiate capital measures flexibly and in the necessary volume. With your approval, you grant us maneuvering room that amounts to a tangible advantage for MTU and enables us to realize important opportunities for development. In the past we have always handled these authorizations responsibly, and you may rest assured that we will continue to do so in your interest and that of the company.

Ladies and Gentlemen, let me draw this conclusion: MTU has a business model that has proven to be extremely robust during the crisis. We are and will remain a reliable partner, even under difficult conditions. We have outstanding future prospects and know how to use them – by investing in promising innovations, driving forward digitalization, relying on sustainable solutions and thus actively shaping the future of aviation. I can assure you: We are optimistic about the future. And we will emerge from this crisis with new strength.

I would be very pleased if you would share our confidence and support MTU in the future as well as today. Thank you on behalf of the other members of the Executive Board as well as myself for your trust, your interest, and your time today.

Take good care of yourselves and stay healthy!