



Annual General Meeting

MTU Aero Engines AG

Speech by the CEO

Reiner Winkler

May 5, 2022

Munich, Germany

– The spoken word is binding –

Dear Shareholders and Shareholder Representatives,
Ladies and Gentlemen,

Welcome to our 2022 Annual General Meeting. This is the third time that the AGM of MTU Aero Engines AG has been held virtually. As in the previous years, we will provide you with extensive information in this format. Thank you for taking part and for your enormous interest in MTU. That is shown in the large number of questions submitted ahead of the meeting. We look forward to answering them. You can also ask subsequent questions during the discussion.

Ladies and gentlemen, 2022 is already well under way! Alongside the coronavirus pandemic, we are confronted by war in Ukraine. Both are having an impact on our sector – quite apart from the humanitarian catastrophe brought about by the war. Today, I will outline how that affects our future prospects. But first, let us review 2021 – because an Annual General Meeting includes looking back over the year.

Economically, 2021 was again overshadowed by the coronavirus pandemic. New mutations of the virus and the resulting travel restrictions caused recurrent bouts of turbulence. Nevertheless, we remained on track. Even more importantly: we returned to a growth trajectory. I don't think I need to go through the figures shown in the background in detail. You are all familiar with them from our publications. Here are the essentials in a nutshell: All key financial indicators were far better than in the previous year. We therefore showed that we can grow profitably, even in tough times. And our figures show that we fully achieved our earnings targets. We have therefore proven that, even in times of crisis, we are a reliable partner for our stakeholders. And we have demonstrated once again that our business model is resistant to crisis.

We have a broad customer base in the commercial business. Many of our airline customers serve markets with a high volume of domestic traffic. This sector is recovering faster than international passenger traffic. In addition, we have many customers in the cargo sector. Cargo is solidly above the pre-crisis level and is also supporting the widebody segment. In 2021, we aligned production rates in the commercial series business to market demand. In other words, we scaled back production. At the same time, we prepared the company to ramp up production again. And we have kept an eye on our supply chains. Capacity utilization at our maintenance shops was high last year. We managed to secure many new orders – with a total value of 4.6 billion dollars. We drove forward expansion of our sites: in 2021, construction work started on a second maintenance facility in China. Here, we plan to concentrate on Geared Turbofan™ engines for the A320neo and engines for the classic A320. The facility is scheduled to come into service in 2024. We also started to build a new repair shop in Serbia, where we will be repairing commercial engine parts. MTU Maintenance Serbia will start operating at the end of 2022.

The military business provided stability in 2021. We achieved key milestones with the engine for the next generation of European fighter aircraft. Together with Safran, we established EUMET. This joint venture coordinates development, production and support for the new engine. We secured the Spanish company ITP as the main partner. Consequently, we are ready to ramp up development work for the Next European Fighter Engine. In addition, we had some success with the EJ200 engine for the Eurofighter in 2021. Spain has ordered 20 Eurofighters.

Here is my verdict on 2021: MTU once again proved resilient. Despite the pandemic-related turbulence, we performed well in 2021.

And we would like you, our shareholders, to share in that success. Because investing in MTU should be worthwhile. Especially given that you have remained loyal to MTU in these times of crisis. We are therefore proposing to you today that MTU should pay a dividend of 2.10 euros per share for 2021. That equates to a payout ratio of 33 percent. MTU's dividend should also remain attractive in the future. In keeping with our dividend policy, we want to raise the payout ratio successively in the coming years.

Let us take this opportunity to review the share price performance. Unfortunately, the stock market has hardly rewarded our operational and financial success. MTU shares fell by 15.9 percent in 2021. They therefore significantly underperformed our competitors' shares and the shares listed in the DAX index.

Naturally, neither you nor we can be satisfied with that. However, as well all know, the stock market trades in the future. And MTU has excellent prospects. I will outline them shortly. In view of that, I see upside potential for our share price. Incidentally, most analysts agree with that view: the consensus price target is currently 222 euros.

There is no doubt, ladies and gentlemen, that aviation is one of the sectors that has been hit hardest and for longest by the coronavirus pandemic. On top of that, the war in Ukraine is affecting flight paths, customer relationships and supply chains. Nevertheless, the basis for a sustained recovery of our sector is intact. During the pandemic, many of us became aware that mobility is a basic human need. Aviation links people and cultures. It also connects economic areas, thus making a contribution to our economic prosperity. That makes it irreplaceable, even in the future.

IATA forecasts that the aviation sector will continue its recovery in 2022. Passenger traffic should rebound to 83 percent of the pre-pandemic level and by 2024, it should be slightly above the pre-crisis level. Last year, cargo traffic was already slightly higher than before the crisis and it is expected to rise further this year. IATA is predicting a rise of five percent.

We have positioned ourselves so that we can benefit disproportionately from the renewed upswing in air traffic. All business areas at MTU should post organic growth again in 2022. We expect the strongest upward trend to come from commercial maintenance. Here, we are benefiting from our wide-ranging market access. Because we operate as an independent maintenance provider, a member of the service networks of engine systems producers, and in partnership with airlines. In addition, we benefit from our broad portfolio of engines in all thrust and performance classes. Moreover, we offer numerous engines for short- and medium-haul aircraft. Given the age of the fleet, their maintenance requirements will increase in the future. That will also have a positive impact on our spare parts business. Commercial series business should also grow in 2022. Here, the highest growth rates are in the short- and medium-haul and regional sectors. The recovery is only proving a bit sluggish in the long-haul market. The military business should also grow in 2022 – especially as a result of the Next European Fighter Engine for the new generation of fighter jets.

Overall, we expect revenue to be between 5.2 and 5.4 billion euros this year. Adjusted EBIT should increase in the mid twenty-percent range. Net income should grow in line with operating profit. The cash conversion rate – the ratio of free cash flow to adjusted net income – should be in the mid to high double-digit percentage range in 2022.

To sum up: We want to remain strong operationally and continue to grow profitably. Our good first-quarter results show that we are on the right track. We published our results last week. We therefore have a solid basis for the present year. By 2024, we aim to exceed the pre-crisis level of 2019. How? That is what I would like to talk about now.

We have a clear plan of how to translate our expertise into growth. To achieve that, we are utilizing our traditional strengths and our technology leadership. We are focusing on the right content. And setting new priorities.

Setting the right priorities for content also means digitalization. Because linking competence in technology and digitalization is increasingly becoming the key to future success. MTU already has much to offer in this respect. We are networking production machinery of all generations, creating digitalized interfaces to our customers, and digitalizing processes. In this way, we are optimizing material flows. In addition, we are increasing efficiency, which reduces our costs. We are streamlining our structures. We are continuing to raise quality. And we are encouraging new and more effective forms of collaboration.

Another key to profitable growth at MTU is sustainability. We support the United Nations' Sustainable Development Goals and the Paris climate protection targets. We take these objectives into account in our business activities. And we are pursuing them just as systematically as our financial targets. In short: We want to achieve more yet use fewer resources. That benefits us all – including you as our shareholders.

We started early on to offer our customers products and solutions to help them reduce emissions and save resources. The Geared Turbofan™ is a prime example. It has been on the market since 2016. Known as the GTF, it is used, for example, in the A320neo, the A220 and in Embraer's new E-Jets. Compared with the previous generation, the GTF engine family reduces both fuel consumption and carbon dioxide emissions by 16 percent. Noise is 75 percent lower. Our partner, Pratt & Whitney, has calculated that the Geared Turbofan™ engines have saved two billion liters of kerosene since their market launch. Moreover, more than six million metric tons of carbon dioxide emissions have been avoided. Those are impressive successes.

The success of our sustainability activities is also evidenced by good to very good ratings. For example, MTU has Prime Status in the ISS rating, giving it a leading position in the Aerospace & Defense sector.

However, we are not satisfied with that. We aim to reduce engine emissions and fuel consumption still further. We are working on this through our Claire technology agenda, which focuses on evolutionary and revolutionary engine concepts.

The heart of the evolutionary concepts are the GTF programs and their ongoing development. Our goal is to reduce fuel consumption by another ten percent. En route to this, we achieved a further important milestone with Pratt & Whitney in 2021 – the GTF Advantage. It should be available from 2024 and will reduce both fuel consumption and CO₂ emissions by a further one percent. It also offers airlines higher range and a higher payload. Moreover, when it is launched, this improved GTF engine will be designed for operation with 100 percent sustainable aviation fuels. Today's aircraft powered by the GTF are licensed for operation with a 50 percent admixture of SAFs.

While we are on the subject of SAFs: We support the use of these alternative, sustainable fuels. Their key benefit is that they are drop-in fuels which can be used with conventional kerosene – without technical modification to the engine or the airport infrastructure. The major challenge here is scaling up production. Therefore, we call on politicians to subsidize projects to support the industrialization of SAFs. Against the backdrop of the coronavirus pandemic and the Ukraine war, our sector cannot fund such multi-billion projects on its own. SAFs are important. Because they are a transitional technology on the way to emission-free flying.

Emission-free flying is the second focal area of our Claire technology agenda. Our goal is to develop revolutionary engine concepts for completely emission-free engines. To achieve that, we are working on electrification of the powerchain. Here, MTU is focusing on flying fuel cells. This system does not generate CO₂, NO_x or particulates. The only emission is water. Flying fuel cells are therefore virtually emission-free. We aim to realize this concept by 2035. In this field, we are working closely with the German Aerospace Center. Together with the European Union Aviation Safety Agency EASA, we are already working on the licensing requirements for fuel cell technology.

Our sustainability endeavors go beyond our products. They also include direct emissions released by MTU – in production. Operations at our Munich site have been climate-neutral since the end of 2021. This year, we will be implementing climate protection strategies for our facilities in Hannover and Ludwigsfelde. Rollout to all other MTU sites will follow successively.

As you can see: sustainability involves all areas of MTU. And sustainability and innovation are inseparable for us. Our evolutionary and revolutionary approaches position us well to obtain stakes in engine programs for new short-, medium-haul and widebody aircraft in order to fuel the sustained growth of MTU.

And it is good to know that we are acting in concert with our employees. Last year we conducted regular surveys. The results show that our employees remain firmly behind MTU even in difficult times. They believe in the future of the company. We find that particularly pleasing. Because the motivation and skills of our employees are key factors in our ability to look ahead to the future with confidence.

On behalf of everyone on the Executive Board, I would like to thank them for that, and for their commitment in 2021. You have done a great job! Many thanks for your exceptional dedication, tremendous flexibility, and great team spirit. Thank you too for your discipline and your responsible attitude to the precautions made necessary by Covid. We would also like to thank everyone who has been working short-time, taken up our offer for early retirement or a phased retirement program, and all those who have reduced their working hours. You have all played an important contribution by supporting MTU as a going concern – and ultimately safeguarding as many jobs as possible.

I would also like to take this opportunity thank our customers and business partners, who accompanied us through the past, Covid-dominated year. Many thanks for your good collaboration and your trust in 2021. The Executive Board would also like to thank the Supervisory Board for its constructive support.

On behalf of the Executive Board, I would like to say a special thank you to the Supervisory Board Chairman, Klaus Eberhardt. Today, he is chairing our AGM for the 15th time. He is stepping down at the end of today's meeting. Mr. Eberhardt, thank you for your prudent leadership, our intensive exchanges, and your trustful collaboration. With your knowledge and experience, you have often given us important impetus and advice. Many thanks for everything you have done for MTU over the years. I am certain that if today's AGM had been an in-person meeting, there would have been a round of applause for you. I would like to add to our thanks the request that you remain closely associated with us in the future.

At the same time, we are very pleased that Gordon Riske is standing for election to the Supervisory Board as an excellent successor to you. Mr. Riske, my colleagues and I are greatly looking forward to working you – especially in view of the sincere discussions we have already had with you. I call on you, our shareholders, to vote for Mr. Riske. The intention is that after the election, the Supervisory Board will elect him as Chairman.

My concluding words are naturally addressed to our shareholders. Many thanks for your loyalty to MTU. We greatly appreciate it. And I promise you: We will do everything we can to justify your trust in the future.

Many thanks for your attention. Stay safe.