



Annual General Meeting

MTU Aero Engines AG

Speech by the CEO

Lars Wagner

May 11, 2023

Munich, Germany

– The spoken word is binding –

Ladies and gentlemen, shareholders and shareholder representatives,

A warm welcome to our Annual General Meeting. We are delighted that you have logged on to follow us today.

This is my first AGM as CEO – and I would like to take this opportunity to thank our Supervisory Board again. Many thanks for your trust and your unanimous vote! I was happy to accept the chance to lead MTU into a successful future, together with my colleagues on the Executive Board and our management team.

What is our plan for the future?

It can be summarized in three figures: 8 – 1 – 25. Our goal is to achieve revenue of eight billion euros and an operating profit of 1 billion euros by 2025. That means growth. Moreover – and this is something I consider particularly important – it means sustainable, **profitable growth**. We want to become as profitable as we were before the Covid crisis. And we want to set new records for MTU. That is ambitious. But I am confident that we can achieve our goal.

What makes me so optimistic?

In 2022, we proved that we can grow profitably – even in tough conditions. There were many challenges in the past year: although air traffic picked up, it was still below the pre-crisis level. The war in Ukraine also impacted our sector – mainly indirectly. Here I am thinking of the increase in oil prices and the resulting rise in inflation. In addition, there were enormous supply chain problems. Nevertheless, MTU grew – organically. We took the crisis as an opportunity – and emerged from it stronger. We can draw considerable confidence from that.

In 2022, we grew revenue by 27 percent to 5.3 billion euros. Adjusted EBIT rose 40 percent – to 655 million euros. Adjusted net income was 476 million euros, which was also an increase of around 40 percent. Let us compare these figures with our forecast. Admittedly, full-year revenue was slightly below our target. That is attributable to the pronounced volatility in the supply chain. But surely what really matters is the figure below the line? Here we did not simply deliver: We considerably exceeded our earnings forecast. Although we only raised our guidance at the end of October. We fully achieved our cash flow forecast.

Above all, the figures show one thing: MTU is a healthy and successful company. You, our shareholders, should also benefit from that. Today, the Executive Board and Supervisory Board are proposing a dividend of 3.20 euros. That is 1.10 euros more than last year and the highest dividend since MTU's IPO. If you give us your approval today, we will pay the dividend to you on May 16. At the same time, we are leaving ourselves sufficient headroom for growth projects to create value. **Growth** that will strengthen us as a company in the future – and also benefit you as our shareholders. In keeping with our dividend policy, we want to raise the payout ratio further in the coming years. MTU's dividend should therefore remain attractive in the future as well.

We believe in the future of MTU – and we are not alone in that. The capital market shares our confidence. That can be seen from the positive development of our share price. Here you can see the price performance in 2022 compared with the DAX. Shares in MTU gained 12.7 percent. They therefore outperformed the DAX. And the share price has continued to develop positively in 2023. It has risen to the highest level in the past three years. We see that as a clear sign of confidence. And we would like to thank you for that confidence. At the same time, we are aware that you expect even more from us in the future – both in terms of share price performance and in terms of the development of MTU. We are doing everything we can to meet those expectations.

We have paved the way for sustainable, profitable growth. That is shown by the first quarter. In the first months of 2023, MTU seamlessly continued the success of fiscal 2022. Essentially, we got off to a flying start. We posted a significant rise in revenue and earnings. And that is not all: It was the best quarter in the history of MTU.

What do we expect 2023 as a whole to bring for MTU?

In a nutshell: We are continuing to **grow** – against the background of a positive development in air traffic. Overall, global air traffic is now back around 85 percent of the pre-pandemic level – and over 97 percent for short- and mid-haul flights.

We aim to report revenue of between 6.1 and 6.3 billion euros in 2023. All our business areas should grow.

We expect to see the highest revenue growth in the commercial series business. Here, output should increase considerably – especially production of engines for the A320neo and for regional and business jets. Engine production for long-haul aircraft should also pick up again.

In addition, organic growth in the spare parts business should increase in 2023. Engines for cargo aircraft continue to account for a high proportion of the aftermarket business.

We also anticipate organic growth in commercial maintenance in 2023. Firstly, because we see strong pent-up demand for maintenance services. And secondly, because there are far more flights. That results in higher demand, especially for commercial maintenance.

Furthermore, our military business should increase this year, with the EJ200 engine for the Eurofighter playing a central role. We expect to make deliveries to export customers. And a high volume of aftermarket work. In this way, we safeguard the availability of the fleets that are in service.

What does revenue growth in all business areas mean for our earnings? Clearly, it should have a positive effect: The adjusted EBIT margin should remain stable in 2023.

In 2023, we will therefore be continuing our profitable growth track – heading for 8 – 1 –25.

What makes MTU so successful – even in challenging years?

One success factor is our clear focus on **operational excellence**. First and foremost, a stable supply chain, smooth operation and high delivery capability. With regard to suppliers, we focus on long-term relationships, close collaboration and validation of several different suppliers. Our organization is positioned for growth and is scalable. We have increased the automation and digitalization of our production. We are currently preparing our maintenance operations for further growth. At the same time, we constantly examine the need for investment and are systematically continuing our best-cost strategy. As part of this, we opened MTU Maintenance Serbia in 2022. This new site near Belgrade specializes in repairing engine parts. At the same time, we must not relax our efforts because market data show that demand will increase in the coming years. For us, that means higher production rates and increased demand for maintenance. We can successfully meet both thanks to our operational excellence.

We attach the greatest importance to customer satisfaction. Our customers can expect the highest quality and reliable delivery from us, as well as excellent products and custom-tailored services.

Another big advantage for MTU's success is our **portfolio** – both in the OEM business and in commercial maintenance. Here it is important for us to continue to strengthen and future-proof our core portfolio. The goal for our OEM business is to increase our share of work in future engine programs. On the maintenance side, we aim to exploit the growth potential provided by both new and existing engine models. We made good progress towards that in 2022.

Let us begin with commercial maintenance. Here, we extended our range of services last year. At the same time, we enhanced our flexibility and proximity to customers. Allow me to give you two examples. First: the PW1100G-JM engine for the A320neo. Since 2022, we have also been able to provide maintenance for this engine at MTU Maintenance Zhuhai – and therefore at three locations within the MTU Group: MTU Maintenance Hannover, EME Aero in Poland, and now at our Chinese site as well.

Second: the Geared Turbofan™ engines for the Airbus A220 and Embraer's new generation of E-Jets. These were added to our maintenance portfolio in 2022.

In the OEM business, our portfolio approach is dominated by one main topic: sustainability. As an engine manufacturer, we bear responsibility for our company, for the environment and for society. We accept that responsibility. We want to – and will – contribute to cleaner aviation. The goal is clear: climate neutrality by 2050. I am personally committed to making sure we do everything we can to achieve this goal – as CEO, as Chief Sustainability Officer, but also as a family man and as a citizen who wants to make a contribution to protecting our planet. As head of our technology and development area, I am pushing to make sure we deliver the innovations we need.

And we are doing that: MTU took early action to offer customers solutions that help them cut emissions and save resources. The Geared Turbofan™ is a prime example. It is used in the A320neo, the A220 and Embraer's new E-Jets. You are all familiar with the key data: a 16 percent reduction in both fuel consumption and CO₂ emissions compared with the previous generation. In addition, a 75 percent lower noise footprint. Together with our partner, Pratt & Whitney, we further enhanced the Geared Turbofan™ in 2022. The GTF Advantage will be even more efficient with lower emissions: It will reduce both fuel consumption and CO₂ emissions by a further 1 percent. Moreover, the GTF Advantage is designed to allow operation entirely with sustainable aviation fuels. Test flights with the GTF Advantage started in 2022 and the new engines should be available from 2024.

That is an important step in the right direction. But is climate-neutral flying really feasible? The answer is: yes! Our technology roadmap – Claire – maps out the specific route. Two revolutionary propulsion concepts play a key role: the water-enhanced turbofan – known as WET for short – and the flying fuel cell.

The water-enhanced turbofan is a gas turbine with energy recovery and wet combustion. The WET can run on sustainable aviation fuel or hydrogen and could reduce climate impact by 80 percent by 2035. Its improved efficiency cuts costs and saves valuable resources. The concept can be used in all thrust and power classes. In 2022, use of the water-enhanced turbofan in the SWITCH research project funded by the EU was approved. Together with Pratt & Whitney, Airbus and further partners, we want to explore the potential of the WET concept and its integration into aircraft. That will provide valuable insights for a sustainable future for aviation.

With the flying fuel cell, our focus is on achieving complete electrification of the powertrain if possible. Specifically, liquid hydrogen is converted into electricity with the aid of a fuel cell. The flying fuel cell has the potential to reduce climate impact by 95 percent and thus to almost zero. It is almost emission-free: the only emission is water. This technology is initially intended for short-haul regional flights.

What is not evident at first sight is that technological opportunities are also provided by the military business. To be quite specific: by the work on the development of an engine for the next generation of European fighter aircraft. In this way, we are extending our technology expertise in the high-tech field. Moreover, our work is making a contribution to Europe – to safeguarding military capability and political sovereignty. Russia's invasion of Ukraine has made it clear that this contribution is more important than ever. There is no question: We all condemn the war in the strongest possible terms. It has brought unimaginable suffering. Naturally, MTU supports all sanctions imposed by the EU and the USA and complies with them in full. At the same time, the war has made it quite clear that security has to be a core task for Europe. That gives the Future Combat Air System a key role. Here, MTU can provide support. Looking forward, we can use the opportunity for technology transfer to the commercial sector.

As we move towards climate neutrality in aviation, sustainable aviation fuels – SAFs – play an important role. Because they have a positive effect – immediately and directly. And above all, because there is no alternative in the foreseeable future, especially for long-haul flights. Therefore, we need to give clear priority to the use of SAFs in aviation. SAFs can be used as an admixture to conventional kerosene. Our engines can operate with them without problem. They are already doing so. Here is an example: Since 2022, we have offered customers the opportunity to use SAFs for tests during maintenance work.

Incidentally, we are the first company in the world to do that. In this way, we greatly reduce the CO₂ emissions of acceptance tests. And we are delighted that this option is widely used by our customers. Such initiatives are a good start. But to have a noticeable effect it is essential to significantly increase the proportion of SAFs used in aviation. Because that would provide the urgently needed reliable framework for industrialization of SAFs and thus for a significant increase in production capacity. In short: We need a European climate policy that effectively reduces emissions today. We are also powering ahead with our work on tomorrow's technologies.

As you can see, for us sustainability and innovation are not a contradiction; they are two sides of the same coin. Why? Because that is precisely the right way to create lasting success for the company. MTU wants to shape the future of its sector and make a positive mark on it. At the same time we want to be – and remain – competitive. That benefits us all – the environment, society, and you, our shareholders.

If you reflect on what I have said, you will see that we are already working intensively on tomorrow's MTU. It is perfectly clear that we could not achieve that without our powerful team. Our success is attributable to the enormous dedication, entrepreneurial flair and team spirit of our employees. Our team fully supports our work and our plans. Many thanks to all our employees! I would especially like to thank you all for the commitment and flexibility you showed in 2022 in the face of the high capacity utilization at our sites. And for driving forward all our projects so quickly and so well. I hope and believe that you can feel what is happening at MTU. We are moving forward. MTU has exciting prospects.

Our objectives are also supported and assisted by our Supervisory Board. The term of office of some of our shareholder representatives and of the elected employee representatives ends today. I would therefore like to use this opportunity to thank all members of the Supervisory Board most sincerely. I would especially like to mention those members who are leaving the Supervisory Board today: Dr. Jürgen Geißinger and the employee representatives Heike Madan, Thomas Dautl and Michael Winkelmann. On behalf of the Executive Board, thank you for your very constructive and thoughtful support for our work. I trust you will remain loyal and well-disposed to us in the future! The Supervisory Board proposes that in today's election, Ute Wolf should be elected as a new member of the Supervisory Board. The employee representatives have already been elected. I look forward to continued collaboration with the Supervisory Board and am pleased that Ute Wolf is standing for election. She has a wealth of experience, which can be used effectively in the next steps in MTU's growth.

Our long-standing and trustful relations with our partners, suppliers and customers around the world are an important basis for our future success. I would also like to thank them, both personally and on behalf of the entire MTU Executive Board.

My task is to align MTU for the future, to guide it successfully to 8 – 1 – 25. And in the longer term, to draw up a program for MTU in 2030. I am not doing that on my own, but together with my colleagues on the Executive Board, our managers and all of our employees. In keeping with our leadership values and our innovative, modern corporate culture.

Through your commitment, you – our shareholders – show that you believe in the future of aviation. Above all, you believe in the future of MTU. You place your trust in us. And you have a long-term focus, just like us. On behalf of the entire Executive Board: many thanks. You can rely on us to stick to the route we have embarked on – on the way to our goal of achieving revenue of 8 billion euros and an operating profit of 1 billion euros in 2025. We will continue our profitable growth and, at the same time, help to make the world climate-neutral – with full conviction and the outstanding expertise of a technology leader.

Thank you for your attention!