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Annual General Meeting

MTU Aero Engines AG

on

21 April 2021

Report of the Executive Board on item 9 on the agenda (resolution on the revocation of the Authorized Capital 2019 and creation of a new Authorized Capital 2021 with the authorization to exclude subscription rights; revision of Section 4 (5) of the Articles of Association) pursuant to Section 203 (2) sentence 2 in conjunction with Section 186 (4) sentence 2 German Stock Corporation Act (AktG)

The Executive Board and Supervisory Board propose that the Annual General Meeting approve the creation of an authorized capital to enable the Company to respond at short notice to market conditions without having to convene a new General Meeting. The authorization to create authorized capital granted to the Company by the Annual General Meeting on April 11, 2019 has not been used to date by the Company (as in March 2021) and expires on April 10, 2024. It is to be replaced ahead of time by a new authorization. As before, the new authorization is limited to five years.

In total, authorized capital of EUR 16,000,000 is to be created against contributions in cash and/or kind. This is equivalent to approximately 30% of the Company's current capital stock. The authorization is to be granted for the maximum period of five years permitted by law (until April 20, 2026). The existing Authorized Capital 2019 is revoked.

In the case of a capital increase against contributions in kind, it shall be possible to exclude the subscription right of the shareholders. MTU shall have the opportunity, in case of an acquisition of companies, parts of companies or equity interests in other companies, as well as in case of an acquisition of depositable assets, which are related to one of the acquisitions named before (like industrial property rights or intangible property rights related to the business of a company to be acquired), to offer the seller as consideration a participation in MTU by issuing new shares. Thus in negotiations the necessity might arise to offer the seller shares instead of cash. The granting of shares as consideration might also be in the interest of the Company in the light of an optimized financing structure. The authorization allowing such type of consideration enables MTU to acquire a larger unit, saving liquidity. The Company is in global and national competition. Therefore, it must always be in a position to act quickly and flexibly in national and international markets. This includes the ability to make such acquisitions to strengthen the Company's competitive position. The possibility to offer shares of the Company as consideration creates an advantage in the competition for interesting acquisition targets and enables the Company to make use of opportunities to acquire companies, parts of companies or equity interests in other companies, as well as in case of an acquisition of depositable assets, which are related to one of the acquisitions named before, in a liquidity

saving manner. For this purpose the shares must be offered to the seller only, which makes the exclusion of subscription rights unavoidable. As acquisitions in many cases have to be decided at short notice, it is normally not possible to provide for a resolution of the General Meeting on the required capital increase. Therefore an authorized capital is inevitable, which the Executive Board, with the consent of the Supervisory Board, can access quickly. The issue of shares against a contribution in kind presumes that the value of the contribution in kind corresponds to the value of the shares. When determining the valuation ratio, the Executive Board will ensure that the interests of the Company and of its shareholders are preserved in an adequate manner and that an adequate issue amount of the new shares is achieved.

However, in case of the grant of subscription rights the acquisition of companies, parts of companies or equity interests in other companies, as well as acquisitions of depositable assets, which are related to one of the acquisitions named before, would not be possible in exchange for new shares of the Company and the related benefits for the Company and its shareholders could not be realised.

In case opportunities to acquire companies, parts of companies or equity interests in other companies, as well as acquisitions of depositable assets, which are related to one of the acquisitions named before concretize, the Executive Board will evaluate on a case by case basis on whether to make use of a capital increase against a contribution in kind with an exclusion of subscription rights. The Executive Board will only use the authorization, if it is convinced that the acquisition in exchange for an issue of shares is in the best interest of the Company and is justified considering the dilution effect occurring. Also the Supervisory Board will only consent to an use of the Authorized Capital 2021, if it comes to the same conclusion.

In case of a capital increase against cash, as a basic principle the shareholders must be offered subscription rights.

Subscription rights may also be granted to the shareholders in such way that new shares are assumed by a bank or a company operating in accordance with Section 53 (1) sentence 1 or Section 53b (1) sentence 1 or Section (7) German Banking Act (KWG), subject to the obligation that the shares be offered to the shareholders for subscription (Sections 203 (1) and 186 (5) German Stock Corporation Act (AktG)). However, the Executive Board shall have the possibility, with the consent of the Supervisory Board, to exclude shareholders' subscription rights, in whole or in part, in certain cases. Specifically:

The Executive Board and the Supervisory Board propose that the Annual General Meeting approve the creation of Authorized Capital 2021 at a nominal aggregate amount of up to Euro 16,000,000 which can be used against cash contributions (or contributions in kind, s. above).

The Executive Board is to be authorized to exclude fractional amounts from subscription rights. This will serve to create a practicable subscription ratio. Without the exclusion of subscription rights for fractional amounts, the technical implementation of the capital increase and the exercise of subscription rights would be rendered considerably more complicated, especially if the capital were increased in rounded amounts. By limiting the exclusion to fractional amounts, the potential dilution effect is very small. The new shares, which as fractional amounts are excluded from subscription rights, will either be sold on the stock exchange or otherwise disposed of in a way that best benefits the Company.

Furthermore, the Executive Board shall, with the consent of the Supervisory Board, be able to exclude subscription rights to the extent this is necessary to grant holders of convertible bonds or bonds with warrants subscription rights to new shares if stipulated under the conditions of these bonds. To facilitate their placement on the capital market, bonds usually have protection against dilution which provides for the holders to be granted subscription rights for new shares in subsequent share issuances equal to that of shareholders. Often the Conditional Capital is insufficient to satisfy these subscription rights of bondholders, particularly since the size of the future share issuances cannot be predicted at the time the relevant Conditional Capital is created. In order to give the bonds this kind of protection against dilution, the subscription rights must be able to be satisfied out of the Authorized Capital. Therefore,

when using the Authorized Capital, the subscription rights of shareholders must be excluded in respect of these shares. This facilitates the placement of the bonds and is thus in line with the shareholders' interest in an optimum financing structure for the Company.

In accordance with Sections 203 (2), 186 (3) sentence 4 German Stock Corporation Act (AktG), the Executive Board is to be authorized, with the consent of the Supervisory Board, to exclude the shareholders' subscription rights if the new shares are issued at an issue price that does not fall significantly below the stock exchange price. The number of shares issued in this manner excluding subscription rights may not exceed a total amount of 5% of the capital stock when this authorization becomes effective or is exercised. This authorization places the Company in a position to rapidly and flexibly exploit market opportunities in its various business segments and, if necessary, to cover any capital requirements for these measures at very short notice. The exclusion of subscription rights not only enables the Company to respond rapidly but also to place shares at a price close to the stock market price, i.e. without the markdown required in case of rights emissions. This produces higher proceeds from the issuance for the benefit of the Company. Moreover, new groups of shareholders can be won through such a placement.

In the event that subscription rights are maintained, Section 186 (2) German Stock Corporation Act (AktG) provides for the possibility not to determine the specific issue price when publishing the subscription period but only to indicate the basis for its determination. However, even in this case, it cannot be expected that the best possible placement success will ultimately be achieved for the Company because the issue price must be published at least three days prior to the expiry of the subscription period. In addition, if subscription rights are granted, the successful placement with third parties is jeopardized or entails additional expenses and/or time because it is uncertain to what extent subscription rights will be exercised (subscription conduct). Thus, the best possible reinforcement of equity capital is achieved by the authorization to exclude the shareholders' subscription rights in the interests of the Company and all shareholders.

When exercising the authorization, the Executive Board will calculate the markdown as low as possible, taking into account the market situation prevailing on the date of the placement. The issue price and thus the proceeds received by the Company for the new shares will be based on the stock market price of the shares already listed and not fall significantly below the current stock market price, i.e. at least by not more than 10 %. The exclusion of subscription rights may not exceed 5 % of the Company's current capital stock. In calculating this 5 % limit of the capital stock, an allowance shall be made for the granting of option or conversion rights for Company shares excluding subscription rights after this authorization, i.e. since April 21, 2021, in accordance with Section 186 (3) sentence 4 German Stock Corporation Act (AktG). Finally, in calculating this 5 % limit, an allowance shall be made for sales of treasury shares excluding subscription rights in accordance with Section 186 (3) sentence 4 German Stock Corporation Act (AktG).

In accordance with the statutory provisions, the need to protect shareholders by providing extensive protection against the dilution of their share ownership is accounted for by these requirements. Because of the issue price of the new shares being close to the stock market price and the limiting of the size of the capital increase without subscription rights, in principle, each shareholder has the opportunity to acquire the shares required to maintain their shareholding through the stock exchange at almost identical conditions. Thus, it is ensured that in accordance with the legal purpose of Section 186 (3) sentence 4 German Stock Corporation Act (AktG) the financial and voting right interests are reasonably safeguarded when using the Authorized Capital excluding subscription rights, while at the same time the Company gains reasonable freedom to act in the interest of all shareholders.

Having considered all the described facts and circumstances, the Executive Board and the Supervisory Board deem the exclusion of subscription rights in the described cases both adequate and necessary for the reasons described above, even when taking into account the dilution effect arising to the detriment of the shareholders.

The Executive Board will report on the use of the Authorized Capital 2021 at the next Annual General Meeting.

Munich, March 2021

MTU Aero Engines AG

The Executive Board