Dear readers,

The coronavirus pandemic presents us all with unexpected challenges, affecting the way people and companies all over the world live and work. Things that the entire aviation industry, and by extension MTU, had previously taken for granted have now been thrown into disarray. But what the crisis reaffirms is the importance of responsible and decisive action. As a company, we bear responsibility for the protection and health of our employees, but we also recognize our obligation to society and the environment. That is why we are continuing to pursue the changes necessary to create a more sustainable future. We firmly believe that we can achieve a great deal by doing so.

Climate action is at the forefront of our sustainability activities. In times of climate change, the aviation industry, too, must do its bit to help reduce CO₂ emissions. We have a vision and that is to be an enabler of emissions-free flight and mobility that doesn’t rely on fossil fuels. This isn’t something we can do overnight. We have therefore drawn up a “Technology roadmap towards emission free flying” to help us pursue clear goals and transform compelling ideas into airworthy concepts. Our vision requires us rethink the aircraft engine and consider different approaches—and that is precisely what we are doing. From hybrid-electric and battery-electric engines to fuel cells and alternative fuels—we’re looking at all the options for driving the decarbonization of aviation. In doing so, we want to help achieve the goal of limiting global warming to less than two degrees Celsius, as set out in the Paris Agreement.

We also address a wider range of topics in this report. Our climate action efforts extend to production activities at our sites. In that regard, we are currently examining new climate concepts for our facilities. You can also read about the specific progress we made in 2019, not only in reducing CO₂ emissions in our plants, but also with respect to energy consumption and waste management. We include the supply chain in sustainable value creation and attach great importance to safeguarding the respect of human rights in suppliers’ upstream production processes for our components. As part of our due diligence, we carry out supplier risk analyses, a process that we intend to refine in the future so we can further enhance our assessment of potential risks.
Our compliance system sets out the legal and ethical framework for our actions, while our Code of Conduct and internal guidelines lay down clear requirements and serve as a point of orientation. To supplement this compliance system, we introduced a new reporting platform in 2019. Through this web-based helpline, all MTU stakeholders have the opportunity to submit reports or information—anonymously, if desired.

We have already achieved a great deal, but we still have a lot to do. Our success is contingent on a motivated, qualified and healthy workforce. At MTU, we provide an innovative and diverse working environment with flexible working models, tailored personal development options and social working standards marked by a sense of responsibility. We have always attached great importance to occupational safety and protecting our employees’ health. This remains a top priority during the coronavirus pandemic and we have introduced a whole host of additional measures accordingly. Last but not least, we are committed to an innovative leadership culture that supports us in all our undertakings. To give this culture a solid foundation, we introduced our leadership values “we transform, we empower, we create trust” in 2019 at our sites both in Germany and abroad. These leadership values are now firmly established at all management levels throughout the Group.

In all of this, we are guided by the United Nations’ Sustainable Development Goals and the ten principles of the UN Global Compact. They are key to helping us navigate the way to a more livable future. We won’t let the coronavirus throw us off this course, and indeed it won’t.

Even in these difficult times, we are committed to conducting our business sustainably in all its various facets. You can find out for yourselves how we go about that in this sustainability report. I hope it makes for a stimulating read!

Yours sincerely,

Reiner Winkler
Chief Executive Officer
MTU Aero Engines AG

GRI: 102-14
Overview

The enterprise MTU

MTU Aero Engines AG is Germany’s leading engine manufacturer. The Group offers solutions for the entire aircraft engine lifecycle—from development to production to maintenance. MTU products and services are characterized by innovative and sometimes unique approaches.

MTU, a long-standing aviation company with strong roots in Germany, has established itself as an indispensable partner to all major players in the global engine industry.

86 years

of MTU; its predecessor BMW Flugmotoren GmbH was founded in Munich in 1934.

10,660 employees

were working at MTU’s fully consolidated sites around the world at the end of 2019.
4.6 billion euros in revenue was recorded by MTU for the financial year 2019.

16 company locations around the world give MTU a presence in important markets and regions.

MTU Aero Engines is a technological leader in low-pressure turbines, high-pressure compressors, turbine center frames as well as manufacturing processes and repair techniques. In the commercial OEM business, the company plays a key role in the development, manufacturing and marketing of high-tech components together with international partners. MTU components are used in one third of the world’s commercial aircraft. In the commercial maintenance sector the company ranks among the top three service providers for commercial aircraft engines and industrial gas turbines. The activities are combined under the roof of MTU Maintenance. In the military arena, MTU Aero Engines is Germany’s industrial lead company for practically all engines operated by the country’s military. MTU operates a network of locations around the globe; Munich is home to its corporate headquarters.

→ More at www.mtu.de
MTU’s highlights of 2019

You can find this film at https://www.youtube.com/watch?v=6P_rua2IGI

The 2019 financial year: We continued on our path of success

For us, 2019 was another record year and we were able to continue our profitable growth trajectory. We take a long-term approach to our company’s success and our goal is to steadily increase shareholder value. Our commercial success generates added value for our stakeholders and contributes to society’s prosperity and the economic development of the communities where our business activities are located. We create attractive jobs in a high-tech industry and offer professional training as part of Germany’s dual-track system. At the end of 2019, the MTU Group employed 10,660 people at fully consolidated locations around the world, with 293 young apprentices training. We are a major employer in the region at all major international locations. Our plan is to establish a new repair site in Serbia, where we will provide specialist aviation training based on the dual-track system in Germany. We offer competitive salaries for our employees. We also contribute to society through the tax we pay on our profits. As a local investor and patron, we promote education and the academic landscape, for example by maintaining close ties to universities and colleges, especially in the regions where our sites are located. We invest in our locations and are in the process of expanding our plants in Munich, Hannover, Ludwigsfelde in Germany and Rzeszów in Poland. Through our innovative capabilities, we create upstream value chains and jobs in the supply chain. We work with around 6,200 suppliers, mainly in Europe.

In 2019, we again exceeded the previous year’s revenue figure to achieve a new record of EUR 4.628 billion. Operating profit (EBIT adjusted) rose by 13% to reach a new all-time high of EUR 756.9 million. We reported net income of EUR 537.6 million, a new record and a year-on-year increase of 12%. The company’s order backlog ran to EUR 19.8 billion in 2019, which in purely numerical terms translated to production capacity utilization of some four years. Geared turbofan engines accounted for the majority of the new orders we took. They serve as the basis for our Clean Air Engine agenda goal of further reducing aircraft noise and CO₂ emissions.
<table>
<thead>
<tr>
<th>Financial data (in EUR m)</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>4,628.4</td>
<td>4,567.1</td>
</tr>
<tr>
<td>Earnings before interest and tax (EBIT, adjusted)</td>
<td>756.9</td>
<td>671.4</td>
</tr>
<tr>
<td>Income taxes</td>
<td>178.2</td>
<td>154.0</td>
</tr>
<tr>
<td>Earnings after tax (adjusted)</td>
<td>537.6</td>
<td>479.1</td>
</tr>
<tr>
<td>Capital expenditure on property, plant and equipment and intangible assets</td>
<td>478.9</td>
<td>272.8</td>
</tr>
</tbody>
</table>

Consistent with our goal of steadily increasing shareholder value, we continued our pattern of positive development in 2019. Net value added has remained at a consistently high level over several years, and again amounted to EUR 1.4 billion in the year under review. Most of that (62.4%) went to our employees in the form of wages, salaries and other benefits, while the Group retained 25.1%. The proportion allocated to pay taxes levied by public authorities accounted for 10.6%. To overcome the crisis resulting from the coronavirus pandemic, MTU has taken various financial measures to safeguard the company’s liquidity. These include, for example, the proposal by the Executive Board and the Supervisory Board to the Annual General Meeting to carry forward the net profit for financial year 2019 into this year. Consequently, it was not possible to make any statements about dividends to shareholders at the time this report went to press. We also offer our employees the opportunity to participate in MTU’s success through an annual employee share program.

<table>
<thead>
<tr>
<th>Value added 2019 (in EUR m)</th>
<th>1,389.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross value added</td>
<td>4,725.8</td>
</tr>
<tr>
<td>Employees</td>
<td>62.4 %</td>
</tr>
<tr>
<td>Lenders</td>
<td>1.9 %</td>
</tr>
<tr>
<td>Public authorities</td>
<td>10.6 %</td>
</tr>
<tr>
<td>Group</td>
<td>25.1 %</td>
</tr>
</tbody>
</table>

Gross value added = revenue and other income; dividends to shareholders: The Executive Board and Supervisory Board proposed to the Annual General Meeting to carry forward the net profit for 2019 into this year.
Ratings & rankings

MTU’s performance with regard to non-financial indicators is also regularly assessed by capital-market analysts and independent experts. The company is currently listed in the following sustainability indexes and rankings:

- ISS-oekom
- CDP
- MSCI ESG Research

Information about the coronavirus pandemic

This sustainability report covers the 2019 financial year and is being published as the world fights against the coronavirus pandemic. People and companies are in a different situation today than they were in the reporting year. MTU is doing its part to help contain the pandemic and has taken numerous measures to protect its workforce. The current situation notwithstanding, we want to live up to our corporate social responsibility. You can find more information here.

More information about:
Ratings & rankings: www.mtu.de

GRI: 102-1, 102-2, 102-3, 102-5, 102-7, 103-2, 103-3, 201-1
Coronavirus pandemic

**MTU vs. virus**

The coronavirus pandemic presents us all with unexpected challenges, affecting the way people and companies all over the world live and work. In times like these, we bear responsibility as a company for the protection and health of our employees, but we also want to show our solidarity with society and do what we can to help. Here is an overview of the measures we are taking and the activities we have launched.

Employee protection is at the center of our coronavirus crisis management.

The following provides a summary of all the information available to us up to the editorial deadline on June 12, 2020 relating to our ongoing measures and activities in response to the coronavirus pandemic. The goal of all measures and activities is to get through the crisis together with determination, protect employees and visitors at our locations from infection as best we can, and preserve MTU’s economic strength and financial assets.
We protect our employees

We have put extensive measures in place across all sites to protect our employees’ health during the coronavirus pandemic. These technical and organizational measures apply both to the actual workstations and to daily workflow processes. We want to offer our employees the best possible protection against the coronavirus and minimize the risk of infection as far as possible. The aim is to prevent infection in day-to-day working life. To this end, we have drawn up guidelines that are binding for all employees. We increasingly rely on mobile working, virtual conferences and alternating presence in the office to limit the number of employees present at one time and reduce the risk of infection. Hygiene measures such as increased cleaning of contact surfaces or the distribution of disinfectant on the premises are intended to help prevent the spread of the virus. We have issued distancing and hygiene regulations that must be strictly adhered to during any unavoidable meetings of small groups requiring physical attendance as well as in communal areas and canteens. The wearing of protective masks is mandatory wherever a minimum distance of two meters cannot be maintained, for example in production. MTU provides masks for this purpose. If necessary, we take workplace-related measures or individual measures to protect employees who belong to risk groups.

MTU vs. virus: Our protective measures include the wearing of masks at work and taking hygiene precautions such as regular hand disinfection.

We are running a comprehensive communication campaign to keep employees continuously up to speed with important changes and processes and to sensitize them to the risks and dangers of the coronavirus. MTU’s crisis committee, on which various functions of the company are represented, has initiated company-wide measures to protect employees. The committee also ensured that all the German sites were coordinating with one another on a daily basis.
How we are responding to the economic crisis

We want to ensure that MTU emerges from the crisis at full strength and with its capacity for innovation fully intact. In view of the pandemic, the company temporarily suspended most of its activities at several European sites in April 2020. Besides being our response to the beginnings of an interruption in the supply of materials, this coordinated shutdown of our operations was a way for us to protect the workforce and help contain the spread of the pandemic. We did this in close cooperation with our customers and partners. We made sure that we were there for all stakeholders during this time and ensured our availability to handle important concerns. Wherever operations had to be maintained, appropriate precautions were taken to protect employees. The shutdown affected our production sites in Munich and in Rzeszów, Poland, as well as our maintenance operations in Hannover and Ludwigsfelde near Berlin. This enabled us to weather the first phase of the crisis calmly and collectedly and with great cohesion.

Following the suspension of operations, we resumed with short-time working arrangements at our German sites. The organizational and technical measures we have adopted to prevent coronavirus infections mean we continue to ensure high standards of protection for our employees' health on-site. To overcome the crisis, MTU has taken various financial measures to safeguard the company's liquidity. These include, for example, the proposal by the Executive Board and the Supervisory Board to the Annual General Meeting to carry forward the net profit for financial year 2019 into this year.

MTU is continuing to closely monitor the highly dynamic situation surrounding the coronavirus and is taking the necessary operational and financial precautions in good time to minimize any negative economic impact on the company.

We responded quickly: Occupational safety in line with the new legal standard

We have implemented a comprehensive package of measures to enable operations to resume at MTU’s sites and to offer the maximum possible protection against infection to the employees on-site for this purpose. The measures comply with the new occupational safety standard issued by the German Federal Ministry of Labour and Social Affairs (BMAS SARS-CoV-2 occupational safety standard of April 16, 2020). All employees in Germany received written instructions on this in early May 2020. In this way, we are fulfilling our legal duty of care as an employer to prevent coronavirus infections. Instruction on the new statutory occupational health and safety standard is a fundamental component of our operational measures concept and is supplemented as required by instructions and measures specific to technical areas.
We show solidarity

Because short-time working can lead to cases of particular hardship among colleagues, MTU has set up a solidarity relief fund worth more than EUR 4 million. The Executive Board and well over 90% of senior management have waived a significant slice of their variable remuneration for the past financial year. This solidarity fund enables us to help ensure that we all share the burden.

Each site issues employees with masks centrally. In addition, at the beginning of April we were able to donate protective masks to Bavarian hospitals and the Brandenburg regional association of the German Red Cross.

We have also been directly involved in fighting the pandemic through support and donations. In Munich, we provided more than 50,000 protective masks for use in Bavarian emergency facilities and hospitals. This was possible because MTU always keeps protective masks in stock, further masks were due to arrive and we had sufficient equipment available for emergency operations. MTU Maintenance Berlin-Brandenburg donated 10,000 masks to the Brandenburg chapter of the German Red Cross. The masks were mainly put to use in local care facilities. Staff at MTU in Rzeszów took part in a fundraising campaign for the nearby hospital in Łańcut, one of the clinics in Poland providing intensive care for coronavirus patients. Employees and management felt it was important to support first and foremost those people working in hospitals and care settings, who are giving their all.

Our Munich training team turned to home schooling during the suspension of operations and made use of digital possibilities to teach theory. Our board members and employees also used video conferencing to stay in touch with customers, partners and their teams during the crisis.
About this report

Each year, MTU Aero Engines AG compiles a sustainability report to comprehensively inform its stakeholders about corporate responsibility (CR) of an economic, environmental or social nature within the company. The report provides information about the company’s CR strategy, objectives and performance and also describes the priorities and progress made in 2019, building on the previous report. It supplements the non-financial statement in our Annual Report.

Reporting period and cycle

The reporting period covers financial year 2019 (January 1 to December 31). To better organize how information is presented and provide explanatory context for readers, activities from outside the reporting period are also cited in some cases. The report is published annually in German and English and will be available as an online report at sustainability.mtu.de in June 2020. It is possible to obtain a PDF download of the report.

Scope of validity

The report covers all of the MTU Group sites that are treated as fully consolidated in the company’s financial reporting. The information and key performance indicators refer to the specified Group reporting entity, unless otherwise indicated.

- MTU Aero Engines, Munich, Germany (headquarters)
- MTU Maintenance Hannover, Hannover, Germany
- MTU Maintenance Berlin-Brandenburg, Ludwigsfelde, Germany
- MTU Aero Engines Polska, Rzeszów, Poland
- MTU Maintenance Lease Services B.V., Amsterdam, Netherlands
- MTU Maintenance Canada, Vancouver, Canada
- MTU Aero Engines North America, Rocky Hill, United States
- Vericor Power Systems, Alpharetta, United States

Reporting standard and topics

The 2019 Sustainability Report was drawn up in compliance with the Global Reporting Initiative (GRI) and meets the GRI standards (“Core” option). In accordance with these globally recognized sustainability reporting guidelines, we report on all required standard disclosures as well as on our management approaches for key topics and on selected indicators for each topic. We provide a GRI index for cross-referencing the report’s contents with the GRI standards. Tables and graphics with statements relevant to GRI have been appropriately marked. The relevant GRI standards are listed at the end of each page.
A materiality matrix presents the sustainability topics that are significant for the MTU Group and shows how they are weighted from an internal (X-axis) and external (Y-axis) perspective. It is regularly checked and updated, and serves as the basis for selecting the key topics and performance indicators for this report.

→ Material topics

UN Global Compact and Sustainable Development Goals

The 2019 Sustainability Report also provides information on progress made in accordance with the ten principles of the UN Global Compact. Cross-references to those principles can be found in the GRI index. The relevant principles are also listed at the end of each page. As a signatory of the UN Global Compact, we support the Sustainable Development Goals and want to help achieve them by 2030. We present our contribution to the SDGs under → Sustainable Development Goals.

Key figures and collection methods

All data and information for the reporting period was collected by the relevant departments using representative methods. Environmental KPIs are collected via the environmental management systems at the individual sites and then consolidated centrally in the CR database according to agreed criteria. The HR KPIs are collected and evaluated centrally at the headquarters in Munich for Germany, and locally for all non-German sites. Once the data is evaluated, it is sent to the CR database. All other data is requested from the CR coordinators in the relevant departments and compiled centrally in the CR database. Financial KPIs are collected and published in accordance with the International Financial Reporting Standards (IFRS).

Supplementary information and previous reports

MTU regularly informs its stakeholders about sustainability issues. You can find supplementary information, more detailed analyses and older publications online:

→ Corporate responsibility at MTU
→ Compliance at MTU
→ MTU annual reports

In addition, we regularly report on important and/or current sustainability topics in central MTU publications and through various communication channels.

→ News and media

External validation of the report

The CR reporting for this sustainability report was not subject to external auditing or validation. The majority of corporate processes that underlie data collection for CR reporting are certified. We have already reported selected key figures for topics of very high importance in our non-financial statement. These have been verified by auditors as part of a limited assurance.
Contacts

Please address questions about the report to corporateresponsibility@mtu.de

Forward-looking statements

This report contains forward-looking statements. These statements reflect the current understanding, expectations and assumptions of MTU Aero Engines and are based on the information available to management at the present time. Forward-looking statements provide no guarantee that certain results and developments will actually occur in the future, and they entail risk and uncertainty. Consequently, for a variety of reasons, the actual future results of MTU Aero Engines may deviate substantially from the expectations and assumptions expressed here. MTU Aero Engines assumes no obligation to update the statements contained in this communication.

This document has been formulated in gender-neutral terms.